

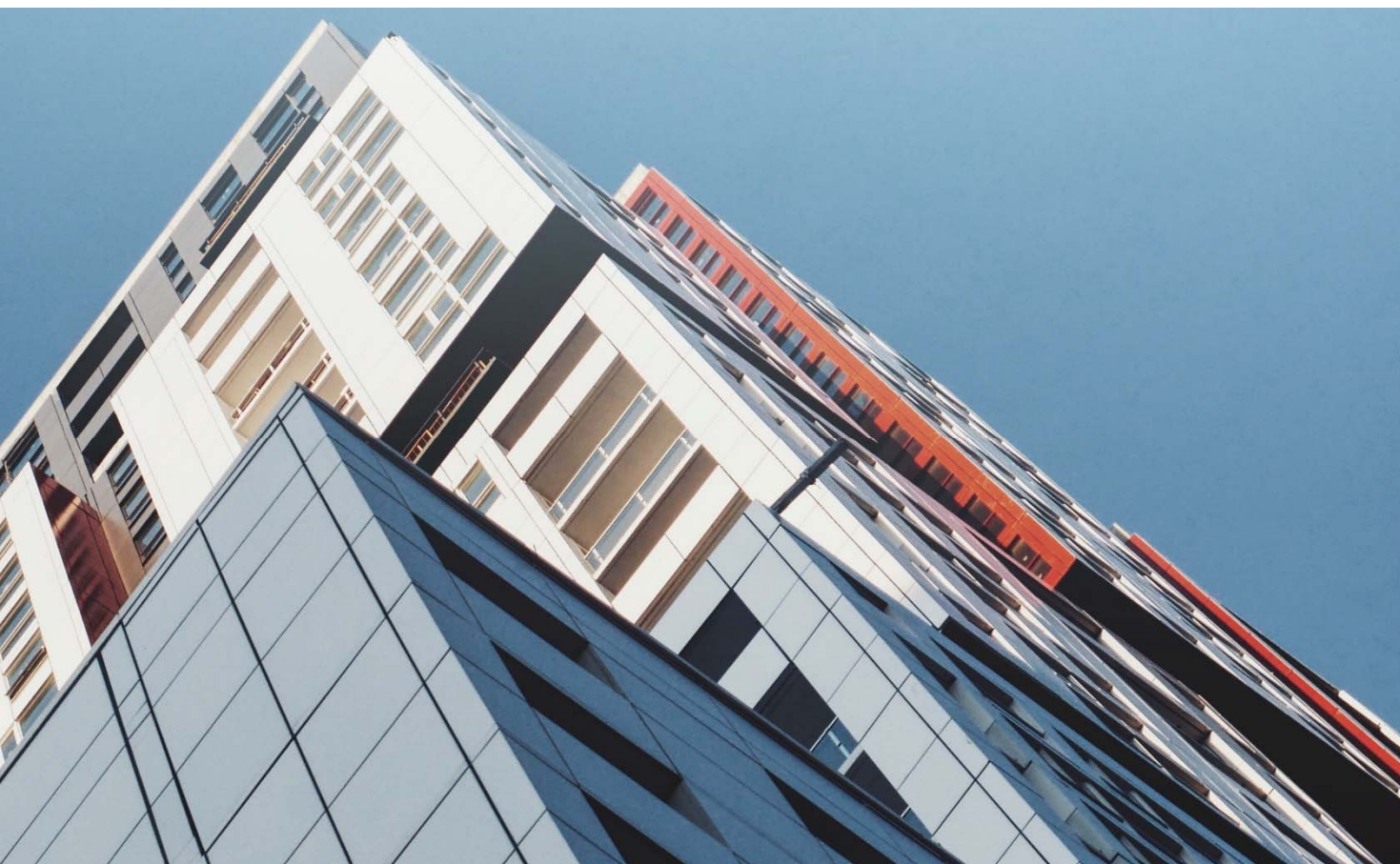


# Austerity in Nova Scotia

A Briefing Note on Recent Trends

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Austerity and its Alternatives is an international knowledge mobilization project committed to expanding discussions on alternatives to fiscal consolidation and complimentary policies among policy communities and the public. To learn more about our project, please visit [www.altausterity.mcmaster.ca](http://www.altausterity.mcmaster.ca).

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## BACKGROUND: NOVA SCOTIA

The province of Nova Scotia is one of Canada's three Maritime Provinces. With an area of 52 939 square kilometers,<sup>1</sup> the province is home to just shy of 950 000 people,<sup>2</sup> and has the second largest population density in Canada.<sup>3</sup> Over 400 000 people reside in the metropolitan area of Halifax,<sup>4</sup> with the remainder of the population living in rural Nova Scotia. This distribution reflects a demographic shift as rural populations move to the urban centre.<sup>5</sup> At the same time, the population in general has seen a recent increase, largely due to immigration to the province.<sup>6</sup>

The economy of Nova Scotia was historically sustained by primary resource development and extraction (agriculture, mining, fishing, and forestry) as well as through some large-scale heavy industry projects, such as the state-owned complex located in Sydney.<sup>7</sup> Since the 1970's, however, the Nova Scotian economy has faced dislocations and restructuring. Peter Clancy explains:

The rural primary resource economy has come under mounting pressure as small producers have seen their margins cut and their processing sectors restructured. This restructuring was especially devastating to fishing, forestry and agriculture. At the same time, longstanding pillars of the manufacturing economy have also been stressed. The Sydney heavy industrial complex experienced a long decline from the 1960s until its ultimate disappearance in the 2000s. The light industry sectors in smaller towns have also been undermined.<sup>8</sup>

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1 Statistics Canada. "Population and Dwelling Count Highlight Tables, 2011 Census." Ottawa: Statistics Canada. <https://www12.statcan.gc.ca/census-recensement/2011/dp-pd/hltfst/pd-pl/Table-Tableau.cfm?LANG=Eng&T=101&SR=1&S=9&O=A> (accessed December 2, 2016).

2 Statistics Canada. "CANSIM table 051-0001." Ottawa: Statistics Canada. <http://www.statcan.gc.ca/tables-tableaux/sum-som/lo1/csto1/dem002a-eng.htm> (accessed December 2, 2016).

3 Statistics Canada. "Population and Dwelling Count Highlight Tables, 2011 Census."

4 Statistics Canada. "CANSIM table 051-0056." Ottawa: Statistics Canada. <http://www.statcan.gc.ca/tables-tableaux/sum-som/lo1/csto1/dem005a-eng.htm> (accessed December 2, 2016).

5 Peter Clancy. 2015. "Nova Scotia: Fiscal Crisis and Party System Transition." In *Transforming Provincial Politics: The Political Economy of Canada's Provinces and Territories in the Neoliberal Era*, ed. Bryan Evans and Charles Smith, 77-109. Toronto: University of Toronto Press.

6 Lisa Blackburn. 2016. Nova Scotia's population has never been higher, thanks to immigration. CBC News, June 17th. <http://www.cbc.ca/news/canada/nova-scotia/immigration-population-nova-scotia-statistics-canada-syria-1.3639931> (accessed December 5, 2016).

7 Clancy. "Nova Scotia: Fiscal Crises and Party System Transition."

8 Ibid.



The consequences of these changes have been widely felt. The unemployment rate in Nova Scotia is, as of November 2016, 8%. This is higher than the Canada-wide rate of 6.8%.<sup>9</sup> Weak economic growth, particularly related to low job creation in the private sector, and demographic trends which see the prime working-age population shrinking while the aging population grows, pose significant challenges for the government of Nova Scotia.<sup>10</sup> In the 2014 fiscal year, the province's net public debt surpassed \$15 billion.<sup>11</sup>

In response to these problems, the Government of Nova Scotia has made balancing the public budget its top priority. Specifically, the election of 2013 ushered in a new liberal government, led by Premier Stephen McNeil; a primary task for the McNeil government has been eliminating the deficit.<sup>12</sup> As Jordan Brennan notes, although officials rarely use the term 'austerity' to describe their approach to fiscal policy, the choices the Nova Scotian government has made in its allocation of funding for public services suggests the adoption of an austerity agenda.<sup>13</sup>

This briefing note outlines three trends related to austerity in the province of Nova Scotia. "The politics of austerity," Brennan writes, "can be loosely [characterized by] reductions in government spending, a relative contraction of the public sphere [and/or] sharp increases in income and consumption taxes."<sup>14</sup> The three austerity trends identified here include a growing prevalence of austerity discourse in government documents and in the justification of policy changes, a restructuring of government departments to reduce the size of government, and wage freezes for public sector employees.

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9 Statistics Canada. "CANSIM tables 026-0006 and 027-0054." Ottawa: Statistics Canada. <http://www.statcan.gc.ca/tables-tableaux/sum-som/lo1/cst01/indio2d-eng.htm> (accessed December 5, 2016).

Statistics Canada. "CANSIM tables 281-0039, 281-0063, 282-0087, and 382-0006." Ottawa: Statistics Canada. <http://www.statcan.gc.ca/tables-tableaux/sum-som/lo1/cst01/indio2a-eng.htm> (accessed December 5, 2016).

10 Jordan Brennan. 2016. *Growth, Austerity and the Future of Nova Scotian Prosperity*. Halifax: CCPA. <https://www.policyalternatives.ca/publications/reports/growth-austerity-and-future-nova-scotian-prosperity#sthash.XS4Ywo2M.dpuf> (accessed December 5, 2016).

11 Ibid.

12 Ibid.

13 Ibid., 5.

14 Ibid., 10.



## AUSTERITY TRENDS

### Austerity Discourse

The government of Nova Scotia, since 2013, has adopted the position that the budget deficit is the primary issue faced by the province. Premier McNeil and his cabinet insist that “budgetary deficits hamper the province’s growth prospects and have spent three years trying to eliminate the deficit.”<sup>15</sup> This focus is prevalent in many government documents. For instance, the 2015-2016 budget claims to “hold the line on spending, restructure[ing] and reduc[ing] the size of government, and continu[ing] to clear the way for private-sector growth.”<sup>16</sup> The 2016-2017 budget uses similar discourse, claiming that “responsible financial management is the foundation upon which everything is built. We must continue to be strategic and prudent about how we spend the money we have.”<sup>17</sup>

This discourse reflects a change in priorities for the Government of Nova Scotia. Government spending to support health care, education, and other social services is secondary to the elimination of debt. For example, in August 2016, Minister of Finance Randy Delorey announced that the annual deficit number decreased by \$87 million compared to original estimates.<sup>18</sup> These savings were largely thanks to an expense decrease of \$31.3 million at the Department of Health. Of the \$31.3 million in savings, \$28 million was the result of delays in major construction projects for health infrastructure in the province, while \$6.8 million was saved by cutting and delaying various health programs, particularly related to long-term care and community mental health supports.<sup>19</sup> In both words and actions, the deficit takes priority over social services.

What makes such austerity discourse even more disturbing is the fact that the budget deficit, when contextualized, is far less concerning than the government portrays. For example, Nova Scotia’s \$144 million deficit in 2014 was actually only

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<sup>15</sup> Ibid., 5.

<sup>16</sup> Government of Nova Scotia. 2015. *Budget 2015-2016 Highlights*. Halifax: Department of Finance. [http://www.novascotia.ca/finance/site-finance/media/finance/budget2015/Budget\\_Highlights.pdf](http://www.novascotia.ca/finance/site-finance/media/finance/budget2015/Budget_Highlights.pdf) (accessed December 8, 2016).

<sup>17</sup> Government of Nova Scotia. 2016. *Budget 2016-2017 Highlights: Working Together for a Stronger Nova Scotia*. Halifax: Department of Finance. [http://www.novascotia.ca/finance/site-finance/media/finance/budget2016/Budget\\_Highlights.pdf](http://www.novascotia.ca/finance/site-finance/media/finance/budget2016/Budget_Highlights.pdf) (accessed December 8, 2016).

<sup>18</sup> The Canadian Press. 2016. Nova Scotia reports lower than forecast deficit as health spending delayed. *The Canadian Press*, August 9. <http://globalnews.ca/news/2873224/nova-scotia-reports-lower-than-forecast-deficit-as-health-spending-delayed/> (Accessed December 5, 2016).

<sup>19</sup> Ibid.



1.5% of government revenue, a number well below the Atlantic Canada average (5.2%) and the federation average (3.8%).<sup>20</sup> Further, as Brennan points out, the budgetary deficit is shrinking, and the cost of servicing the debt is at a quarter-century low.<sup>21</sup> Despite the government's ongoing narrative of the desperate situation of the public accounts, Nova Scotia spending is not out-of-pace with other Canadian provinces, and the cost of servicing the debt is manageable.

## Decreasing Government

A second trend in Nova Scotia related to austerity is a restructuring of government to "begin to right-size the civil service."<sup>22</sup> This government down-sizing has included departmental and program restructuring, including the cessation of entire departments, and large-scale reductions in jobs. In 2015, for example, 320 full-time equivalent civil service jobs were cut.<sup>23</sup> 75 of these jobs were from the Department of Economic and Rural Development and Tourism, which was eliminated entirely that same year. Other government initiatives, like the Nova Scotia Gateway Office and Film and Creative Industries Nova Scotia, were phased out in 2015, while further size reduction was pursued through the merging of Nova Scotia Lands and Waterfront Development Corporation Ltd. and through the consolidation of Land Registry Offices.<sup>24</sup> Departments that were not directly restructured or subjected to severe job-cuts were still affected, as budgets were reduced. Specifically, the Department of Energy, the Department of Environment, the Department of Natural Resources, the Department of Seniors, and the Public Commission

Service all faced a budget reduction between the 2014-2015 and 2015-2016 fiscal years.<sup>25</sup> In reference to these changes, Finance Minister Diane Whalen said, "We are restructuring and reducing the size of government. The government will be smaller after today."<sup>26</sup> This reduction, it is claimed, will "maximize taxpayer dollars and ensure value."<sup>27</sup> It is evident that these reductions will continue. Between 2015-

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<sup>20</sup> Brennan. *Growth, Austerity and the Future of Nova Scotian Prosperity*.

<sup>21</sup> *Ibid.*, 5-6.

<sup>22</sup> Government of Nova Scotia. *Budget 2015-2016 Highlights*.

<sup>23</sup> CBC. 2015. Nova Scotia government delivers hard-line budget, cuts 320 jobs. *CBC News*, April 9. <http://www.cbc.ca/news/canada/nova-scotia/nova-scotia-government-delivers-hard-line-budget-cuts-320-jobs-1.3026488> (accessed December 3, 2016).

<sup>24</sup> Government of Nova Scotia. *Budget 2015-2016 Highlights*.

<sup>25</sup> *Ibid.*

<sup>26</sup> CBC. Nova Scotia government delivers hard-line budget.

<sup>27</sup> Government of Nova Scotia. *Budget 2015-2016 Highlights*.



2016 and 2016-2017, it is expected that the Department of Energy and the Department of Natural Resources will again face budget decreases, as will the Department of Agriculture and the Department of Health and Wellness.<sup>28</sup>

These changes, however, are juxtaposed against simultaneous government expansion, particularly related to the private sector. The Department of Business was established in 2015; its aim is to “help create one of the most competitive and business-friendly environments in Canada, allowing the private sector to drive economic growth in Nova Scotia.”<sup>29</sup> This government expansion was justified, according to the most recent Budget report, because “government has an important role to play in clearing the way for the private sector to pursue growth by maintaining a policy and regulatory environment that creates a climate to enable business.”<sup>30</sup> The same report also unveils a new policy objective of reducing red tape for business.<sup>31</sup> Finally, amidst reduced budgets for the Department of Health and Wellness, the Department of Business’ budget is set to increase in 2016-2017.<sup>32</sup> Thus, on the one hand, government down-sizing is pursued so as to reduce expenditures for certain departments, while on the other hand business interests are further supported by government. While private sector economic growth is certainly needed in Nova Scotia, the form of government restructuring instituted by the Government of Nova Scotia reflects a particular austerity project characterized by targeted reductions of state support for social life and public provisions<sup>33</sup> in exchange for further bolstering the private sector.

## Wage Freeze: The Fight against Labour

A third austerity trend in the province of Nova Scotia has been the implementation of the Public Service Sustainability Act. The stated objective of the Act is to allow “Nova Scotia to maintain important public services while providing a compensation framework to public-sector employees that is fair to them and affordable for taxpayers.”<sup>34</sup> Specifically, this Act will limit wage increases to a yearly schedule of a 0% wage increase for the first and second year, a 1% increase in the

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<sup>28</sup> Government of Nova Scotia. *Budget 2016-2017 Highlights*.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

<sup>31</sup> Government of Nova Scotia. *Budget 2016-2017 Highlights*.

<sup>32</sup> Ibid.

<sup>33</sup> Donna Baines. 2014. “Care Work in the Non-Profits.” In *Orchestrating Austerity: Impacts and Resistance*, ed. Donna Baines and Stephen McBride, 186-197. Halifax: Fernwood Publishing.

<sup>34</sup> Government of Nova Scotia. 2015. “Public Services Sustainability Act.” Halifax: Department of Finance. <http://novascotia.ca/publicservicesustainability/PS-Sustainability-Act-QAs.pdf> (accessed December 8, 2016).



third year, a 1.5% increase in the fourth year, and a 0.5% on the last day of the agreement (year five).<sup>35</sup> Brennan explains:

In August 2015, Randy Delorey (Nova Scotia's Finance Minister) presented the Public Service Sustainability Mandate to public sector union leadership. Officially, the purpose of the mandate is to put the province on a 'sound financial footing.' However, by singling out public sector employee compensation as the source of the province's (alleged) fiscal woes, the government has indicated that it is preparing for a fight with its unionized and non-unionized employees. And while the government claims that it 'respects collective bargaining,' it also threatens to trigger the Public Services Sustainability Act (which passed the House of Assembly in December of 2015) when 'actions by unions threaten the fiscal plan.'<sup>36</sup>

In addition to this Act, the Government of Nova Scotia cited 'inflated wage patterns' as a central source of the budget deficit, and "announced a three-year wage freeze for excluded employees and [a freeze on] public service awards" in the 2015-2016 fiscal year.<sup>37</sup> The Public Service Sustainability Act, if proclaimed, would extend this wage freeze by imposing a two year wage freeze on almost all civil servants.<sup>38</sup> As Brennan suggests, "in effect, the government wants to reduce its expenditure on the back of Nova Scotia's public sector employees."<sup>39</sup> Significantly, however, claims of inflated wage patterns are unfounded. In the public sector, Nova Scotia workers are paid the same (plus or minus one dollar per hour) as their Atlantic Canadian counterparts, and "wage growth in Nova Scotia's public sector industries has tended to trail the Canadian and Atlantic averages (save health care, which grew slightly faster than the Canadian average but considerably slower than the Atlantic average)."<sup>40</sup>

## CONCLUDING SUMMARY

Taken together, these three trends illustrate the wider austerity project currently unfolding in the province of Nova Scotia. This project involves the contraction of government, particularly in and through a reduction in spending related to social support programs, such as long-term elder care, as well as through

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<sup>35</sup> Ibid.

<sup>36</sup> Brennan. *Growth, Austerity and the Future of Nova Scotian Prosperity*, 8.

<sup>37</sup> Government of Nova Scotia. *Budget 2015-2016 Highlights*.

<sup>38</sup> The Canadian Press. Nova Scotia reports lower than forecast deficit as health spending delayed.

Randy Delorey. 2015. "Bill Briefing Remarks." Halifax: Department of Finance.

<http://novascotia.ca/publicservicesustainability/BB-PSSA-Remarks.pdf> (accessed December 8, 2016).

<sup>39</sup> Brennan. *Growth, Austerity and the Future of Nova Scotian Prosperity*, 8.

<sup>40</sup> Ibid., 29.





large scale departmental and program restructuring. It also involves a direct attack on labour, as illustrated by the Public Service Sustainability Act, which aims to control wage increases for public servants across the board. Finally, these changes are all cloaked in a pervasive austerity discourse which (over)emphasizes the debt burden of the province, and which espouses a political agenda dedicated to financial prudence at any and all costs.