Focus on people, not purse strings

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Premier Brian Pallister's government faces a large deficit and is cutting costs.

When private-sector firms are financially challenged, their reactions include measures to contain costs and increase revenue.

Cost reductions may be realized through various means, including enhancing efficiency, downsizing, outsourcing, reducing product lines and cutting wages and benefits. On the revenue side, firms will seek to increase sales. If a combination of cost reductions and increased revenue fails to improve the firm's bottom line, insolvency may be the final outcome.

When progressive, people-centred firms experience financial challenges, they engage their people to identify solutions. They lean on their people and treat them as partners. U.S.-based Nucor Steel, for example, responded to the 2008 economic downturn by adopting a "share the pain" strategy whereby every employee earned less but there were no layoffs.

Nucor's ability to collaborate with its 22,000 workers was not an accident. It has a long history of creating an engaged workplace where every employee is fully vested in the company's mission. They were used to sharing the wealth in good times and mutually committed to share the pain to protect each other and their employer when times were tough.

Doug Conant, an American CEO, is credited with steering both Nabisco and Campbell's through dire straits. In his words, "you have to focus on the people first, the people that are there. If you cannot create a high level of engagement in the workforce, it's hard to get the company turned around."

Campbell's, Nabisco and Nucor did what exceptional employers do: they treated employees exceptionally well during the good times and stood by them during tough times. By treating employees as partners, they were uniquely positioned to leverage trust-based relationships to implement solutions not available to ordinary employers. A culture of engagement has made all three top performers in their industries.

When governments experience financial challenges, available options are similar to those in the private sector. Governments can cut services, outsource, privatize service delivery, reduce the size of the workforce or lower wage and benefit costs. If more revenue is required, governments have the unique ability to raise taxes.

There are two other distinctions between private-sector and public-sector employers; governments of functional economies do not go out of business and they can use the legislative prerogative to shape their operating environments to suit their needs.

Since forming government in April 2016, Premier Brian Pallister has made it clear the provincial budget deficit is the most pressing problem facing Manitoba and has repeatedly stated that he needs "all hands on deck" to tackle the billion-dollar problem. In effect, Pallister is the CEO of a financially challenged public-sector entity that employs almost 14,000 Manitobans.

Pallister has promised that front-line services will not be affected. He has also committed to lowering taxes; therefore, increasing revenue through tax increases is not an option. In a slow-growth environment, it is also clear that Manitoba will not grow its way out of the problem easily. Having ruled out these alternatives, the government has limited its options to reducing public-sector wage expenditures.

Setting aside arguments about the efficacy of this strategy, it is not out of bounds for an employer, public or private, to pursue cost reductions. But how the premier treats his employees will be crucial to his success.

Employees, regardless of industry or sector, want to be engaged. They want to believe in the purpose of the organization and want a respectful environment where they can contribute to the best of their ability. Daniel Pink writes that meaningful purpose, not money, is the most critical motivating factor for employees. Provincial employees are no different; they are everyday Manitobans who want an opportunity to excel and be respected for what they do.

Over the past few months, the debate between union representatives and the government has played out in public. Union representatives have expressed unequivocal willingness to engage and negotiate — and the government has openly mused about measures that include reopening collective bargaining agreements and imposing wage freezes on the public sector. The culmination is the introduction of the Public Sector Sustainability Act.

As a CEO, Pallister can choose to engage his people as was the case when Campbell's, Nabisco and Nucor had to negotiate troubled waters. Or he can impose his will by bringing down the legislative hammer.

By rejecting the former, Pallister will miss the opportunity to engage meaningfully the very people he will need to depend on — now and for the duration of his mandate. Instead of engaging them as partners, he is likely to alienate them by treating them as just another commodity.

As Conant suggests, good leaders recognize the value in their people and depend on them. It is not too late for Pallister to pause his legislative agenda and recognize he cannot turn the province around without his people. Instead, he should call his employees to action and let them join him on deck to serve the best interests of all Manitobans. For progressive and successful leaders, that would be an easy call to make.

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Analysis