

Newfoundland and Labrador Federation of
Labour



Submission to The Hon. Charlene Johnson,
Minister of Finance

2014 Provincial Pre-Budget Consultations
February 14th, 2014

Introduction

The Newfoundland and Labrador Federation of Labour (NLFL) represents 25 affiliated unions, 500 union locals and 65,000 working women and men in every sector of our economy, in every community in our Province.

For 75 years, we have worked to advance the rights of working people. We advocate for them on issues such as occupational health and safety and workers compensation, retirement security, equality, pay equity, childcare, labour standards and worker rights.

The Federation also advocates for improved public services (such as healthcare and education), as well as public policy and laws that support our principles of social and economic justice – including the overall wellbeing and welfare of all citizens.

Our Federation is pleased to make this submission to the Minister of Finance on some of key issues of importance to workers and their families. Our province is at a critical point in its history – we are leading the country in economic growth, and we feel that it is vitally important that this and successive governments ensure that our prosperity is shared fairly, that the quality of life for current and future generations is placed on a solid footing. We can ensure strong social and economic policies, great public services and placing our province at the forefront within Canada as the place to live, work and raise a family.

Prior to last years austerity budget, the NLFL partnered with the Canadian Centre for Policy Alternatives (CCPA) to look at economic trends in the provincial economy and compare the fiscal position of Newfoundland and Labrador (NL) relative to Canada and other provincial jurisdictions. The analysis showed the following: “Newfoundland and Labrador (NL) has achieved considerable success in creating a vibrant economy with increasing prosperity in the past decade.

Despite recent deficit projections, the province is in a very strong fiscal position. Revenue has grown more than program spending and there has been a net increase in tangible capital infrastructure. Net debt has fallen from almost 70 per cent of Gross Domestic Product (GDP) in the 1990s to a low of less than 25 per cent — quite a remarkable turnaround”.¹

We commend government for introducing / maintaining policies around energy, fracking, youth retention and poverty reduction. We are happy to participate in any stakeholder discussions where our voice and the experience of our workers can enhance our economy so that everyone benefits.

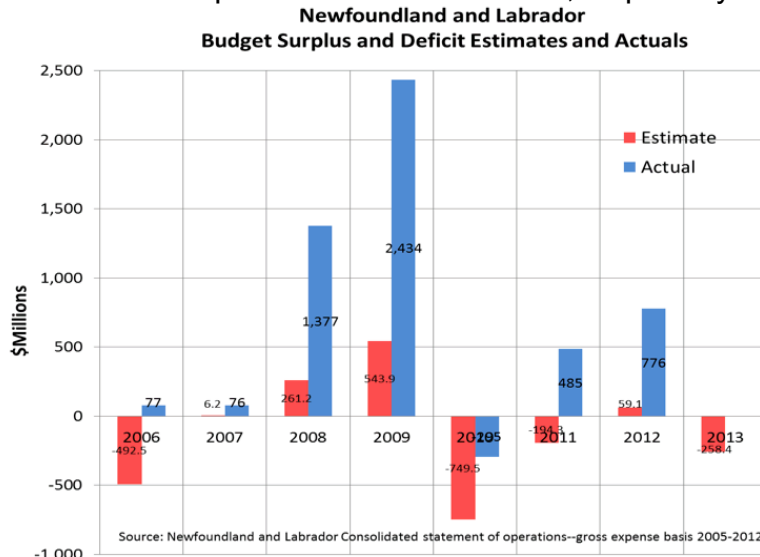
Our hope for this budget is that government makes sound economic and social policies based on an up-to-date analysis of our current labour market, the reality of our demographics and population growth. Our province’s economy is as diverse as its people, and we must include those differences due to rural/urban realities, and in light of our rich resources that play such an important role our economy.

Most of all, we want to build a more inclusive Newfoundland and Labrador – a place where no one gets left behind.

¹ Flanagan, Greg, Gibson, Diane. “Prosperity for All: An Alternative Economic Path for Newfoundland and Labrador.” Canadian Centre for Policy Alternatives. 2013
<https://www.policyalternatives.ca/publications/reports/prosperity-all>

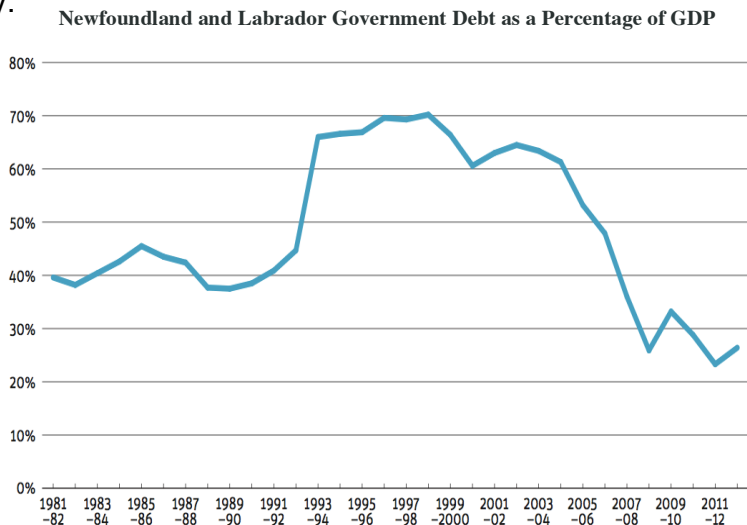
Austerity Does not Work

Last year, government's budget was based on the fiscally conservative principles of austerity, a policy direction that has proven to be ineffective, especially in times of economic downturn. Economies throughout the industrialized world have shown that austerity policies do not achieve the desired results. In fact they will only serve to exaggerate the impacts



of an economic downturn. One of the roles of government in such times should be increased public investment. The impact of last years austerity budget was a message that really undid a lot of the confidence we had built up in the previous decade. Newfoundlanders and Labradorians expect more from our government in this era of prosperity.

Overestimating deficits and underestimating surpluses are not justifiable reasons to cut programs, services and jobs. Last years budget was originally estimated to bring forward a deficit of approximately \$1.6 billion, which was revised to \$563.8 million and



Note: The tables are based on the public accounts of provincial and federal governments. Due to differences in accounting and reporting practices, figures are not strictly comparable between provinces. Moreover, a province's accounting and reporting practices may have changed over time, limiting the extent to which historical comparisons can be made. RBC Economic Research, January 21, 2013

finally to \$450 million in the fall update. Overall, our provincial net debt has

declined as a percentage of GDP and in addition, since 2006, overall provincial debt has been reduced significantly. These are all very good signs, and not indications that austerity measures are necessary.

Government stated in its fall budget update that it was committed to “ensuring long-term prosperity for the Province by encouraging job creation, strong communities, a vibrant economy and natural resource development that provide maximum benefit to Newfoundlanders and Labradorians.” Following a path of austerity is not a means to achieving these objectives.

In addition, budget decisions based on austerity result in cuts to programs where the actual impact of the program or service far exceeds the cost to the public treasury. Such an example would be the decision to close the Family Violence Intervention Court, which had a major impact in addressing issues related to family violence. The operation of the court was 0.2% (approximately \$500,000) of the budget of the entire Department of Justice.

Recommendation #1: The NLFL recommends that the provincial government move from an agenda of austerity to a more balanced one of increased public investment in infrastructure, programs, services and people.

Recommendation #2: The NLFL recommends the re-instatement of the Family Violence Intervention Court.

Retirement Security

The NLFL would like to commend the government for their support of an enhanced Canada Pension Plan (CPP) system as well as their support for defined benefit pension plans. The NLFL believes in strong public pensions and the role they play in the economy. Approximately sixty per cent of all Canadians have no workplace pension and no registered retirement savings plan to rely on. These people are totally reliant on the public pension system comprised of CPP, Old Age Security (OAS) and the Guaranteed Income Supplement (GIS). For example, Newfoundland and Labrador has the highest level of reliance on the GIS amongst Canadian provinces where 53% of NL seniors receive the subsidy to boost their income. The Canadian average is 32.8%.²

Our public pension system is a great system but it does not pay enough. We need to build upon this. A small increase to CPP premiums spread over 7 years will double the benefits for recipients. This will benefit younger workers, take pressure off the GIS and lift our seniors out of poverty.

Those without adequate pension retirement income will be dependent on the OAS and GIS programs to get by. If we maintain the status quo, by 2030 – unless we expand the CPP – the annual costs of the OAS and GIS are projected to triple to \$108 billion. That's an inter-generational tax transfer to young people – they'll bear the brunt of our inaction through more support for low income seniors in the future, and a bleak outlook for their own retirement with inadequate pensions.

Recommendation #3: The Provincial Government continue its support the expanded CPP solution to our retirement income crisis as well as support for defined benefit pensions.

² Canada Pension Plan and Old Age Security - Monthly Statistical Bulletins - November 2013

Minimum Wage

Minimum wage represents an important tool for government in addressing poverty in our province. It is one lever that can help move people out of poverty, but it also helps alleviate inequality, contributes to economic growth and increased consumer spending. Low wage earners, of which NL has one of the highest as a percentage of our labour force, spend the majority of their earnings in the local economy, in local businesses. The ongoing debate that raising the minimum wage, especially in a fast growing economy such as ours, has any negative impact on job creation or that it leads to job losses is unproven.

Not only do minimum wage increases have real impacts in the lives of their intended working poor recipients while not cutting into employment, Canada is also not a freak of economic nature where these results do not apply. Although the US has long been a leader in showing the world how to increase inequality and poverty, a new generation of workers, activists, scholars and – yes – even politicians has gotten behind the idea of higher minimum wage as a means to roll back some of that poverty and inequality. Some of the most vulnerable American workers have stood up, spoken out and led the charge. Time for all of us in Canada to follow suit.

<http://www.progressive-economics.ca/2014/01/16/are-higher-minimum-wages-uncanadian/>

In 2010, our minimum wage was at the top of minimum wages in the country. Today, we are tied with 4 other provinces for the second lowest. Forcing the lowest paid workers in our labour force to go in excess of four years without an increase is just not right. The fact that we have one of the highest percentages of minimum wage earners makes it even more critical, important and impactful.

Recommendation #4: We recommend that government revisit the recommendations of the minimum wage panel with the goal of adopting all of their recommendations, including implementing annual increases tied to inflation and a regular review of the minimum wage.

Temporary Foreign Workers

Newfoundland and Labrador has seen the use of migrant workers increase dramatically over the past 5 years. We have seen other provinces that have been forced to react to situations where workers have been exploited, abused and mistreated by implementing measures to protect these workers. Use of this program is a short-term solution aimed at addressing a long-term labour market problem. Rather than focus efforts on importing low wage workers, the focus should be on providing training to existing workers who do not have the proper skills to gain employment, along with having a comprehensive immigration plan. If migrant workers can work here, they should also be able to live here.

We need to provide migrant workers with the necessary legislative protection to ensure they are not exploited. We also need to ensure that they are given every opportunity to become permanent residents if they desire.

	2006	2011	2012
Number of temporary foreign workers in Newfoundland & Labrador (on Dec. 1)	914	1,822	2,550

Recommendation #5: Establish a registration and licensing system for migrant worker employers and recruiters to provide the oversight and data needed for proactive enforcement. In addition, the Labour Relations Agency should be provided with the resources and capacity to monitor workplaces and communicate with migrant workers throughout the Province.

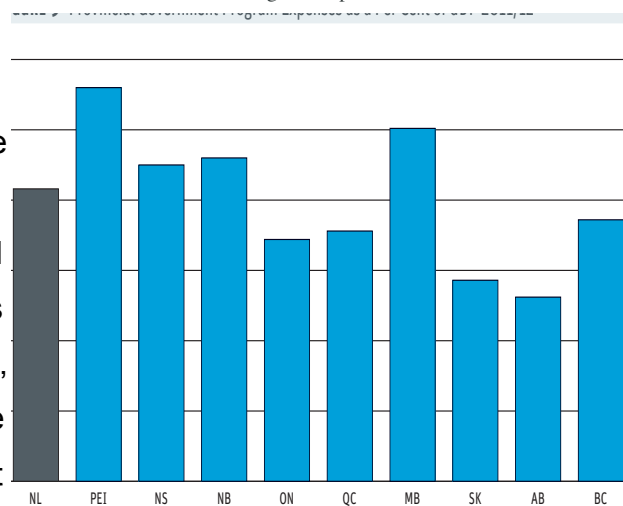
Recommendation #6: Develop a comprehensive, collaborative strategy to attract and retain immigrants with a goal of building our labour force, enhancing diversity and sustainability within communities.

Public Services

The delivery of public services in Newfoundland and Labrador is both challenging and important in a province like NL with an aging demographic, and a small population spread out over a large geography. In addition, given the rural geography of our province, the delivery of these services comes with an additional cost compared to densely populated urban areas. Based on 2011/12 data from Statistics Canada, Newfoundland and Labrador's total spending is in line with other provinces (just over 20% of GDP), given our geography and demography.

We need to ensure adequate resources that enshrine the principles of universal accessible health care, access to quality education, transportation infrastructure and other public services that

Provincial Government Program Expenses as a Per Cent of GDP 2011/12



contribute to a good quality of life, whether you live in rural or urban centers.

A major component of a robust sustainable economy is a strong vibrant public sector. Enhanced and adequate funding to areas such as the non-profit community sector, health care, (including home / elder care), improved low income drug plan all are part of creating a strong public sector that benefits everyone.

Recommendation #7: Increase investments in public services with the intention of enhancing job creation and community sustainability.

Post-Secondary Education

If Newfoundland and Labrador hopes to retain and attract young workers and young families, access to high quality affordable post secondary education is key. Providing young families with the ability to enter the labour market and not have to bring staggering debt with them is a great advantage to have. Due to the great and continuous advocacy work of the Canadian Federation of Students, tuitions costs in NL have remained the lowest in the country, allowing for greater access to a quality education for our young people. It has also become a great tool for attracting students from across the country, which provides a greater opportunity to retain them as residents.

Average undergraduate tuition fees for Canadian full-time students, by province

	2012/2013r	2013/2014p	2012/2013 to 2013/2014
	Current dollars		% change
Canada	5,586	5,772	3.3
Newfoundland and Labrador	2,644	2,644	0.0
Prince Edward Island	5,474	5,696	4.1
Nova Scotia	5,977	6,185	3.5
New Brunswick	5,940	6,133	3.2
Quebec	2,565	2,653	3.4
Ontario	6,975	7,259	4.1
Manitoba	3,720	3,779	1.6
Saskatchewan	6,106	6,394	4.7
Alberta	5,670	5,670	0.0
British Columbia	4,931	5,029	2.0

Statistics Canada: The Daily, Thursday, September 12, 2013

Recommendation #8: Maintain the current tuition fee freeze and replace the student loan system with up-front needs-based grant system as per the 2011 election platform.

Investing in Childcare and Early Childhood Education

Newfoundland and Labrador has long debated the merits of investing in public childcare and early childhood education. We have done plenty to position our province as a great choice for investment and have implemented all of the standard measures that attract business. But now we need to invest in families. If we want our province to be one of choice for young workers and families to live and work – we will need to ensure that we have a full suite of social programs, one of which will have to be publically funded, accessible and regulated childcare.

Major public policy strategies currently under development such as population growth and workforce development will be wasted efforts if we cannot demonstrate our commitment to being at the forefront of family friendly policies in the country. This is an investment we need to make now – and it not only will benefit children and families but will also bring the following benefits:

- Greater participation rates for women in the labour market;
- Increased economic activity;
- Workplaces benefit through greater productivity; and
- Enhances women's equality

We need to move towards a system that is more affordable, accessible and of higher quality (training, wages, staff). The opportunity cost of not doing it is significant and will have lasting impacts. It would also send a positive message not only to Newfoundlanders and Labradorians, but also to the rest of the country.

Recommendation #9: The NLFL recommends a strategic investment in building an affordable accessible publicly funded childcare system; one that meets the needs of families and children, and puts us at the forefront of family friendly jurisdictions in Canada

Conclusion

Our province has used the natural resource wealth we have generated in the past decade to create a very business friendly environment. We have the lowest taxation in Atlantic Canada. Corporate profits as a percentage of GDP have never been better. We feel the time is now for bold investments in people and families. We need to make those important social investments to ensure everyone benefits from this prosperity, that no one gets left behind and that we have the strong social programs to ensure that it happens. If we do not make these investments now – the previous investments to ensure the economic side of the equation flourishes will be wasted.

Summary of Recommendations

1. The NLFL recommends that the provincial government move from an agenda of austerity to a more balanced one of increased public investment in infrastructure, programs, services and people;
2. The NLFL recommends the re-instatement of the Family Violence Intervention Court;
3. The Provincial Government continue its support the expanded CPP solution to our retirement income crisis as well as support for defined benefit pensions;
4. We recommend that government revisit the recommendations of the minimum wage panel with the goal of adopting all of their recommendations, including implementing annual increases tied to inflation and a regular review of the minimum wage;
5. Establish a registration and licensing system for migrant worker employers and recruiters to provide the oversight and data needed for proactive enforcement. In addition, the Labour Relations Agency should be provided with the resources and capacity to monitor workplaces and communicate with migrant workers throughout the Province;
6. Develop a comprehensive strategy to attract and retain immigrants with a goal of building our labour force, enhancing diversity and sustainability within communities;
7. Increase investments in public services with the intention of enhancing job creation and community sustainability;
8. Maintain the current tuition fee freeze and expand the grant system for all students; and
9. The NLFL recommends a strategic investment in building an affordable accessible publicly funded childcare system; one that meets the needs of families and children, and puts us at the forefront of family friendly jurisdictions in Canada

Additional Reference Notes

1. Flanagan, Greg, Gibson, Diane. "Prosperity for All: An Alternative Economic Path for Newfoundland and Labrador." Canadian Centre for Policy Alternatives. 2013
2. Canadian Tax Foundation. "Tax Policy in Canada." Page 26. 2012