

2022-23 Pre-Budget Submission

Presented to the Honourable Ernie Steeves
Minister of Finance,
Province of New Brunswick

Fredericton Chamber of Commerce

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Introduction - A Competitive Business Environment

Budgeting for governments and businesses within the backdrop of the pandemic is not a task for the faint of heart. The level of uncertainty driven by a dynamic public health situation recalls the famous Dwight Eisenhower quote: “plans are nothing, planning is everything.” Businesses and non-profit organizations have been in a constant state of planning over the past two years as COVID-19 has spread and mutated, waves have come and gone, and related Public Health measures have been adjusted as the situation has dictated. We also appreciate the difficulties this presents with the government budgeting process as the health of the economy and the private sector has a direct causal relationship to government finances.

With the fiscal update provided by Minister Steeves on 16 November 2021 showing a \$89.1 million surplus compared to the budgeted deficit of \$244.8 million, it is clear that New Brunswick has taken less of a financial hit than any other province in Canada. Of course, we understand that not all surpluses are created equal, and a significant portion of the surpluses are driven by one-time federal transfers, but:

1. even without those transfers, the province far exceeded early expectations (Minister Steeves projected a \$343M deficit in June 2020); and
2. all the other provinces also received one-time transfers, so on a relative basis New Brunswick has come out ahead.

The federal transfers mean this level of surplus isn't sustainable in the medium- to long-terms without other interventions or economic growth. However, the province's current fiscal position does provide flexibility and options needed investments to propel growth and diversify our economy, which would help to insulate provincial finances from future downturns. And so, we return to the theme of our past several pre-budget briefs provided to the New Brunswick government: spending vs investing, i.e. identifying costs that are expected to provide a definable return on investment. It is here that government has the biggest role to play in creating a competitive business environment in which the private sector can grow and create sustainable fiscal balance for New Brunswick and New Brunswickers.

The government role in helping to create a competitive business environment includes efforts to minimize the cost of doing business in New Brunswick. Many of the province's hardest hit businesses are bracing for the dramatic increase in the minimum wage announced on December 2, 2021. In our opinion, using a blunt instrument like minimum wage to address complex problems like poverty will produce unintended consequences. With thin profit margins to begin with, businesses in these hardest hit sectors will have to react in some manner – if not closure, then either fewer staff members, hours cutbacks, raising prices, waiting to make needed investments or a combination of these and more. We also expect to see wages rising proportionally amongst the cohort of staff members that currently make above minimum wage – they will expect a similar increase in wages. With inflation currently at concerning levels, this will further exacerbate the cost-of-living issue in the province.

With a myriad of policy options available to government to address poverty, minimum wage, while obviously easiest for the government's budget, is the tool that will be most painful to the hardest hit sectors while providing diminishing benefits to those experiencing poverty.

However, being a competitive business environment isn't just about costs – it also requires government to make the right investments at the right time that will aid growth such as workforce development, infrastructure, reducing red tape and livable communities to attract and retain the global talent we need. One area of growing concern for all levels of government that is having an impact on growth in New Brunswick and elsewhere is housing, which is impacting immigration, workforce development, population growth, livability of communities, health and more. We call on all levels of government to prioritize solutions over jurisdictional issues.

In previous submissions, we have homed in more on the effects of the costs of doing business and while that remains foundational to provincial economic growth, this brief will primarily focus on the investment side of the equation.

An area of growing concern within the business community is the seeming lack of federal-provincial collaboration / alignment, which puts New Brunswick at a competitive disadvantage vis-a-vis other provinces, in particular. The province participates in the global economy, but we have to recognize that we also compete with our provincial counterparts for:

1. Private-sector investment; and
2. People.

Without growth in those two areas, New Brunswick's economy will be in a downward spiral sooner than we probably think and no amount of careful budgeting will be able to prevent or reverse that descent.

A recent example of provincial-federal cooperation is the expansion of the Fredericton International Airport ("YFC"), which is now poised to be a driver of economic growth and recovery for our region. That project saw not only funding from both levels of government, but also policy and advocacy work to settle a complicated policy issue due to the fact the YFC is designated as a "national airport system" airport and we appreciate the advocacy work that GNB did to help resolve the issue.

Another current example of beneficial cooperation is the federal-provincial \$10 per day childcare funding agreement, which is desperately needed to unlock more of the workforce – we commend the provincial government for getting a deal done.

Moving out of the pandemic, we submit that it will be more important than ever to make needed investments where they make sense – both within GNB entirely as well as in conjunction with other levels of government. Two areas in particular where government money can be used to further economic growth and provide a return on investment are:

1. Workforce Development
2. Innovation, Digitization and the Knowledge Economy

Recommendations:

- Seek areas of alignment with the federal government in funding and policy that represent true "investments" that will expand and/or diversify our economy.
- Create a housing secretariat to identify solutions and act as the lead on inter-governmental relations.

- Invest in workforce development, population growth, innovation (more details provided in subsequent dedicated sections)
- Re-introduce measures to begin eliminating additional property tax on non-owner-occupied properties - first introduced in the 2020-21 budget in an effort to boost private-sector investment in housing.
- Adjust land transfer tax policy so that the tax is applied on the actual sale price of a property.
- Work towards a revenue-neutral carbon-reduction plan that returns all carbon tax paid by business back to business.
- Implement “Prompt Payment” legislation, which would help create certainty for vendors and improve business’ cash flow.
- Continue red tape reduction efforts started in 2019 and draw best practices from other jurisdictions.
- Continue ONB’s Business Navigators program, which has had a positive impact on our members.
- Introduce a new business support program (as indicated in a letter to Minister Dunn from the Coalition of NB Employers on 14 December 2021) that provides financial relief to small businesses that is more robust and easier to access than previous iterations.

Workforce Development, Immigration and Population Growth

A sentence in the 13 October 2021 GNB fiscal update that has caused us some concern is: “Expenses were \$276 million below budget, mainly due to lower spending in central government, education and training and health and social development.”

The current labour shortage faced by all types and sizes of businesses is the top issue holding back growth in New Brunswick (and elsewhere, meaning competition will only intensify). This is a multifaceted issue with factors both within and outside of the provincial government’s control. Federal support programs, while needed at the time, have been more of a drag on the workforce as time has gone on. With many of those programs ending this fall, this issue should subside, and this section will focus on areas of opportunity for the province.

New Graduates - One of New Brunswick’s existing competitive advantages is our mix of world-class post-secondary educational institutions that includes public and private universities, colleges and other training programs. A challenge that our members often express is that because their businesses are often quite small, they don’t have the ability to hire a recent graduate who does not already possess the work experience and soft skills needed. The BDC’s report [“How to Adapt to the Labour Shortage Situation”](#) puts particular emphasis on hiring younger workers and government can help mitigate the difficulties that solution presents to small businesses in the private sector.

Skills - The workforce issue is not just the availability of labour, it’s about finding the right skills for the current and future economy and there have examples of the government taking decisive action to address specific gaps, such as the decision to fully fund some educational programs such as personal support worker training. We believe that there is also potential in micro-credentialing for specific purposes such as to skill up current employees and to expand workforces by quickly providing technical

skills to individuals that would otherwise be a good fit within a business' or organization's culture. There is also potential for bridging skills for newcomers within the Canadian or New Brunswick context.

Underemployed Groups - There are unemployed or underemployed New Brunswickers that could join the workforce with the right supports, including Indigenous people, students and persons with disabilities. We encourage your government to work with individuals and groups to determine what supports are needed for them or their clients to enter the workforce and to provide a point-of-contact within government to help connect individuals with available jobs.

New Brunswick as a Remote Work Location - The COVID-19 pandemic has been a catalyst that has demonstrated to the public and private sectors that remote work is feasible and advantageous in many instances. Businesses are seizing the moment to alter their workforce in this manner where it makes sense. Capacity is being built and virtual settings are being normalized across society – we should not expect the workplace to be immune to the changing landscape. Notably, across provinces and territories, the remote work opportunities are very similar and New Brunswick should leverage its quality of life to attract more remote workers. The expansion of remote capabilities can also better prepare newcomers during their pre-arrival phase with training, virtual networking, etc.

Recommendations:

- Create a program to help new graduates find their first job, either through direct funding or tax incentives for employers to hire new graduates, which would help alleviate the costs of hiring employees without previous work experience.
- Work with the federal government to streamline and simplify immigration applications and accelerate the approval process.
- Promote and connect businesses with targeted employer-focused programs to help persons with disabilities to enter or re-enter the job market, using ONB's business navigators as a model.
- Continue efforts to promote NB as a remote work location for international businesses/employees in all sectors, but particularly those that are in industries most conducive to remote work such as in the innovation sector.
- Create an "Immigration Ombud" position within government to help newcomers access the right services and advocate on their behalf within government, particularly in relation to entrepreneurial immigrants.
- Establish an independent oversight body that includes business representatives for policy- and decision-making on immigration matters such as whether to shut down an immigration stream.
- Expand the availability for cultural competency training throughout the public and private sectors.
- Support, maintain and expand efforts to better acclimate newcomers to working in Canada, particularly enhanced English-language training.
- Work with educational institutions and professional associations to accelerate and simplify foreign credential recognition, including micro credentialing which may help close the gap between qualifications and provincial standards.
- Extend municipal voting privileges to permanent residents to encourage retention.
- Identify key credentials / skills / positions of greatest need in New Brunswick that may be appropriate to offer free tuition / fees as an incentive for individuals to enter those identified areas as a career (such as was done for personal support worker [PSW] training in 2021).

Innovation, Digitization and the Knowledge Economy

Innovation Agenda - We are living in the digital age (the development of which has been significantly moved forward by the pandemic) and New Brunswick has pieces in place to take advantage of this shift and be a leader in the new economy, but our leading position developed over several decades has been eroded and it is incumbent on the government and private sector to ensure that we are maximizing our potential in this area. An innovation agenda should be viewed within government with the same level of importance as health and local governance reform.

Bringing clarity and specificity to a vision for the future would allow for better predictability and business planning. It would also allow for better alignment with the federal innovation agenda and is another example of a lack of cohesion with federal counterparts, resulting in – for example – New Brunswick receiving 40% less than the national average of federal research and development funding, despite a history of innovation in the private sector and multiple world-class post-secondary research institutions in the province.

Cyber Security - Cyber security is one of the fastest growing sectors in the world. The Cyber Centre in Fredericton can be a path to being a worldwide leader focused on critical infrastructure and from there we can expand New Brunswick's cyber security footprint more generally. The government will gain revenue and critical infrastructure to further the significant economic growth through cyber security by private industry investment from Knowledge Park.

Innovative Solutions to Accessing Primary Healthcare - Easy and efficient access to primary health care continues to be an issue for our members, particularly in relation to attracting skilled employees. That is why we established a Physician Recruitment & Retention Committee in 2009 and are still actively assisting efforts of Horizon Health and the NB Medical Society to attract and welcome physicians to our community, while seeking other ways to expand easy and efficient access to primary care.

Access to Primary Health Care has been an issue in the province for decades and perhaps one of the positive legacies of our reaction to the pandemic has been to highlight the need to continue and expand the use of virtual health care. The recently released *Stabilizing Health Care: An Urgent Call to Action* is a step in the right direction and provides foundational steps to increase access to primary care. We look forward to working with the government to see that the goals on the plan are achieved, however, the issues cannot be solved entirely with digital means, however - human resources will remain central to providing primary health care. It seems the most reliable source for recruiting new health care workers are individuals that are either originally from the province or those that receive training here - we recommend exploring offering more training seats within the province for doctors, nurses, nurse practitioners and the like.

Recommendations:

- Develop an innovation agenda that will help guide government investments and identify needed policy changes. It is our understanding that developing such a strategy is on the government's radar and we are hopeful that it will be published in the near future as it is a critical piece to move forward in the modern economy in a deliberate and logical manner.
- Continue to support efforts to facilitate access to high-speed internet for rural areas of the province.

- Continue efforts to promote NB as a remote work location for international businesses/employees in all sectors, but in particular those that are in industries most conducive to remote work such as in the innovation sector and knowledge economy.
- Continue to explore creative options for citizens to access primary health care, including the use of Family Health Teams, community clinics, physician assistants and nurse practitioners – and of course, virtual care - while maintaining efforts to recruit the family physicians and specialists needed.
- Expand the availability of in-province training seats for healthcare workers.
- As part of an innovation agenda, leverage the province’s previous investments in the cyber security sector

Conclusion

These are difficult times for government and business. With the evolution of the pandemic and the proliferation of variants, it is difficult for both to plan, budget and set goals. Given this dynamic environment, we should focus on what we know. Many of our economic issues today are the same as pre-pandemic (although exacerbated in some cases). Developing the workforce is a key priority – we need more people and skills development for the 21st century economy and is an area where government has a clear and important role to play. If there’s one area to focus investment, it is here - attracting and retaining newcomers, repatriating New Brunswickers, attracting Canadians looking for a better quality of life and providing opportunities for training will pay dividends – both in the short and long term. This growth can fuel the other services that we need – a world-class education system, quality health care and the social supports that provide stability when required. Let’s make the right investments at the right time and make the province’s “new normal” growth and sustainability.