

SUBMISSION TO THE NOVA SCOTIA MINISTER OF FINANCE PRE-BUDGET CONSULTATION

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CANADIAN UNION OF PUBLIC EMPLOYEES NOVA SCOTIA

The Canadian Union of Public Employees (CUPE) Nova Scotia is a union of more than 19,000 members' province wide working together for better wages and working conditions, strong public services, and a prosperous economy that is enjoyed by all Nova Scotians.

CUPE members work to deliver public services in healthcare, including hospitals, long term care and home care; education, both school boards and post-secondary; municipalities; provincial highways; and community services, among other sectors of the economy.

CUPE members are proud to provide services in our communities as we work toward a better society, a better standard of living and safe working conditions for all.

Our members do this work every day, and their collective experience equips us to make a positive and informed contribution to the budgeting process of the province.

CUPE supports the development of vibrant, healthy communities and strong local economies. A provincial budget that invests in people and public services is key to realizing this goal.

NOVA SCOTIA'S FISCAL POSITION

Since its election in 2013, the government of Nova Scotia has made balancing the budget its top priority. Programs, services and public sector jobs have all been put on the chopping block in pursuit of this goal.

Is Nova Scotia in a fiscal crisis? The Finance Minister's figures tell us it is not.

The fiscal update tabled in December 2016 by the Minister of Finance forecasts a surplus of \$12.1 million for 2016-17. Government estimates that surpluses will continue to grow over the next four years, rising to \$132.5 million by 2019.¹

What about Nova Scotia's debt? As a percentage of overall economic activity, Nova Scotia's debt load is slightly lower today than it was a decade ago. In fact, the proportion of Nova Scotia's total spending on debt charges is dramatically less today than it was 15 years ago.

¹ See Department of Finance and Treasury Board. 2016. *Budget 2016-2017*, p.7, Table 3.1 and *Forecast Update, December 15, 2016*, p. 2.

In 2001, Nova Scotia spent 21 per cent of its budgetary revenues to service its debt. By 2014, that had fallen to nine per cent, comparable to Atlantic Canada and only one percentage point higher than the average of the federation (provinces, territories and federal government). ²

Nova Scotia's debt to GDP ratio (2014-2015) is at the low end for provinces and much lower than it was in the 1990s.³

In short, Nova Scotia's fiscal house is in order.

CUPE recommends that it is time for government to turn its attention away from budget bottom lines and focus on growing the economy and generating good jobs that sustain families and communities.

ECONOMIC INDICATORS ARE NEGATIVE

Economic indicators show slow growth in Nova Scotia's economy. Nova Scotia's employment and housing activity declined in 2016, with real GDP forecast to grow only about one per cent in 2017.⁴

Most alarming are reports and forecasts of overall job decline in the province. RBC reported in December 2016 that Nova Scotia's private sector is shedding jobs: "Employment losses have been concentrated among full-time workers and in the relatively well-compensated goods-producing industries, including the natural resources sector and construction."⁵

Over the last year, there was a marked shift from the creation of full time jobs to part time employment. The loss of 13,300 full-time jobs and the creation of 15,900 part time jobs is of great concern.⁶

Personal bankruptcies have increased and are now above the rate in other provinces. As of June 30, 2016, a total of 5,500 Nova Scotians had either filed for bankruptcy or entered into a consumer proposal to manage their debt. This is not because of extravagant spending but because of job losses and low incomes. Nova Scotia's rate for personal bankruptcy is above the national average.⁷

² Jordan Brennan, *Growth, Austerity and the Future of Nova Scotian Prosperity*, Canadian Centre for Policy Alternatives, October 2015. See Chapter 4 "Nova Scotia's Debt in Perspective", pp. 22-26.

³ Royal Bank of Canada, "Canadian federal and provincial fiscal tables", RBC Economics Research, December 20, 2016.

⁴ Atlantic Provinces Economic Council, *Atlantic Canada Economic Outlook 2017 Provincial Reports*, Fall 2016.

⁵ Royal Bank of Canada, "Canadian federal and provincial fiscal tables", RBC Economics Research, December 20, 2016.

⁶Department of Finance and Treasury Board, *Labour Market Trends*, December 2016.

⁷ David Burke, "Bankruptcies on the Rise in Nova Scotia due to debt and job losses", CBC News, September 14, 2016.

CUPE Nova Scotia warned the Finance Minister that policies of job cuts and wage suppression are the wrong approach to growing the economy. RBC confirms that provincial wage policies have had a negative impact on the larger economy reporting, "... wage restraint by the provincial government is also adding to a slow-down in employee compensation growth. We expect that, over time, weaker labour markets will begin to drag on consumer spending, and that retail sales will grow more slowly in 2017 than in 2016." ⁸

Cutting public sector jobs and suppressing public sector wages is having a negative impact on Nova Scotia's economy. CUPE recommends that the provincial government change its course.

INCREASE PUBLIC SECTOR WAGES

Premier McNeil seems to suggest that workers in the public sector are overpaid.

In fact, wages for public sector workers in Nova Scotia are falling behind those in the private sector. See Figure 1 below.

Statistics Canada figures show that from 2011 to 2015 (the last statistics available) wages in the private sector in Nova Scotia increased by a total of 12.8 per cent while in the public sector it was 10.5 per cent. ⁹

Workers in Atlantic Canada are generally paid about 10 per cent less than their counterparts elsewhere in Canada. Nova Scotians are paid roughly three dollars less per hour than the Canadian average.

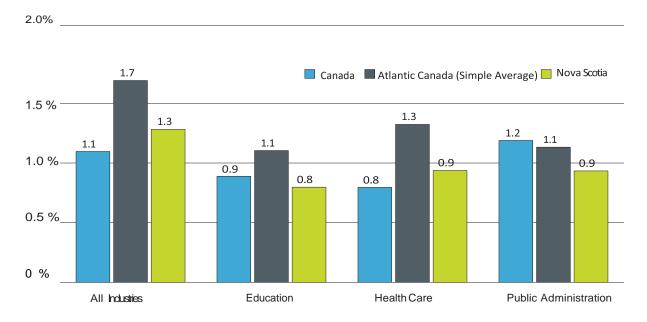
Low wages and a lack of good jobs lead to the out-migration of young workers. Low wages in the public sector means talented workers will look elsewhere to build their future careers. Out-migration because of the lack of economic opportunity exacerbates the demographic challenges faced by Nova Scotia.

A low wage economy with part time jobs and precarious work creates inequality.

⁸ Royal Bank of Canada, "Canadian federal and provincial fiscal tables", RBC Economics Research, December 20, 2016.

⁹ See Government of Canada, Employment and Social Development Canada, Wage Settlements at https://www.canada.ca/en/employment-social-development/services/collective-bargaining-data/wages.html

Figure 1 - Average Annual Growth Rate of Hourly Wages, 2005-15 10



Source: Canism Tables 282-00072 (hourly earnings) and 326-0021 (CPI).

¹⁰ Reproduced from Jordan Brennan, Growth, *Austerity and the Future of Nova Scotian Prosperity*, Canadian Centre for Policy Alternatives, October 2016.

PROTECT PUBLIC SECTOR JOBS

Claims that Nova Scotia has too many public-sector workers and therefore that public sector jobs should be cut do not stand up to scrutiny. ¹¹

When we examine Nova Scotia's public sector employment as a percentage of total jobs, one obvious fact is that Nova Scotia has many more people employed in the university sector (2.9 per cent of total jobs in N.S. versus 1.6 per cent national average) because the province has the highest share of out-of-province post-secondary education (PSE) students in the country. These students bring higher fees (especially if they are International students) and significant economic activity to the province.

To suggest that the additional employment this creates in the public sector is a cost that should be reduced is absurd, especially when provinces are actively recruiting international and out- of-province students.

While employment in public health care (hospitals, nursing and residential care, etc.) is higher in Nova Scotia as a share of total employment than the national average (7.3 per cent in N.S. versus 4.4 per cent national), much of this is undoubtedly because the population is older. This means that there are not only fewer people employed (denominator is smaller) but there is also more demand for these services.

In other respects, Nova Scotia's public sector is in line with other provinces. Direct provincial, municipal, local and Aboriginal government employment as a share of total employment is essentially the same in Nova Scotia as the national average (5.7 per cent versus 5.6 per cent).

Elementary and secondary school employment as a share of the total in Nova Scotia is only slightly higher (4.5 per cent versus 4 per cent national average). This is likely explained by smaller schools and a more dispersed population. Also there is a slightly smaller share of employment in private schools in Nova Scotia.

Calculating public sector employment in Nova Scotia as a share of the total population (and then comparing it to other provinces) is problematic because Nova Scotia and the Atlantic Provinces have a smaller employment/population ratio than the national average due to the smaller working age population ratio (more seniors). Unemployment rates in Atlantic Canada are also higher.

There is also more demand on public services from the non-working population, both from those in school and from the elderly and unemployed.

¹¹ Jackson Doughart and Marco Navvaro-Genie, "The Size and Cost of the Public Sector in Atlantic Canada, 2015", Atlantic Institute for Market Studies, November 2016.

For all of these reasons, to say nothing of the benefits of public services and of public sector spending, claims that Nova Scotia has too many public sector workers is unfounded.

INEQUALITY

Outgoing United States President Barack Obama has named the reduction of economic inequality as the "defining challenge of our time".

High levels of income inequality are correlated with a range of social challenges. *The Spirit Level* by Wilkinson and Pickett outlines a range of measures, including violence, teenage pregnancies, obesity, community life, mental illness and child well-being that are negatively affected by inequality. ¹²

High levels of income inequality are also correlated with poorer economic growth.

The Organization for Economic Cooperation and Development (OCED), the International Monetary Fund (IMF), the Conference Board of Canada, and the Toronto Dominion Bank have all warned that too much inequality is bad for the economy. Inequality was found by the IMF to be strongly correlated with slower economic growth and shorter durations of growth.

Nova Scotia has become much more unequal over the past generation. As economist Jordan Brennan has calculated, in the early 1980s in Nova Scotia, 58 per cent of provincial income was in the form of wages and salaries. By 2014, only 47 per cent of provincial income went into workers' pockets, a decrease of one-sixth.¹³

The OCED recommends governments spend more to improve social outcomes and reduce inequality the combined effect of which would be faster economic growth.¹⁴

UNIONIZATION INCREASES SOCIAL EQUALITY

A 2015 study by the IMF of advanced economies -- including Canada – found that income inequality rises when unionization declines: "The decline in unionization is strongly associated with the rise of income shares at the top." ¹⁵

¹² R. G. Wilkinson and K. Pickett, *The Spirit Level: Why more equal societies almost always do better*, London: 2009.

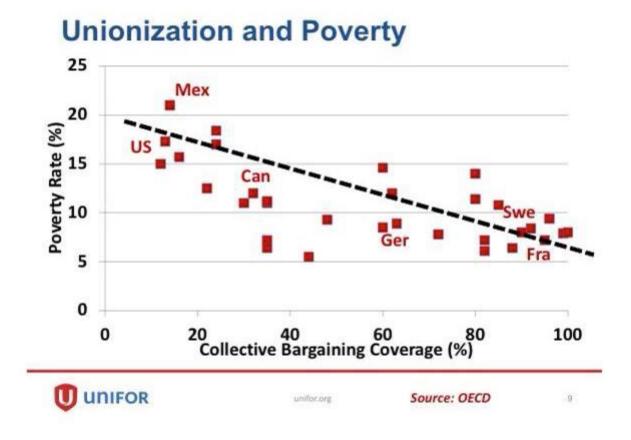
¹³ See Brennan's calculations of the Gini coefficient on pages 30-31.

¹⁴ F. Cingano, *Trends in Income Ineaulity and Its Impact on Economic Growth.* OCED Social, Employment and Working Papers, No. 163, 2014.

¹⁵ F. Jaumotte and C.O Buitron, "Power from the People", International Monetary Fund, Finance and Development, March 2015 Vol 52 No 1.

The IMF report lines up with a 2014 UNIFOR analysis on the impact of unionization on the poverty rate in some of the world's most developed countries.¹⁶ It crunched OCED data to show this:





Strikingly, Canada's income gap is among the fastest growing in the developed world. The top 1 per cent in Canada captured 37 per cent of the overall income growth in the last three decades.

The data show a clear connection between higher rates of unionization and greater income equality, lower unemployment and inflation, higher productivity, and speedier adjustments to economic shocks.

Beyond the economic benefits, unions in Nova Scotia have brought us workplace health and safety rights and policies, universal health care, unemployment insurance, paid

¹⁶ UNIFOR, "Rights at Work Power Point Presentation" accessed at http://www.unifor.org/sites/default/files/documents/document/rights at work january 11.pdf

holidays and vacation, public pensions, living wages and maternity and paternity amongst other benefits.

Despite the obvious benefits from unionization, your government has passed several pieces of legislation that have restricted, suspended or denied collective bargaining rights.

CUPE urges your government to honour its commitment to collective bargaining and support workplace democracy because unionization benefits Nova Scotian workers and furthers social equality. It's also good economic policy.

PUBLIC SECTOR JOBS SUPPORT EQUALITY ESPECIALLY FOR WOMEN

CUPE has conducted rigorous analysis of public and private compensation using the most detailed occupational data available from the census.¹⁷ These results found that when similar occupations are compared, overall average pay for public sector workers is very similar to the private sector (higher by just 0.5 per cent). While overall averages are very similar, pay scales are very different with public sector pay much more equitable than the private sector. There's a smaller pay gap for women and pay is also much more equitable by age, region and occupation.

Pay for women in the public sector is more equitable largely because of pay equity laws that rarely apply in the private sector. If public sector wages and salaries followed private sector standards, the result would not only be a larger pay gap for women, but also greater inequalities across occupational groups, regions and age groups, with lower wages for the lowest paid and significant pay hikes for those at the top.

Public sector wages should reflect broader Canadian values. Wage disparities have grown too large.

CUPE recommends that the more equitable public sector pay framework should be a model for the private sector and not the other way around. We urge Nova Scotia's government to work towards that.

¹⁷ Toby Sanger, "Battle of the Wages", CUPE, December 2011. Accessed at http://cupe.ca/battle-wages-who-gets-paid-more-public-or-private-sector-workers.

SUPPORT A LIVING WAGE

Nova Scotia's minimum wage at \$10.75 an hour (April 1, 2016 adjusted annually) is one of the lowest in the country. ¹⁸

There is a strong moral case for increasing the minimum wage to allow for decent family incomes but there are also social and economic benefits that accrue when the minimum wage is raised. When it comes to economic growth, policies helping the poor and middle class matter the most – increasing incomes for the poorest 20 per cent of the population is linked to GDP growth.

There has been a movement across Canada and the U.S. to raise minimum wages to a "living wage" level of \$15.00 per hour. In 2016, California became the first state to adopt legislation that will gradually raise the minimum wage to \$15 per hour. New York City, Seattle, and Washington D.C. also have plans to phase in a \$15 per hour wage floor. New Westminster was the first Canadian city to adopt a living wage in 2011 and has not seen any negative impacts.¹⁹

Concerns that raising the minimum wage leads to job loss have not been proven. Statistics Canada studied minimum wage increases in Alberta from 1999 onwards, and the results showed no correlation between minimum wage increase and job loss. Other studies support similar conclusions.

Recent calculations show that the living wage in Halifax is \$19.17 an hour and, \$17.30 an hour in Antigonish. This is the income two working parents with two children need to each earn to make ends meet.²⁰

CUPE recommends that the provincial government adopt a plan to increase the Nova Scotia minimum wage to a living wage over time with a medium-term target of achieving the \$15.00 an hour by 2021. A higher minimum wage is good for Nova Scotian workers and will help generate economic growth.

¹⁸ Government of Canada, *Current and Forthcoming Minimum Hourly Wage Rates For Experienced Adult Workers in Canada*, August 26, 2016.

¹⁹ Matt Kieltyka, "Mandatory living wage a success in first Canadian municipality to adopt the practice" *METRO* Vancouver News, August 16, 2015.

²⁰ Christine Saulnier, Christine Johnson, Mary-Dan Johnston, *Working for a Living, Not Living for Work,* Canadian Centre for Policy Alternatives Nova Scotia, December 19, 2016.

INVEST IN THE CARING ECONOMY

Long Term Care

Universally accessible public long-term care by professional staff is what the elderly, who have contributed to the growth and prosperity of Nova Scotia deserve. The government should take care to not present a budget as a choice between dignity in old age and short-term surpluses.

The government should also reject competitive bidding models in home care as it undermines the profession, reduces quality and continuity of care for patients and access to the service.

The current back-log of long-term care beds is putting a strain on hospitals and emergency rooms, increasing wait times and unnecessarily increasing costs. While many seniors wish to remain in their own home as long as possible, home care is not the only type of care frail seniors may require.

Recent budget cuts in the amount of \$6.7 million to long-term care announced by the Nova Scotia Department of Health and Wellness are negatively impacting resident care.

The goal should be to provide the quality of care that provides dignity in old age.

CUPE recommends that government should continue to invest in public long-term care facilities. Funding should be going to public, non-profit care that gets the best value for dollar and puts the patient at the centre of funding decisions, not profit. In addition, more financial resources should be invested to improve standards for staff to patient ratio and hours of care.²¹

PUBLIC EARLY CHILDHOOD EDUCATION

CUPE has long championed high quality public child care programs. This is a public investment that would deliver social and economic dividends for Nova Scotia.

Spending on early childhood education has a huge economic impact: for every \$1million that the Province spends on childcare, estimates are that we will see \$2mllion in GDP growth.²² In fact, the research on investing in childcare is clear: this is one public

²¹ Margaret J. McGregor and Lisa Ronald, *Residential Long-Term Care for Canada's Seniors: Nonprofit, For-Profit or Does it Matter?*, IRPP Study No. 14, January 2011.

²² Sources: Informetrica Ltd, Centre for Spatial Economics, Finance Canada Budget 2009 (p. 240)

investment that pays for itself, over and over again. When children get a good start, they continue to achieve down the road. Good daycare means that children go on to:

- ✓ do better at school;
- ✓ attend to higher-education more frequently and do better when they are there;
- ✓ contribute more to our economy and pay more income-tax;
- ✓ use healthcare and income-supplement programs less frequently.²³

More immediately, by investing in early childhood education, the Government would help to drive growth, not just by adding to the number of Early Childhood Educators (ECEs) who are employed, but by freeing up what is often a sizeable chunk of families' disposable income.

Working families in Halifax, for example, pay about \$902 a month for infant care. As any family with young children will tell you, childcare expenses make penny-pinching elsewhere a necessity. If Nova Scotia had an affordable, publicly run child care system, more parents would choose to work, pay taxes and contribute to the economy. ²⁴

We can learn from two provinces who are doing child care right. Quebec's universal, public, low fee child care system has been in place since 1997. It costs parents \$7.00 a day.

Prince Edward Island has recently built a network of 45 licensed Early Years Centres with stable funding agreements in place. Parent fees are set by the province, staff training is ongoing and a provincial curriculum is in place. The province doubled the number of infant spaces right off the bat.²⁵ Fees range from \$27 to \$34 a day depending on the age of the child. This is more than Quebec's \$7.00 a day but much less than the \$45.00 a day parents pay in Halifax today. A Halifax family with two parents working full-time and earning a living wage and paying for child care for a 7-year-old and a 4-year-old will spend \$14,820.00 or 23 per cent of their annual budget. ²⁶

The Early Learning and Child Care Act which came into effect on P.E.I. on January 1, 2017 includes updated health and safety requirements for childcare centres, stipulations on equipment to be used and curriculum to be followed. It also includes new enforcement

²³ Alexander, C., and Ignjatovic, D. (2012). Special Report: Early Childhood Education has widespread and lasting benefits. TD Economics.

http://www.td.com/document/PDF/economics/special/di1112 EarlyChildhoodEducation.pdf

²⁴ David MacDonald and Martha Friendly, "The Parent Trap: Child Care Fees in Canada's Bib Cities" Canadian Centre for Policy Alternatives, November 2014.

²⁵ Erin Anderssen, "What P.E.I. and Quebec can teach the rest of Canada about improving child care", *Globe and Mail*, October 24, 2013.

²⁶ Christine Saulnier, Christine Johnson and Mary-Dan Johnston, Working for a Living, Not Living for Work The Halifax and Antigonish Living Wages for 2016, Canadian Centre for Policy Alternatives, December 2016, p.25.

measures that the government says will strengthen the ability of the Child Care Facilities Board to make sure child-care centres, both licensed and unlicensed, comply with the legislation. ²⁷

Prince Edward Island, along with Quebec, considers early learning a labour-force strategy as well as a child-development issue. To boost its population and its economy, P.E.I. has increased immigration and launched public relations campaigns to lure native islanders home. Affordable and high quality child care is part of the province's campaign to attract immigrants and young workers. The same thing could be done here in Nova Scotia.

Investing in early childhood education both makes sense now, as part of a short-term jobs strategy, and will continue to make sense over time, as the returns to that investment become clearer.

Across Canada, fees in more market-based child care systems tend to be higher. Quebec, Manitoba and P.E.I. all have fees set by the province with base funding paid to service providers. The median monthly fees in Halifax in 2016 were \$ 902 (Infant), \$ 820 (Toddler), \$ 803 (Preschool) while in Charlottetown the monthly fees are less \$ 738 (Infant), \$ 608 (Toddler), and \$ 586 (preschool).²⁸ In Halifax, for-profit centres charged 21 per cent more on average than non-profit centres for a preschool space. ²⁹

Only 26 per cent of Nova Scotia's licensed child care spaces are subsidized. As the Auditor General recently reported, the Department did not meet its goal to subsidize 31 per cent of child care spaces.³⁰

Despite spending close to \$40 million annually in subsidies to licensed child care providers to support operating expenses and pay higher wages to child care staff, staff recruitment and retention continues to be a challenge due to low wages and benefits.

²⁷ "Changes to Early Learning and Child Care Act now in effect", CBC News, January 2, 2017. Accessed at http://www.cbc.ca/news/canada/prince-edward-island/changes-to-early-learning-and-child-care-act-now-in-effect-1.3918401. The Act and Regulations can be accessed at https://www.princeedwardisland.ca/en/legislation/all/all/e

²⁸ David MacDonald and Martha Friendly, *A Growing Concern 2016 Child Care Fees in Canada's Big Cities*. Canadian Centre for Policy Alternatives, December 2016. Table 1 Median fees by centre and home care (2016).

²⁹ David MacDonald and Martha Friendly, *A Growing Concern 2016 Child Care Fees in Canada's Big Cities*. Canadian Centre for Policy Alternatives, December 2016. Figure 9 Average for-profit premiums for preschool fees in centre (2016)

³⁰ Nova Scotia Report of the Auditor General, Education and Early Childhood Development, Chapter 1 Licensed Child Care, November 2016.

The subsidy rates for low income parents are the lowest in the country and subsidy assistance is well below the cost of care.31

INVEST IN SCHOOLS IN RURAL COMMUNITIES

School closures in rural communities are devastating to employees, students, local families, and the Communities as a whole.

Schools are important to all communities and especially to rural communities and small towns in Nova Scotia. The future of rural communities in Nova Scotia where 45 per cent of the population lives in communities of fewer than 5,000 people is linked to the future of local schools.32

The current model of funding to School Boards by enrollment and by square footage needed for that enrollment is not serving student or community needs well.

Since 2004, for example, the Government of Ontario has recognized the important role schools play in their communities by providing school boards with funding through Community Use of Schools (CUS) and related programs. CUS assists school boards with operational funding (the costs of heating, lighting and cleaning required to keep schools open) as well as funding for youth and neighbourhood programs, including summer programs.

CUPE has supported using school buildings in non-traditional ways as an alternative to school closure. CUPE Nova Scotia has long advocated that underutilized space in school buildings be used for badly-needed public early learning and childcare.

Creating a Community Hub School by leasing excess space to appropriate community partners is another alternative to school closure and the loss of a community asset. Although community hubs can take many forms, schools and repurposed schools are frequently referenced as the ideal location. Not only is this effective use of these publiclyowned, centrally-located assets, it also makes the school even more relevant to the community. These spaces become home to social clubs, recreation groups, health services, cultural centres and so much more.

The evidence is clear that access to public spaces strengthens communities, but concerted effort from all levels of government is required to open-up public space for

³¹ Ibid.

³² Paul W. Bennett, The Last Stand: Schools, Communities and the Future of Rural Nova Scotia. (2013) Halifax and Winnipeg: Fernwood Press.

public use. Partnerships between school boards and other public sector partners are a promising area for school boards to explore in an era of declining enrolment.

One principle that we advocate very strongly on the issue of partnerships involving school space is that they exclude private, for-profit companies. The opportunity to share space in a public school should be limited to those (non-profit and public) organizations that share with school boards the mission of public service.

CUPE recommends the Government of Nova Scotia address funding issues to protect local schools and good jobs in rural communities.

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¹ Social Planning Toronto, *Public Space for Public Use: A Review of Community Access to School and Municipal Facilities in Ontario* (November 2013) accessed at www.socialplanningtoronto.org. Nova Scotia Small Schools Initiative, "Pathway to Rural Regeneration: Transforming Small Schools into Community Hubs", Presentation to the Nova Scotia Commission on the New Economy, April 2, 2013.