

**PRESENTATION TO THE 2011-2012
NEW BRUNSWICK PRE-BUDGET CONSULTATIONS**

By

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Table of Contents

Introduction	3
Our economic context	4
Undoing changes made to N.B.'s taxation policies	4
Better incomes for low-wage earners	6
Significant raises for social assistance recipients	6
Budgeting the requirements for pay equity adjustments	9
Conclusion	9
Annex A: Changes in the average total income of New Brunswickers with families and children, by slices of 10% of the population	11
Annex B: Minimum hourly wage rates by provinces and territories	12
Annex C: Fast Facts: Cost of poverty in New Brunswick	13

Introduction

We would like to start this presentation with a quotation from David Alward in the 2010 PC Electoral Platform Document entitled “Putting New Brunswick First...For A CHANGE”:

*The Progressive Conservative Party is ready to govern and I have a comprehensive plan focused on job creation and economic growth, two areas where we are lagging behind the rest of the country. It is a **plan focused on bringing back** responsible management of our public finances. It is a plan focused on putting our children and families first, with better healthcare and education.*

This plan has been built through comprehensive consultation with New Brunswickers because I believe that government must work with the people it is elected to represent.

I am proud to be leading a Party that has fielded a solid team of candidates and experienced MLAs who are ready to work with you, and for you, to build a stronger more prosperous New Brunswick (p. 3).

Our Party is about people – respecting and involving people. We take great pride in the strength and potential of the democratic process. These values transpire from our actions and from our Aims and Principles. Our Party has a vision that includes meaningfully engaging voters, communities and community organizations in the issues that affect their daily lives (p. 26) (Our underscore)

The members of the Common Front for Social Justice are in agreement with these statements but they are finding, right now, that the government does not seem to be following its commitment to *meaningfully engage voters, communities and community organizations in the issues that affect their daily lives*. Announcing that, within two working days, we have to come up with well thought-out suggestions and priorities to be included in the 2011-2012 N.B. budget is certainly not a way to meaningfully engage New Brunswickers.

Members of the Common Front for Social justice are very much in favour of responsible management of our public finances. They also agree that we should put children and family first. In the context of Pre-budget Consultations, this presentation is intended for the Minister of Finance. We will start by placing N.B.’s debt in the proper context. Then, we will stress the necessity of undoing the Liberal’s income tax give-aways. Given our mission which is to work for more justice, better social policies for those in need and more solidarity in our society, we will expose the needs of low-income earners, children and families on social assistance. Finally, we will point out the importance of pay equity legislation in the private sector as a way to reduce women’s poverty.

Our economic context

Currently, the media is publishing information stating that the province of N.B. is facing a debt **crisis**. In fact, the N.B. debt, as a ratio to GDP, is relatively low at 34%. Indeed, the N.B. debt ratio is better than that of most Canadian provinces: Quebec at 49%, Nova Scotia at 39%, Ontario at 36%, Newfoundland and Labrador at 36% and Prince Edward Island at 35%. Repayment of the provincial debt is **a challenge** but not a crisis. It must not serve as a pretext for ignoring the difficult financial situation of over 100,000 New Brunswickers who are living the Low-Income Cut-off, generally referred to as the poverty line.

We have to remember that the 2008 economic crisis has been brought upon us by ambitious leaders of big business and that it was these same characters who forced governments to pay billions of tax payers' dollars nationally and several millions provincially to bail them out. They are the same people who convinced the Bernard Lord and the Shawn Graham governments to lower corporate and individual taxes and, in so doing, **they reduced the amount of money that goes into the provincial government coffers to provide essential programs and services to the public.**

Unless a progressive taxation is reintroduced in N.B., the income disparity will continue to increase. Data from 2007 shows that N.B. families falling into the lowest 10% of the income bracket only earned \$15,504 annually and that their income was even \$278 less than it was in 1989. On the other hand, families falling between the top 90% and 100% wealthiest group had an income of \$172,050, and their revenue had increased by \$51,187 when compared to 1989 (See Annex A). Only a revised taxation system will eventually correct the ongoing growing gap between the rich and the poor.

Undoing the changes made to N.B.'s taxation policies

Taxes are necessary financial charges levied upon citizens to support government services. They serve as a vehicle to redistribute the wealth so that all can maintain a standard of living adequate for the health and well-being of individuals and families "including food, clothing, housing and medical care and necessary social services, and the right to security in the event of employment, sickness, disability, widowhood, old age and other lack of livelihood in circumstances beyond is control (*Article 25 of the Declaration of Human Rights*). All governments need money to operate and pay for these public services. They get this money through taxes collected from their citizens. New Brunswickers are ready to pay their fair share of taxes, provided they perceive that their tax dollars are well managed and used to create a more just and compassionate society. We should view paying taxes as an action of social solidarity which is essential for the maintenance of a healthy democracy.

Unfortunately, Shawn Graham's 2009 plan to lower individual income taxes did not have "solidarity" in mind when it replaced our more equitable four-rate systems in place. Previous to the N.B. 2009 fiscal reform, we had the following taxation categories:

- 10.12% for people making less than \$34,836;
- 15.48% for people making from \$34,836 to \$69,673;
- 16.8% for people making between \$69,673 to \$113,273;
- 17.95% for people making over \$113,273.

By 2012, if we don't change this plan, we will end up with only two levels: 9% for people earning under \$37,893 and 12% for all the others (*The Plan for Lower Taxes in New Brunswick, 2009-2012, pp. 6-8*).

Another part of Shawn Graham's financial reform was to reduce corporate income tax from 13% to 8%, the lowest in all Canadian provinces. Again, when fully implemented in 2012, this will take out \$44 million dollars annually out of the provincial coffers.

We believe that those who earn more than what is required for their basic needs have a duty to pay their fair share of taxes. This is essential for the building an equitable society. Once fully implemented, the combined individual and business tax cuts will diminish the revenues going into the provincial coffers by more than \$380 million dollars annually. A real financial disaster, undermining future hopes of creating a just society!

Currently, there is a serious lack of income in the N.B. government's coffers for it to maintain adequate programs and services for its citizens. Some business leaders as well as professionals versed in public financing believe that a way of increasing provincial revenues could be to raise the HST. This is a regressive approach as it increases income disparity. Compared with middle class and upper class, those living below the poverty line pay a higher proportion of their income on basic needs such as clothing, transportation, household items, electricity, heating, etc. Any raise in HST rate would exacerbate their already limited income and plunge them further into poverty. Instead of raising the HST, the N.B. government should stop any further tax cuts voted in 2009 and maintain the four levels of income tax previously in place namely,

- 10.12% for anyone below \$34,836;
- 15.48% tax rate for people making between \$34,836 to \$69,673;
- 16.8% for people making from \$69,673 to \$113,273;
- 17.95% for people making over \$113,273.

The government is telling us that we have a serious deficit and that we need to find revenues to offset it. The Common Front for Social Justice is therefore asking **“What is preventing this government from cancelling Shawn Graham's plan for lower taxes in New Brunswick and thus access additional multimillion dollars in revenue?”**

Recommendation 1

- We strongly urge the N.B. government to cancel all upcoming personal and corporate taxes cuts adopted by the Graham government in 2009. In doing so, it can access the hundreds of millions of dollars required to help N.B. citizens who are facing difficult economic times.**
- We are against any increase in the GST which is a regressive tax.**

Better incomes for low-wage earners

Minimum wage workers in N.B. now earn \$9.00 per hour. This will go up to \$9.50 in April 2011 and to \$10.00 in September 2011. Right now, if N.B. wanted to be at the Atlantic province's average, its minimum wage should be \$9.41 per hour (See Annex B). Only Alberta, British Columbia and Yukon have a lower minimum wage than N.B. PEI and the NWT have the same, at \$9.00 dollars per hour. All the other provinces have higher minimum wages: Ontario at \$10.25, Newfoundland & Labrador and Nunavut at \$10.00, Nova Scotia at \$9.65, Quebec at \$9.50 and Saskatchewan at \$9.25. (*Human Resources and Skills Development Canada*-<http://srv116.services.gc.ca/dimt-wid/sm-mw/rpt1.aspx?lang=eng>)

At \$9.00 per hour, a single individual who works full-time, i.e. 40 hours per week all year round, earns \$18,720 and is above Statistics Canada's Low Income Cut-off after tax which was \$15,384 in 2009. However, in 2009, a minimum wage earner who was the sole earner for a spouse and two children fell below the poverty line, namely \$29,089 for a family of four living in a medium-size community of 30,000 to 99,999. If this same family was living in a community of less than 30,000, the Low Income Cut-off after tax was \$26,075. Given that 54,400 New Brunswickers work on a part-time basis only, most of them unfortunately fall way below the poverty line.

In the N.B. Economic and Social Inclusion Plan unveiled in November 2009, it was proposed that the minimum wage be increased to attain the Atlantic average by September 1, 2011, and to index it thereafter to the inflation rate. The Common Front for Social Justice considers the increases announced in January 2010 as a positive step. However, **certain employer groups are presently lobbying government to put in place a two-tier minimum wage. Some of them are also suggesting that we should cancel the increases proposed for 2011. The Common Front for Social Justice Inc. is totally opposed to both of these suggestions.**

Recommendation 2

We ask the present government to gradually increase the minimum wage, to index it to the inflation rate and to refuse to implement a two-tier Minimum Wage.

Significant raises needed for social assistance recipients

New Brunswick is one of the least caring provinces for social welfare recipients. The National Council of Welfare estimated the 2009 annual welfare incomes for four types of households in Canada. Their report includes details on the annual incomes of four different categories: single employable people, persons with a disability, lone parents with one child and couples with two children. The National Council of Welfare's calculation of the **annual welfare income** takes into account the basic social assistance, plus additional social assistance program benefits such as the federal child

tax benefits, the provincial child benefit, the federal GST credit and the provincial tax credits.

A comparison between N.B.'s rates and those of the other Canadian provinces and territories is startling! In 2009, N.B. had the lowest annual welfare income for persons with a disability (\$8,665) as well as for couples with two children (\$19,775). The only category where the province of New Brunswick was not last was for lone parents with one child (\$16,171) where here, we ranked tenth out of thirteen.

The National Council of Welfare report also compared provincial **basic social assistance rates**. New Brunswick was at the back of the pack in the category of couples with two children. Only three other provinces, Nova Scotia, Quebec and Manitoba, had lower rates compared to New Brunswick for the category of lone parents with one child. Finally, only Manitoba was lower than N.B. for one category, the one for persons with disabilities (*National Council of Welfare, Welfare Incomes 2009, winter 2010, Vol.129*).

In reality, the year 2010 was not a very good one for New Brunswickers living on social assistance. The former government did nothing to achieve rate parity with other provinces particularly the Atlantic Provinces, as was promised in Shawn Graham's Charter for Change in 2006. However, a high level of poverty has very negative consequences and impacts on the provincial expenditures.

We live in a rich country where food is in abundance but while this is the case, thousands of individuals and their families do not have enough income to feed themselves properly. In order to avoid suffering from hunger, they have to rely on food banks. Who do we find amongst the clients of these food banks? Children, people with disabilities, seniors, single parent families, income assistance recipients, but also low-wage earners.

In July and August 2010, the Common Front for Social Justice Inc. carried out a survey based on the National Nutritious Food Basket (NNFB) methodology developed by Health Canada. It measures the cost of healthy eating based on Canada's Food Guide to Healthy Eating but does not include foods that are not part of *Canada's Food Guide*.

Food cost represents an important percentage of the monthly budget of people living on limited means. The rising food cost is in strong contrast with the static social assistance rates of the past few years. For example, for one person in the "transitional category", his or her social assistance rate went from \$494 per month in 2005 to \$537 in 2010. This is an 8.7% increase. **Yet, between 2005 and 2009, the Consumer Price Index for food in N.B. rose by 16%.**

To keep up with the rising cost of nutritious food, social welfare recipients need to invest an increasing proportion of their revenue to purchase healthy food. While the percentage of income expended on food by an average Canadian household is **10.4%**, people living on limited means spend a lot more. For example, a single mother with one child and receiving social assistance needs to spend **34.6%** of her welfare allowance on

food. Even worse, a single 25-year old man in the “transitional” category of social assistance should set aside **47.7%** for food. In the case of minimum wage earner, a 40-year old employee at minimum wage, with a wife and two children, should spend 50.6% of his salary on food! Of course, they cannot do this, given the high cost of housing, transportation, etc. (Source: www.frontnb.ca *Food Survey, July-August 2010*).

According to Hunger-Count 2010, 18,517 individuals in N.B. turned to food banks in March 2010. This meant an increase of more than 4% over the previous year. (There was a 14% increase in 2009). Thirty-four percent were children, 13% reported employment income, 9% were receiving employment insurance, close to two-thirds were receiving social assistance and 6% had disability-related income. Sixty-six percent of N.B. food banks saw an increase from the previous year. (*Hunger Count 2009 and 2010, Food Banks Canada*).

The cost of basic nutritious foods has gone up significantly but the income of many New Brunswickers living in poverty has not followed. Consequently, each year, thousands of individuals and families have no other choice but to go to food banks and soup kitchens to survive. The consequences of food insecurity are poor nutritional status which leads to poor health. As already said, this increases the cost of our health care system.

The cost of poverty has recently been calculated by the Halifax Office of the Canadian Centre for Policy Alternatives (See Annex C). These researchers found that in 2008, **the total cost of poverty in N.B. was between \$1.2 and \$1.6 billion dollars!** In terms of **health costs alone, poverty represents the substantial cost of \$189 million dollars.** Crime’s social cost range from \$23 million to 45 million dollars. On top of these two major costs, we must include intergenerational costs, productivity losses as well adjustments for government transfers replaced by market income. In light of those very revealing figures, the Common Front for Social Justice says to the Minister of Finance that it makes good business sense to invest in reducing poverty. To do so requires a very significant raise in social assistance.

Recommendation 3

The Common Front for Social Justice recommends that the funds included in the provincial budget coming into effect on April 2011:

- a. Include in its projected expenses, dollars to cover the 2009 and the 2010 increases in social assistance rates necessary to offset inflation. These adjustments were denied by the previous government (moneys to cover of 4% rate increase should therefore be included in the 2011-2012 budget).**
- b. Add, to this 4% increase, the additional money required to bring New Brunswick’s social assistance rates to parity with the average rates of the Atlantic Provinces (this is a request which the Common front for Social Justice has been asking the N.B. government since 2006)**
- c. Makes provisions to index the social assistance rates with the Consumer Price Index.**

Budgeting requirements for pay equity adjustments

Women in N.B. have been trying for years to convince the provincial government to adopt a legislation which would guarantee pay equity both in the private and public sectors. One of the priorities of the Common Front for Social Justice is to support the Pay Equity Coalition in their efforts to convince the N.B. government to enactment provincial pay equity legislation.

One initiative undertaken by the Graham government was to implement pay equity programs for four groups offering government-mandated services **outside the public** sector: home care, child care, group homes and transition houses. Workers in these sectors have seriously been underpaid for years now, and are waiting anxiously for the pay equity results and payments. The Common Front for Social Justice wants the present government to pursue the implementation of pay equity for the above four groups working outside the public sector. Many of these women live on low incomes

As for the public sector workers, the Liberal government, with the support of the opposition, adopted the *Pay Equity Act 2009*. This Act came into effect in April 2010. Job evaluations, which are the first step towards pay equity, are underway in the public sector. Here, jobs mostly held by women will have to be compared with jobs mostly held by men. If the value is the same, the pay should be the same. **The government must foresee the amount of money required to fund the Pay Equity Bureau and the funds necessary to pay adjustments that will result from this process.**

Recommendation 4

- a. The Common Front for Social Justice urges the N.B. Government to include, in its 2011-2012 budget, the money required to begin pay equity adjustments for home, child care, group home and transition house workers so that they will be completed in a timely fashion.**
- b. The N.B. government must also fund sufficiently the Pay Equity Bureau so that job evaluations required in the public sector by the *Pay Equity Act 2009* will be done following pay equity principles and completed by the end of fiscal year 2011-2012.**

Conclusion

In his message “Putting New Brunswick First ... For a Change”, Davis Alward said:

I am proud to be leading a party that has fielded a solid team of candidates and experiences MLAs who are ready to work with you, and for you, to build a stronger more prosperous New Brunswick.

The Common Front for Social Justice is also committed to building a stronger and a more prosperous New Brunswick. We are proud to be living in this province and in this country. However, we are concerned with the way the Minister of Finance is going about

to address the current economic situation. Right now, he is not looking enough at the best places to bring in revenues.

We feel that it is not the time to cut. There are too many New Brunswickers living below the Low-Income Cut-off that need help. The Common Front for Social Justice believes that it is the time to bring in more revenues through a fairer taxation system. We need bold economic decisions capable of moving many New Brunswickers out of poverty.

If we are serious in building a more just and equitable society for ourselves, for our children and for our grandchildren, we need to all work together: ordinary citizens, small business owners as well as members of corporations. If we are truly in an economic crisis, we can't ask only one part of society to pull the entire load. All must do their share.

ANNEX A

Changes in the average total income of New Brunswickers with families and children, by slice of 10% of the population, in 2007 constant dollars

Income by slices of 10% (Decile)	Income in 1989 (\$)	Income in 2007 (\$)	Difference
0 to 9.99% (The poorest)	15,782	15,504	Loss of \$278
10.00 to 19.99%	26,403	27,104	Increase of \$701
20.00 to 29.99%	37,485	35,077	Loss of \$2,408
30.00 to 39.99%	45,787	45,387	Loss of \$400
40.00 to 49.99%	52,802	56,373	Increase of \$250
50.00 to 59.99%	61,545	65,995	Increase of \$3,571
60.00 to 69.99%	69,399	78,326	Increase of \$8,927
70.00 to 79.99%	78,375	94,238	Increase of \$15,863
80.00 to 89.99%	93,453	116,507	Increase of \$23,054
90.00 to 100% (The richest)	120,863	172,050	Increase of \$51,187

ANNEX B

Minimum hourly wage rates set by the provinces and territories in Canada for experienced adult workers.

<u>Province</u>	<u>General Wage</u>	<u>More Employment Standards</u>
Alberta	\$8.80	Alberta Employment and Immigration
BC	\$8.00	B.C. Ministry of Labour
Manitoba	\$9.50	Manitoba Labour
New Brunswick	\$9.00	N.B. Employment Standards
Newfoundland	\$10.00	Labour Relations Agency
NWT	\$9.00	
Nova Scotia	\$9.65	Environment and Labour
Nunavut	\$10.00	
Ontario	\$10.25	Ministry of Labour
PEI	\$9.00	Community Services, Seniors and Labour
Québec	\$9.50	Commission des normes du travail
Saskatchewan	\$9.25	Saskatchewan Labour
Yukon	\$8.93	

Source: Statistics Canada (**Updated 11/01/1**)

ANNEX C

Fast Facts: Cost of Poverty in New Brunswick

By the Halifax Office of the Canadian Centre for Policy Alternatives, Halifax Office

Conducting an analysis of the cost of poverty in New Brunswick, we find that the total **cost of poverty was between \$1.2 and \$1.6 billion in 2008**, which corresponds to about 5% of New Brunswick's 2008 GDP. This is between \$1,700 and \$2,200 per person, per year.

Economic Cost of Poverty in New Brunswick, 2008 (thousands of dollars)

	Low Range of Estimate		Upper Range of Estimate	
	Private	Social	Private	Social
Health Costs		189,000		189,000
Crime Costs		23,000		45,000
Intergenerational costs	64,980	9,120	128,250	18,000
Productivity losses	786,600	110,400	982,600	137,910
Adjustment for government transfers replaced by market income		72,500		104,250
Totals:	851,580	404,020	1,110,850	494,160
Total Private and Social Costs	\$1,255,600		\$1,605,010	

Components of the economic cost of poverty

Laurie identifies four measurable components of the cost of poverty¹. These costs may be private or social, but they all represent actual economic activity. The costs that we draw attention to here are all costs that could potentially be eliminated, or benefits that could potentially be realized. Private costs are paid by individuals, and for the most part represent unrealized benefits such as lost wages. Social costs are those borne by everyone. The social cost of poverty does not include current social spending on poverty, employment insurance, or social assistance. There will always be a need for poverty alleviation. Therefore we do not view current social spending as a cost of poverty, but rather the cost of meeting our obligations to each other. How the private and social cost is estimated for each component is explained as follows:

1. Increased health care spending - The cost due to poverty is calculated as the excess 2008 provincial health care costs attributed to the lowest income quintile in N.B.
2. Crime - The components of the cost of crime in Canada include direct expenditures, victim costs, and preventative measures (such as alarm systems). The cost due to poverty in N.B. is estimated by extrapolating from Laurie's Cost of Poverty estimate of the cost of crime in Canada. The cost of crime is designated a social cost of poverty.
3. Inheriting your parent's financial situation - Sometimes termed the intergenerational transfer of poverty. The cost of not being able to break the cycle of poverty is calculated by estimating the number of children that would escape poverty if the intergenerational transfer of poverty were eliminated, and then estimating the increase in their annual earnings. The social component is the income tax paid on these earnings, and the private cost is the after tax income.
4. Lost productivity - Productivity is defined in economic terms as the value of output that a worker contributes to the economy. High rates of unemployment, lack of education, unrecognized qualifications, health issues, and discrimination are examples of factors that can limit a person's productivity, and hence their earned income. Ideally, everyone who wants to work would have access to good jobs, and would have the appropriate training and supports to be successful in their paid employment. We calculate the amount of private earnings and income taxes that would be generated if the lowest income quintile earned the same amount as the second lowest income quintile in N.B. The social component is the income tax paid on these earnings, and the private benefit is the after-tax income. These costs are interrelated - if a person has access to more resources, their health may improve. If their health improves, they may be able to work more hours and be more productive and successful at their jobs. This likely contributes to further improvements in health, and for children, reduces the intergenerational transfer of poverty. For each stage of our 'prosperity cycle', governments need to identify barriers to success so that they can be addressed or eliminated as early as possible.

¹ Laurie, N. (2008). The Cost of Poverty: An Analysis of the Economic Cost of Poverty in Ontario. www.oafb.ca/assets/pdfs/CostofPoverty.pdf