

2023-24 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

New Brunswick has had strong fiscal results during the previous few years and hopefully this is just the beginning of sustainable growth, debt reduction, a strong economy and brighter days for the province. However, to achieve this sustainability, we must collectively address several foundational issues that will inhibit and ultimately stop our prosperity. Big issues like effective healthcare, education, housing and inflation require an “all-hands-on deck” approach from all levels of government, private sector, non-profits, charities and engaged citizens.

First – a clear-eyed approach to our current situation. There’s no question that New Brunswick is in a better fiscal position now than any time since before the 2008 crash, but there are strong headwinds ahead. We can’t expect to see the same level of federal funding moving forward and the PBO identified New Brunswick as one of the unsustainable provinces in its 2022 report.

From the business community’s perspective, the government’s role is to create the conditions for private-sector economic growth, and we encourage the government to view decisions through a business lens (amongst others). Of course, this isn’t the government’s only role – they also provide social services, infrastructure, health, education and more. Ultimately, it is the private sector that generates the revenue that government needs to fulfil its duties and therefore a healthy economy is a pre-condition for government to being able to do anything else. So while there are many positives and opportunities in New Brunswick, we still have to take steps to fully realize that potential and recognize the barriers that could prevent us from achieving our collective goals.

Housing

Available housing, and affordable housing have been growing issues in the province over the course of several years and have been exacerbated since the pandemic – driven by a very hot real estate market, the lack of available workers, a dramatic increase in the cost of building materials and the population growth that we have all been striving towards for decades. From a business perspective, our members are telling us that the lack of both housing and affordable housing, is making it more difficult for them to attract and retain new employees at a time when the rest of the country and the world are looking to the Atlantic Region as a prime place to relocate. A lack of housing and affordable housing also makes our communities less livable and deteriorates the quality of life that we are quick to promote to the world.

All levels of government understand this is a critical issue and each has levers to encourage more housing development. In Fredericton, the municipal government released their affordable housing strategy last year, the provincial government has begun removing the double tax and made Minister Jill Green responsible for the housing file and has made financial investments in conjunction with the federal government.

Affordable housing in particular requires government policy action. If we want to build more affordable units, the government must take a more active role to incentivize these types of developments. In the current environment, developers can move as many high- to medium-end residential units as they can make, so we can’t expect them to put effort into affordable units without being incentivized.

Housing also faces the cross-sectoral workforce issue and government should invest in upskilling individuals in targeted areas such as construction. New Brunswick requires as many housing units as quickly as possible – one of the primary issues limiting supply is individuals to do the work. While many sectors are facing workforce issues (as detailed below), the construction sector is particularly concerning as it can hold back other parts of the economy.

The New Brunswick Real Estate Association first called for the modernization of the property tax system in New Brunswick in 2010 and now is the time to put collective effort into making this happen. Real estate markets are based on supply and demand in determining the appropriate sale price for a property. There are motivated sellers and buyers who agree on a price, and that price reflects the current market value of the property. We require an assessment system that reflects, as closely as possible, real market value and land transfer tax that is applied to the sale price of a property (currently it is the higher of sale price or assessed value).

Housing Recommendations:

- Incentivize developers to construct more affordable units.
- Invest in upskilling New Brunswickers in needed areas like construction.
- Continue measures to eliminate 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.

Costs and Government Investments

Traditionally, cost competitiveness has been an advantage that we have had in New Brunswick, but this has eroded over the past few years – even pre-pandemic. NB businesses have seen increases in minimum wage, property tax, EI rates, the introduction of a carbon tax, CPP increases and inflation like we haven't seen in decades. The government has an opportunity with the carbon tax in particular to adjust policy to ensure it is revenue-neutral for businesses while still achieving carbon-reduction goals.

However, the business environment is about more than just costs. It also includes the regulatory environment (red tape, roadblocks to development, overlapping jurisdictional issues, and more). Increasing, issues like mental health, addictions and homelessness are having a material impact on businesses and communities. It also requires the government to make the right investments at the right time that will aid growth such as workforce development, multi-level infrastructure investment, reducing red tape and livable communities to attract and retain the global talent we need.

Increased 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. The provincial government should leverage some of this flexibility by seeking areas of alignment with the federal and municipal governments to not only make more investments in infrastructure and programs – but the right ones at the right time.

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.

One active area where we support government efforts is moving toward is prompt payment legislation. Construction prompt payment legislation sets a system for requiring and adjudicating prompt payments on construction projects. The prompt payment legislation promotes the orderly and timely carrying out of construction projects and the current system sometimes leaves general contractors, sub-contractors and suppliers without payment for months after the completion of infrastructure projects. This causes delays in beginning new projects or companies to shut down due to the lack of payment.

A recent area of concern is Bill 27, which calls for amending the *Employment Standards Act* to include 10 annual paid sick days for employees – replacing the current five unpaid sick days. Benefits such as sick leave are becoming an increasingly important employee attraction and retention tool and act as a differentiator to be an employer of choice. Similarly, employers are providing healthier and safer working environments since the pandemic and many offer work-from-home options for employees to avoid being sick or getting others sick. Paid sick leave should be left to the market and the government should avoid sweeping aside this competitive advantage for employers. Additionally, because the *Employment Standards Act* prevails over collective bargaining agreements and sick leave is a negotiated piece of these agreements, essentially all (or most) collective agreements in the province would be caused to be renegotiated.

It would be appropriate to consult with the business community before even considering legislation such as this, given the potential impact on employers throughout New Brunswick. Employers could bring perspective and context to such considerations as the inability to carry-over days, how they might be accumulated (based on hours worked vs. employment), if part-time employees would be included, how the number of employers each year would impact an employee's accumulated sick time, etc.

An investment that has helped improve the business environment in New Brunswick is the introduction of Opportunity NB's Business Navigators and Immigration Navigators. This one-stop/simplified approach to navigator individuals and businesses through government allows our members to put more of their focus on their business and growing the economy – and away from deciphering the machinery of government.

Costs and Government Investments Recommendations:

- Work towards a revenue-neutral carbon-reduction plan that returns all carbon tax paid by business back to business.
- Seek areas of alignment with the federal government in funding and policy that represent true "investments" that will expand and/or diversify our economy.
- Continue red tape reduction efforts started in 2019 and draw best practices from other jurisdictions.

- Implement “Prompt Payment” legislation, which would help create certainty for vendors and improve business’ cash flow.
- Do not pass Bill 27 regarding paid sick leave and consult with business on any potential in this regard.
- Continue ONB’s Business Navigators and Immigration Navigators program, which has had a positive impact on our members.

Workforce Development

For decades, New Brunswick has been staring down a demographic shift that has seen significant outmigration to other provinces. This trend, combined with a low birth rate has made us one of the oldest provinces. The past couple of years have seen an uptick in the right direction, but the province must continue to focus on growing our population, lowering our average age, and increasing the number of people in the labour force to fill positions that enable business growth. It’s this growth that funds the programs, services and infrastructure that New Brunswickers deserve.

We also need our people to have the right skills for the modern economy – making our educational institutions cornerstones of the economy. Our post-secondary institutions are economic drivers in their own right, but also produce our future workforce, entrepreneurs and leaders.

The current labour shortage that is being 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). Workforce had become perhaps the key issue prior to the pandemic, but since 2020 it has been severely exacerbated for several reasons and the federal government’s current push to expand Employment Insurance will further deteriorate the situation. There has been more movement than usual amongst sectors during the pandemic, which has created gaps, but the larger issue seems to be individuals completely disappearing from the workforce – despite strong population growth.

In 2021, New Brunswick had the second lowest labour force participation rate in the country, with only 60.9% of its population aged 15 years and over participating in the labour force. The workforce is particularly complicated, particularly when considering the role that access to health care and availability of housing play – themselves very complex issues. Health and housing are often the first questions that potential recruits to New Brunswick ask – we need good answers and right now we don’t have them.

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.

Workforce 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.
- 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).
- Promote and connect businesses with targeted employer-focused programs to help persons with disabilities or other underemployed groups 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 technology and innovation sector.

Immigration and Population Growth

Growing New Brunswick's population is foundational to sustained economic growth and the Fredericton chamber addresses this issue primarily through working closely with New Canadians and post-secondary students/institutions. It is important to keep the population growth momentum of the previous five years going.

We need to focus on both improving the process to attract newcomers, but also to be better prepared to receive and welcome immigrants to improve our retention rates. The current government systems are slow and cumbersome, which has negative effects on both attraction and retention. As a starting point, the provincial government should engage more actively with the private and not-for-profit sectors on process and policy issues.

Once newcomers arrive, we can do a better job collectively at helping soften their landing. Navigating a new government (or system of government) can be confusing and time consuming for newcomers. We are maintaining our call on the provincial government to create an “immigration ombud” position in government that can advocate for newcomers from within – support such as immigration navigators are doing great work, but advocating on policy or process is not their role.

Cultural competency training should be expanded throughout government and the private sector to help create a more understanding, welcoming environment – similar to the push for municipal voting rights for permanent residents that the newcomer and business community largely supports.

Ultimately, a job or opportunity to financial support themselves and their families is the biggest factor to retention. We were pleased to see the government pass the *Fair Registration Practices in Regulated Professions Act* in June of last year and hope to see progress on this important file in 2023-24.

Immigration & Population Growth Recommendations:

- Work with the federal government to streamline and simplify immigration applications and accelerate the approval process.
- 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.
- 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.
- Expand the availability for cultural competency training throughout the public and private sectors.
- Extend municipal voting privileges to permanent residents to encourage retention.
- 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.

Technology and Innovation

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.

High-Speed Internet Access – In order for New Brunswick to be operating at its full economic capacity, all areas of the province must have reliable access to high-speed internet. It is our understanding that the government, along with educational institutions and not-for-profit organizations are actively gathering data on where digital investments are most needed. We support these efforts and rolling out high-speed internet access throughout New Brunswick.

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.

Technology & Innovation Recommendations:

- Develop an innovation agenda that will help guide government investments and identify needed policy changes to increase both public and private research and development funding the province. 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 all areas of the province. As part of an innovation agenda, leverage the province's previous investments in the cyber security sector

Innovative Solutions to Accessing Primary Health Care

It's no secret that with strained resources and too many available positions, New Brunswick is not meeting our health care goals currently. Improving the health system must be a top priority for our government in 2023 and beyond.

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.

We see the health issue negatively affecting business and the economy primarily in five ways:

1. Attracting and retaining employees. One of the first questions that a prospective employee will ask is if they can get a family doctor if they move to New Brunswick. They often come with a family and it's entirely understandable that the health and wellness of their family is first and foremost in their minds.
2. Attracting investment. Along the same line as attracting employees, business owners and managers are keenly aware that current and future employees will want to know about access to health care. With the workforce already being the top issue for many businesses, they are wary of committing to a jurisdiction where this question is in doubt.
3. Absenteeism resulting from delays in care. We see this in both a short- and long-term sense. If someone is ill or injured and unable to work, every day that passes without the primary care they need is a day of productivity lost for the business. Over time, this lost time exacerbates our provincial productivity rates, which are below the Canadian average (which, in turn, are below other jurisdictions such as the United States).
4. Worse health outcomes for employees (and the community). Getting preventative or early treatment care is often the key to avoiding long-term or chronic conditions. We see this play out with wait times for surgeries, appointments with family doctors or accessing mental health resources, amongst other factors.
5. Higher costs to the health system resulting in higher taxes. An ounce of prevention is worth a pound of cure remains a true idiom. Much like maintaining a home, dealing with small problems early before they balloon into unmanageable issues is critical. Of course, complex issues are harder (and more expensive to deal with), leading to higher costs to the system – think about the cost of an emergency room visit versus seeing a family doctor during office hours.

The provincial government deserves kudos for introducing the *Fair Registration Practices in Regulated Professions Act*. Just about every sector is looking at immigration as a means to fill human resource gaps and credential recognition in healthcare has been a particularly difficult issue for decades. We are hopeful that this legislation will smooth the process for recruiting needed health professionals, in turn allowing businesses to recruit the talent that they need to grow and fuel the province's economy. While the act includes all self-regulating professions, credential recognition in health care has been a key stumbling block amongst various health care practitioners – physicians and nurses may be the most apparent and pressing, but the effects of this legislation extends beyond these two fields of practice and contributes to improving access to primary care.

Innovative Solutions to Accessing Primary Healthcare Recommendations:

- 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.
- Follow through with requirements of the *Fair Practices and Registration Act* – particularly in relation to health care professions.
- Expand the availability of in-province training seats for healthcare workers.

Conclusion

The Fredericton Chamber of Commerce encourages all levels of government to make budgeting decisions with a business lens – with a focus on allowing for and supporting economic growth. This is the only way our province can prosper - if business can continue to grow - which creates employment, supports other businesses in the supply chain, and provides revenue to all levels of government. Ultimately - growth and economic prosperity in our communities also makes New Brunswick a more attractive place to live and work.

We appreciate the opportunity to provide input to the Government of New Brunswick's budgeting process and remain available for follow-up discussions at any time.