



PRINCE-EDWARD-ISLAND
PRE-BUDGET SUBMISSION

PRESENTED TO:
The Department of Finance

PREPARED BY
CUPE PEI

February 2018

Summary of recommendations

1. Increase investments in Education, Healthcare and Emergency Services to hire additional workers and provide training.
2. Undertake a thorough review of Prince Edward Island's *Employment Standards Act* and *Labour Act*, undertaken by independent, third party experts in labour law, chosen by a panel made up of equal parts employee and employer representatives, to ensure the rights of workers are upheld and enhanced and not clawed back, followed by an all-inclusive public consultation process.
3. Increase minimum wage to \$15/hour.
4. Increase funding for additional long-term care beds and acute care beds in the public sector to alleviate pressure in healthcare.
5. Increase staffing levels accordingly.
6. Invest in Health PEI's Pharmacare program to cover Islanders' entire prescription medication costs.
7. Commit additional funding for senior housing units to supplement the federal grant and ensure equity in the number of new units across the province.
8. Invest in a universal system of public and not-for-profit child care, allowing free daycare for low-income families and an affordable daily cost of \$10 a day per child for all other families.
9. Provide decent work for child care workers by improving wages, benefits and working conditions.

Introduction

The Canadian Union of Public Employees Prince Edward Island (CUPE PEI) welcomes this opportunity to present our comments and recommendations providing input to the 2018-19 provincial budget. This consultation process, which involves in-person meetings and opportunities for written brief, is an important part of an open government and active democracy, and we are proud to actively engage in this process.

CUPE PEI represents diverse workers who work in education, healthcare, elderly care, municipal government, emergency services, and post-secondary education. As such, we are the front-lines of the Island's public sector, bringing fresh insights from engaging with Islanders who turn to public services to improve their health, economic outlooks and every day lives.

When a government invests in good public policy, there is a direct positive impact on the lives of people in the province. Often, this will translate in economic growth, the opposite effect of austerity budgets. We believe there are key policy options available that will contribute to a growing, engaged and healthy population, address poverty and invest in our future. We also have ideas about where revenue could be generated to offset some cost of these policy options. We are eager to discuss those options with you and gratified to have that opportunity.

Growing and Engaged Population

Increase support for newcomers

Prince Edward Island has seen the second highest growth rate in population in 2016-17¹. This is mostly due to immigration – with 2,264 international immigrants coming to the province, PEI had the highest immigration rate in the country.

CUPE members applaud the Province's immigration strategy, as a more diverse province means a stronger province. However, we also need significant investments in public services to ensure that these new Islanders can get access to the services they need and deserve, and that they decide to stay in the province long-term. These investments are even more pressing following the announcement of additional "intermediaries" tasked with touring the world and attracting more residents to the province².

We welcome the Province's intent to work with municipalities and community partner to improve settlement services³. This intent, which requires considerable investments, needs to be accompanied by additional investments in Education, Healthcare and Emergency Services.

¹ Department of Finance (2017). Prince Edward Island Population Summary Report, <http://bit.ly/2Epe0jX>.

² Prince Edward Island Legislature (2017). Speech From the Throne, p. 4.

³ Ibid

Last year, the government announced that the Department of Economic Development and Tourism would invest \$2.8 million per year to hire 45 new teaching positions and 38 new education assistants with the purpose of alleviating pressure on schools and meeting the needs of English as an Additional Language students⁴. However, these positions were targeted to Charlottetown and Stratford. This year, CUPE would like to see this investment continued and increased to add additional educational assistants across the province and provide robust training for all employees. Similar investment amounts are needed to add and train frontline workers in hospitals, clinics, Emergency Services and any other Healthcare Services that often act as newcomers' first point of contact in the province.

Recommendation #1

Increase investments in Education, Healthcare and Emergency Services to hire additional workers and provide training.

Labour Law Reform

Though the population growth numbers are positive, PEI, much like the other Atlantic provinces, suffers from an outmigration problem. In 2016-17, 3,704 people left the province. Accounting for inter-provincial migrants, it still reflects a net loss of 436 people⁵. All is not well with retention of newcomers, either. In 2017, only 41% of immigrants who came to PEI five years ago are still here, and 34% of those who have arrived last year are slated to leave⁶.

Both population growth problems can be partly attributed to trouble finding work, particularly for newcomers. For those landing on the Island in the last five years, only 62% of newcomers aged 25 to 54 had employment⁷. In order to keep newcomers, and to provide attractive work opportunities for residents born in Canada, the Province should engage the population in a thorough review of the *Employment Standards Act* and the *Labour Act* and increase minimum wage to 15\$/hour.

The last time Prince Edward Island reviewed the *Employment Standards Act* was in 2006⁸. In 2008, there was a significant economic recession that has resulted in a shift in workplaces across all sectors in Canada, with an increase in precarious work. Precarious work generally describes unstable work conditions and limited rights and protections in the workplace due to a rise in

⁴ Prince Edward Island (2017). Supporting Island Families, <http://bit.ly/2HdkekV>.

⁵ Department of Finance (2017). Prince Edward Island Population Summary Report, <http://bit.ly/2EpeOjX>.

⁶ Yarr, K (2017). Immigrant retention on PEI worst in the region, <http://www.cbc.ca/news/canada/prince-edward-island/pei-immigration-retention-1.3934184>.

⁷ Ibid

⁸ Employment Standards Review Panel (2006). Enhancing Standards in the Island Workplace, http://www.gov.pe.ca/photos/original/cca_finalreport.pdf.

temporary, part-time, contracted or subcontracted work⁹. The Government of Ontario recognized this challenge and in 2015 it embarked on a thorough review process, the Changing Workplaces Review.

This process was lead by special advisors C. Michael Mitchell, an experienced labour and employment lawyer, and The Honourable John C. Murray, a neutral, full-time arbitrator and mediator. The advisors reviewed the *Employment Standards Act, 2000* and the *Labour Relations Act, 1995* and produced a report. The report, containing 173 recommendations, led to the tabling and passing of Bill 148: *Fair Workplaces, Better Jobs Act, 2017*, which greatly increased workers rights under these laws. The new bill raised the minimum wage to \$15/hour, increased the amount of critical illness and parental leave, added a domestic violence leave, added rights for independent contractors, changed scheduling provisions to give more stability for workers, and makes it easier for workers to unionize. Islanders deserve to be engaged in a similar process to improve working conditions for all.

Since Ontario has made the decision to move to a \$15/hour minimum wage, Alberta and British Columbia have also pledged to increase their minimum wage. Table 1 illustrates the path that each jurisdiction has chosen to implement this increase.

Table 1: The path to \$15/hour for Ontario, Alberta and British Columbia

Increasing minimum wage to \$15/hour					
Ontario		Alberta		British Columbia	
January 2018	January 2019	October 2017	October 2018	February 2018	June 2021
\$14.00/hour	\$15.00/hour	\$13.60/hour	\$15.00/hour	\$11.35/hour	\$15.00/hour

Sources: <https://www.ontario.ca/page/minimum-wage-increase>, <https://www.alberta.ca/alberta-minimum-wage-changes.aspx#p3984s6>, <https://www.ctvnews.ca/canada/b-c-to-raise-minimum-wage-over-three-years-to-get-to-15-20-1.3795471>

These governments know that it is important for their residents to make a decent wage in order to live a full life. The Government of Ontario called this move “part of a plan to create better jobs and fair workplaces”, that would allow workers to benefit from the province’s economic growth¹⁰. In addition, the Alberta Government offered this explanation:

A higher minimum wage can help reduce poverty, lessen the burden on social support programs and improve the quality of life for vulnerable Albertans. It can also improve employee satisfaction, which can help employers reduce staff turnover, recruitment and training expenses. (...) Positive effects of raising minimum wage include increased

⁹ International Labour Organization (2011). ACTRAV Symposium on Precarious Work, http://www.ilo.org/actrav/events/WCMS_153972/lang-en/index.htm.

¹⁰ Government of Ontario (2017). Ontario Raising Minimum Wage to \$15 Per Hour, <https://news.ontario.ca/opo/en/2017/5/ontario-raising-minimum-wage-to-15-per-hour.html>.

consumer spending, better health outcomes and lower wage inequality, especially for women¹¹.

The shift to a 15\$/hour minimum wage would be particularly advantageous for workers in PEI. In 2015, 10.6% of workers earned minimum wage, and 38.4% of workers earned less than \$15/hour. That is the highest proportion of low wage workers earning less than that benchmark compared to all other provinces¹², and would mean that over 23,000 workers would receive an increase. We know that when workers receive an increase, they have more money to spend and reinvest in PEI's economy. In fact, there is evidence that increasing wages can boost the local economy. RBC reports that an increase in employee compensation in 2017 in PEI supported a record increase in retail sales¹³. Implementing a detailed plan developed in consultation with workers, stakeholders and business owners to allow Islanders who earn less than \$15/hour to achieve greater financial stability is possible.

CUPE PEI is a proud member of the PEI Working Group for a Livable Income¹⁴, which calls for enough income for Islanders to pay for all of their needs in order to live a life in good health and in dignity. We believe that raising the minimum wage to \$15/hour would be an important step in achieving the goal of every Islander being able to afford housing cost, healthy food, medicine, transportation costs, and education, childcare, and eldercare costs.

Unionized workers also deserve to see their working conditions improved. The rates of unionization are falling in Canada, from 37.6% in 1981 to 28.8% in 2014, with a sharper decrease among men and young workers¹⁵. This indicates that less people have access to stable jobs that provide decent wages, good benefits, respectful working conditions and access to rights protection and advocacy. Just like the Changing Workplaces Review in Ontario included both the *Employment Standards Act* and the *Labour Relations Act*, the review process in PEI should include the *Labour Act* to ensure that articles around unionization are strengthened.

¹¹ Alberta Government (2018). Changes to Alberta's Minimum Wage, <https://www.alberta.ca/alberta-minimum-wage-changes.aspx#p3984s2>.

¹² MacEwen, A. (2016). Minimum wage stats show we need \$15 and fairness across Canada, <http://bit.ly/1t40pVc>.

¹³ RBC (2017). Provincial Outlook: Prince Edward Island, <http://www.rbc.com/economics/economic-reports/pdf/provincial-forecasts/pei.pdf>.

¹⁴ PEI Working Group for a Livable Income (2017). <https://www.cooperinstitute.ca/livable-income>.

¹⁵ Statistics Canada (2017). Unionization rates falling, <http://www.statcan.gc.ca/pub/11-630-x/11-630-x2015005-eng.htm>.

Recommendation #2

Undertake a thorough review of Prince Edward Island's *Employment Standards Act and Labour Act*, undertaken by independent, third party experts in labour law, chosen by a panel made up of equal parts employee and employer representatives, to ensure the rights of workers are upheld and enhanced and not clawed back, followed by an all-inclusive public consultation process.

Recommendation #3

Increase minimum wage to \$15/hour.

Healthy PopulationIncreasing healthcare and long-term care capacity

As the population in PEI ages, the need to access Healthcare Services increases. There is a dire need in PEI to increase the number of acute care beds in hospitals and long-term care beds in long-term care facilities. The lack of beds in these institutions lead to a variety of issues that need to be addressed immediately.

At the Western Hospital in Alberton, more long-term care beds are needed to free up acute care beds. There are presently 80 people in acute care waiting for long-term care beds. We understand there has been significant capital investments in long-term care facilities to increase the size of the homes, but this has unfortunately not translated to an increase in the number of beds. These beds are necessary to alleviate the pressure both for workers within the long-term care sector, and those working in healthcare.

Paramedics in PEI live first hand the consequences brought on by the lack of beds. "Off load delays" happen when paramedics need to stay with patients in the hallway of the hospital until a bed opens. Only at that time can the paramedic release the patient to the hospital staff. This creates pressure on Emergency Services because it ties up paramedics who are unable to answer calls coming in.

Any additional funding should be directed towards provincially-owned institutions. Islanders know they can count on public services to be accountable, accessible, locally controlled and a wise investment of tax dollars. Faced with funding shortfalls and urgent needs to upgrade and expand infrastructure and programming, provincial governments have considered privatization as a quick fix. However, whether through infrastructure public-private partnerships (P3s), contracted-out services, or private finance, privatization ends up costing much more. At the same time, corporate profits are put ahead of the public interest. Quality suffers, local control is weakened and over time, inequality increases in our communities.

The consequences of privatizing public services are numerous. There are several consequences to privatizing health care. Cuts in staff and resources often occur, affecting patients by leading to poorer health outcomes, longer wait times and higher death rates¹⁶. It also affects health care workers by often lowering wages and increasing the pressure to perform so the company can reach profits and bonuses¹⁷. It affects rural communities because it cuts back on good-paying public-sector jobs. The privatization of healthcare services can negatively affect seniors, women and access to bilingual services¹⁸.

It is difficult to track spending and program outcome on institutions that have been privatized because their reporting standards are very different than the standards at which we hold the public sector. Even with not-for-profit institutions, there are no mechanisms to direct spending in the areas where the public knows it is needed. That is why we recommend investing in the public services that Islanders trust.

Recommendation #4

Increase funding for additional long-term care beds and acute care beds in the public sector to alleviate pressure in healthcare.

Recommendation #5

Increase staffing levels accordingly.

Addressing poverty

Universal Pharmacare

CUPE PEI commends the Province's investment to reduce barriers to access and the cost of prescription drugs. PEI's generic drug program is unique in the country. However, targeted investments pale in comparison to universal investments when it comes to alleviating barriers to access. Research shows that costs as low as \$2 can still be a deterrent to accessing necessary medication¹⁹.

CUPE PEI, through the Canadian Labour Congress' campaign "Pharmacare: A Plan for Everyone" is calling for a universal prescription drug plan²⁰. The patchwork coverage that currently exists in PEI leaves many Islanders without access to the medication they need, either because they don't

¹⁶ Glynn, Tracy (2017). The creeping privatization of health care in New Brunswick. NB Health Coalition, p. 18-19, <http://nbmediacoop.org/wp-content/uploads/2017/03/Final-The-Creeping-Privatization-of-Health-Care-in-NB-Oct-15-2016.pdf>.

¹⁷ Ibid

¹⁸ Ibid

¹⁹ Goldman, D., Joyce, G. & Zheng, Y. (2007). *Prescription Drug Cost Sharing: Associations With Medication and Medical Utilization and Spending and Health*, The Journal of the American Medical Association, vol. 298, p. 61-69.

²⁰ Canadian Labour Congress (2018). A Plan for Everyone: Your Region, http://www.aplanforeveryone.ca/your_region.

have a prescription drug plan or have plans that don't cover the full cost. In fact, public spending in PEI covers less than half the cost of prescription medicine, and around 24,400 Islanders who work either full-time or part-time don't have health benefits.

On PEI, over the past several years, there has been an increase in the cost of workplace plans. Around three years ago, the government made the decision to shift the cost of drugs that used to be on the government formulary to employers. The cost of drugs increases every year. Consequently, the provincial government, as an employer, is paying a lot more for their employees' plans. A universal pharmacare program would relieve the pressure on workplace plans.

The Government of PEI should lobby the federal government to invest \$1 billion to create a fully-funded universal pharmacare system. This amount would save Canadians \$7.3 billion annually²¹. Until this becomes a reality, PEI should implement a universal pharmacare program in the province.

Recommendation #6

Invest in Health PEI's Pharmacare program to cover Islanders' entire prescription medication costs.

Increase affordable housing for seniors

The population in the Atlantic provinces is rapidly aging. On the Island, the government recognizes that seniors' housing needs may change as they get older through the Seniors Housing Program. However, waiting lists for affordable housing units are very long²², and meanwhile, many seniors suffer high housing costs.

Last year, the province committed to create 50 new senior housing units across the Island²³. We have yet to see how and where the \$7.2 million in federal funding will be spent, and if the provincial government will supplement that funding with its own investments to alleviate the pressure felt across the Island.

Recommendation #

Commit additional funding for senior housing units to supplement the federal grant and ensure equity in the number of new units across the province.

²¹ Canadian Labour Congress (2018). A Plan for Everyone: Why Pharmacare, http://www.aplanforeveryone.ca/why_pharmacare.

²² Meader, L. (2018). 50-unit affordable housing project in the works for Charlottetown, <http://www.cbc.ca/news/canada/prince-edward-island/housing-affordable-p-e-i-kings-square-housing-1.4508539>.

²³ Williams, N. (2017). P.E.I. to receive \$7.2 million for affordable housing investments, <http://www.cbc.ca/news/canada/prince-edward-island/p-e-i-7-2-million-investments-affordable-housing-1.4132661>.

Investing in our future

Universal child care

PEI offers child care subsidies to eligible families, in recognition that child care costs are a significant barrier to parents on the Island. However, the current program is still inaccessible to many families. The subsidies are only accessible to those making less than \$37,000 a year, targeting single parents working in precarious workplaces. This is commendable, and highly needed, but all low-income families should benefit from affordable childcare, no matter the make-up of their families.

Quality, affordable child care helps parents return to or integrate the workforce. Investing in child care increases employment, reduces poverty and stimulates the economy. PEI is one of only three provinces who regulates child care fees. However, these regulated amounts are far from affordable. The daily amounts can run upwards of \$1,054 a month for families with toddlers aged 0-2 years who attend designated Early Years Centres²⁴. For a family making \$40,000 per year, this cost represents roughly 30% of their yearly income. That is why moving towards the Quebec model of reduced daily costs makes sense. Provincial investments in that program have paid for themselves – there was an increase in the number of women in the workforce by 3.8%, which has pumped \$5.2 billion into the Quebec economy. This has resulted in a 1.7% GDP boost²⁵. Recently, the Government of New Brunswick announced free child care for families with an annual income under \$37,500²⁶. Families on PEI deserve more affordable child care.

Recommendation #8

Invest in a universal system of public and not-for-profit child care, allowing free daycare for low-income families and an affordable daily cost of \$10 a day per child for all other families.

Recommendation #9

Provide decent work for child care workers by improving wages, benefits and working conditions.

Revenue offsets

We understand that increases in revenue are sometimes needed to support increases in investments. Outlined below are a few recommendations to increase tax revenue for PEI.

Review corporations' income tax rates and tax corporations based on cash flow

²⁴ Finding Quality Childcare (2018). Prince Edward Island, <http://findingqualitychildcare.ca/prince-edward-island>.

²⁵ CUPE (2014). One election away from affordable child care parents can trust, https://cupe.ca/sites/cupe/files/nat_e_childcare.pdf

²⁶ Petz, S. (2018). Free daycare for low-income families announced, <http://www.cbc.ca/news/canada/new-brunswick/changes-daycare-new-brunswick-1.4482691>

In 2017, corporate income tax only accounted for 5.83% of the estimated total provincial own sources revenue in PEI. This amount is very low compared to personal income tax revenue estimates, which stood at 36%²⁷. Though PEI's corporate tax rates are comparable to the other provinces, it would be worth reviewing the current rate. Corporations are not currently paying their fair share – they benefit from multiple credits and reductions. If those must remain, then increasing tax rates could allow for increased revenue for the province.

That being said, we also recommend taxing corporations based on cash-flow. This would tax revenues over and above expenditures, including full capital costs when they are incurred. It would ensure that all corporate income is taxed. Current deductions and credits exist to provide incentive for reinvestments. However, corporations use them to reduce their taxes, limiting potential revenue sources for the province.

Adding two tax brackets

We recommend adding at least two more personal income tax brackets to bring it in line with Nova Scotia's brackets. This would make PEI's income tax system more progressive and increase its fairness.

Table 2 illustrates PEI's tax brackets compared with Nova Scotia's tax brackets.

Table 2: Tax Rates and Income Brackets for Prince Edward Island and Nova Scotia

2017 Tax Rates for PEI and NS			
PEI		NS	
Rate	Bracket	Rate	Bracket
9.8%	\$31,984 and under	8.79%	\$29,590 and under
13.8%	\$31,985-\$63,969	14.95%	\$29,591-\$59,180
16.7%	\$63,970 and over	16.67%	\$59,181-\$93,000
		17.5%	\$93,001-\$150,000
		21%	\$150,001 and over

Sources: <http://bit.ly/2F85eEc>, <http://bit.ly/2nZ6cLB>

In 2015 in PEI, over 47,000 people had individual income levels of \$50,000 and over, and more than 18,000 had individual income levels of \$75,000 and over²⁸. In 2015, those Islanders with individual income levels of \$75,000 and over made up 12.5% of the population. Adding additional tax brackets matching Nova Scotia's levels would increase revenue for the province and ensure top earning Islanders pay their fair share.

Conclusion

CUPE PEI believes that certain priorities need to be established to support economic growth in our province. These measures include investments for newcomers, minimum wage workers, unionized and non-unionized workers, children, seniors and all Islanders who benefit from quality, affordable public services. All these measures create jobs and provide strong economic stimulus.

²⁷ Prince Edward Island (2017). Estimates of revenue and expenditures, p. 14-15.

²⁸ Statistics Canada (2017). CANSIM, table [111-0008](#).

We would like to thank you again for the opportunity to voice our recommendations on the 2018-19 budget, and we remain available for further questions or comments.

ml/COPE491