



Is it a Revenue Problem, an Expenditure Problem, or Both, and What Should We Do?

NL Federation of Labour
Sept 2021



Overview

- Part 1: Is it a revenue problem, an expenditure problem or both?
- Part 2: What should we do?



But First... Some Clarification

- *“Most people don’t understand there’s a deficit”*
 - Actually, we do understand the deficit - and it needs to be reduced
- And... we can do it without massive cuts that:
 - hurt the most vulnerable residents, and all of us
 - exacerbate our already crisis-level unemployment
 - jeopardize the economy



Revenue Problem, Spending Problem, or Both?

- The dominant narrative...
- And the simple answer is...
- The evidence-based answer



The Dominant Narrative...

- “It’s a spending problem!”
- Because they said so - over, and over again.
 - Repetition for decades
 - Media amplification
 - Does dominance make it true... or austerity our only solution...



The Dominant Narrative...

- OECD warns against pivot to austerity (04/01/2021)
- The pandemic presents the opportunity to build a better future that supports inclusive growth, sustained prosperity, equal participation, and environmental stewardship



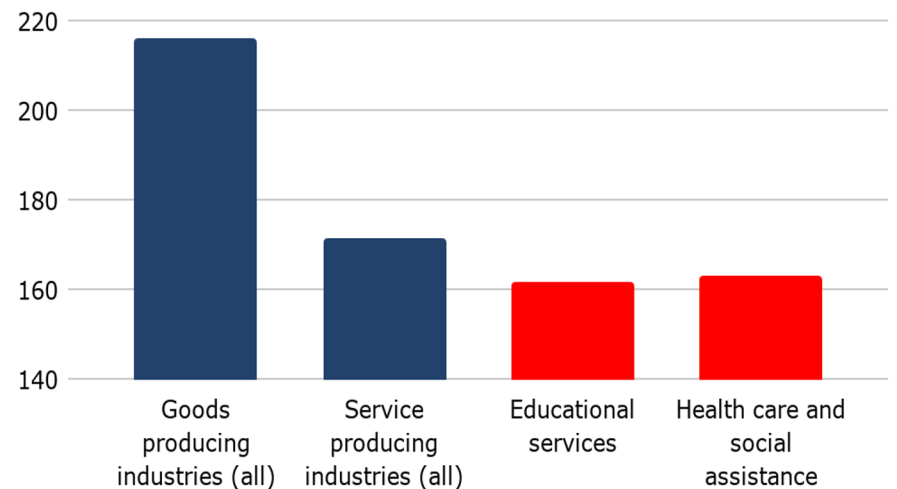
Spending Myths

“Salaries increased too fast after oil money came in.”

- Front line workers.
- Not astronomical.

NL earnings increases 2001 to 2019

Average weekly earnings % increase



Data: StatCan Table 14-10-0204-01



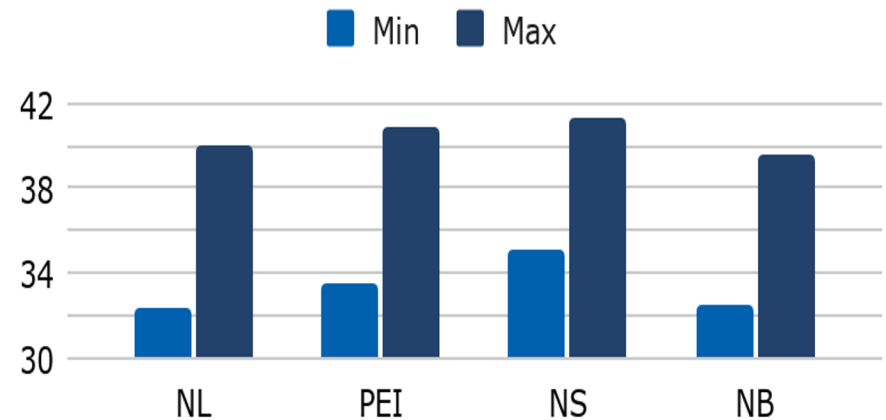
Spending Myths

Wages are “too high”?

- Front line workers
- Not astronomical

General Duty RN - Acute Care (\$/hr)

RNUNL-NL, PEINU-PEI, NSNU-NS, NBNU-NB



Data: CFNU, Overview of Key Nursing Contract Provisions



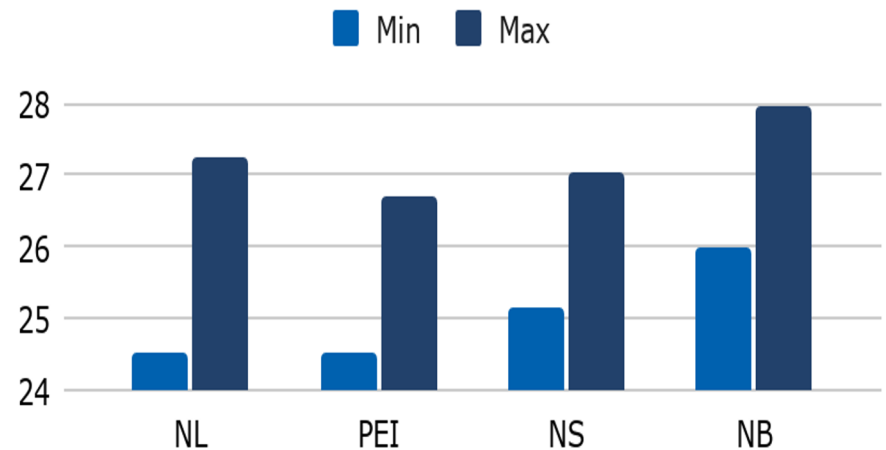
Spending Myths

Wages are “too high”?

- Front line workers
- Not astronomical

Licensed Practical Nurse (\$/hr)

RNUNL-NL, PEINU-PEI, NSNU-NS, NBNU-NB



Data: CFNU, Overview of Key Nursing Contract Provisions

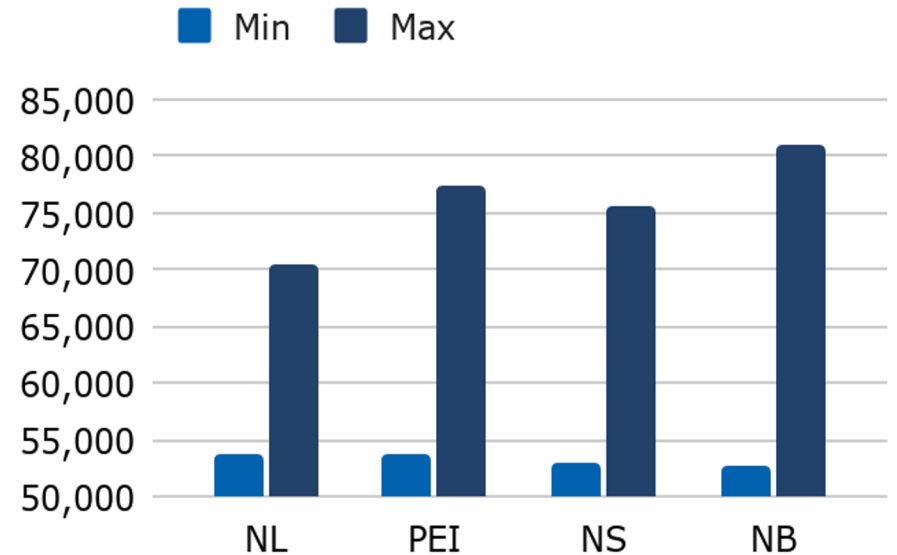


Spending Myths

Wages are “too high”?

- Front line workers
- Not astronomical

Teachers (\$/yr, cat.5)



Data: BCTF, 2019



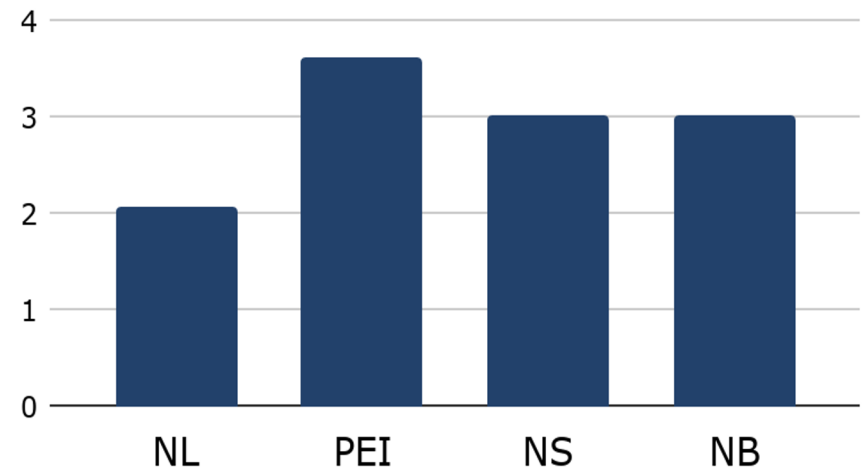
Spending Myths

“Too many” public sector employees?

- Can size of NL economy support current #?
- Lowest # / GDP in Atlantic Canada

Public sector employees / GDP

2019, # per \$M of GDP



Data: StatCan Tables 14-10-0027-01, 36-10-0402-02



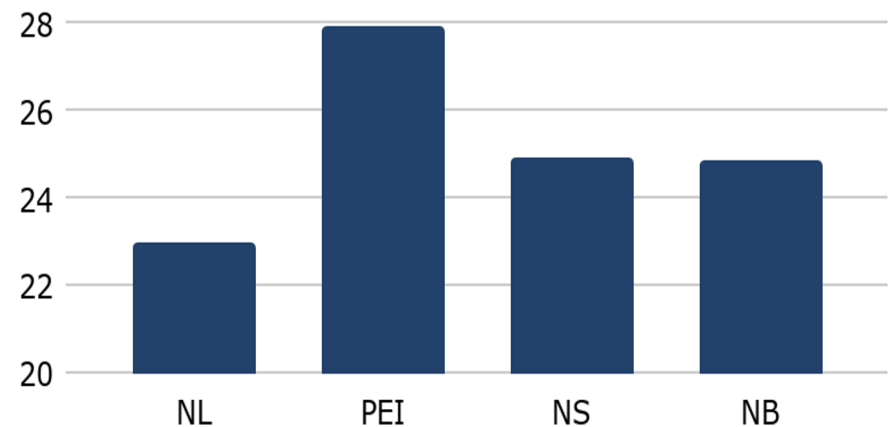
Spending Myths

“Too many” public sector employees?

- Can size of NL economy can support current #?
- Program spending / GDP also low

Program spending per GDP (%)

Avg. 2016-17 through projected 2020-21



Data: RBC, Cdn Fed. & Prov. Fiscal Tables

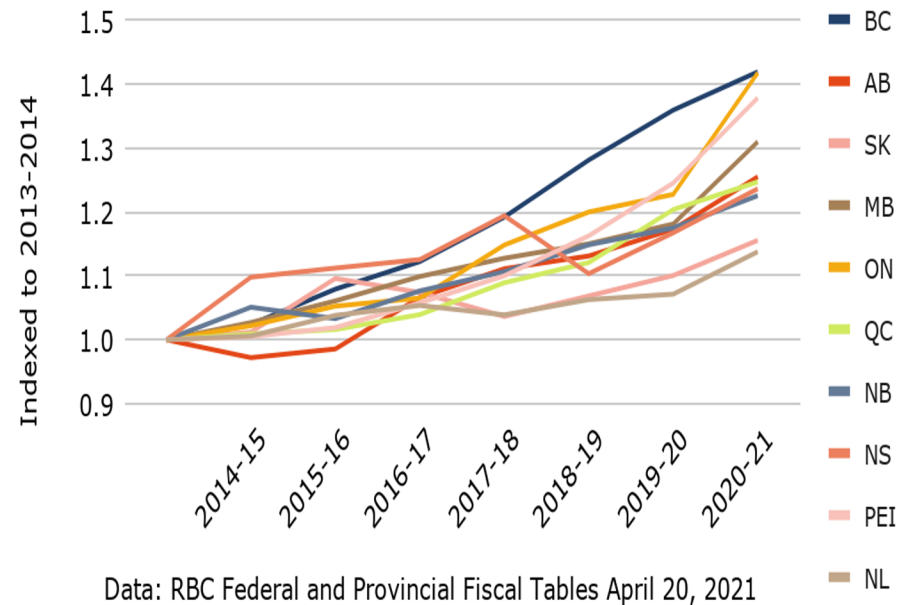


Spending Myths

With huge deficits, spending is out of control

- Since the 2014 oil crash, the lowest spending increase of any province.

NL: lowest post-oil-crash spending increase





The Evidence-Based Answer

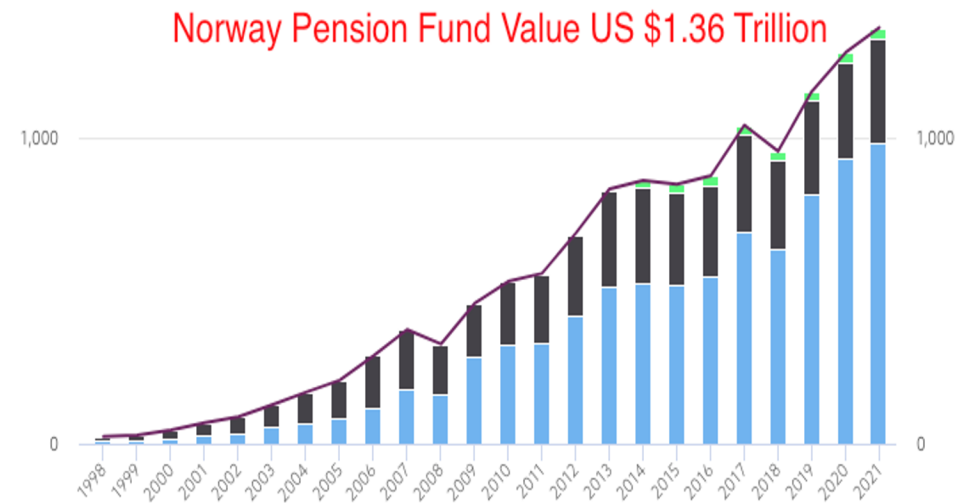
1. Oil
2. Tax cuts
3. Deficits and debt growth



Oil Money

- Oil → \$\$\$!!!
- We had a surplus, briefly...
- We did not manage to save any of this \$\$\$

 NORGES BANK
INVESTMENT MANAGEMENT





Where's the Money?

- What did govt do with a lot of that \$\$\$\$
 - Gave out tax cuts!
 - These tax cuts just happened to favour the most wealthy
 - Since 2005 – tax cuts have cost the provincial treasury over \$4B



Where's the Money?

- These cuts contributed to deficits of hundreds of millions of dollars per year.
- GNL: “From 2007 to 2011, the previous administration provided large tax reductions that were not sustainable.”

■ *GNL, 2016 Budget*



Deficits Create Debt

- These deficits of hundreds of millions of dollars per year created debt of billions of dollars



What Should We Do?

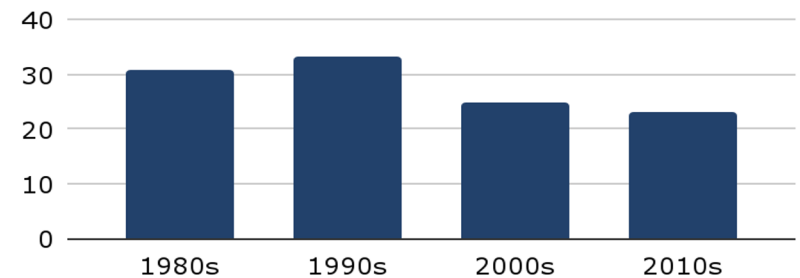
- Be calm and rational
 - Don't make hasty decisions under pressure, e.g. massive cuts and austerity
- Do things that help generate economic growth
- Selectively raise revenues from the wealthy, big corporations, and pollution



Room to Raise Revenues

- Can economy support more provincial revenues?
 - Revenue/GDP down over time - Revenue/GDP < Atlantic average
 - Boosting NL to Atlantic average % yields about \$1B in revenues

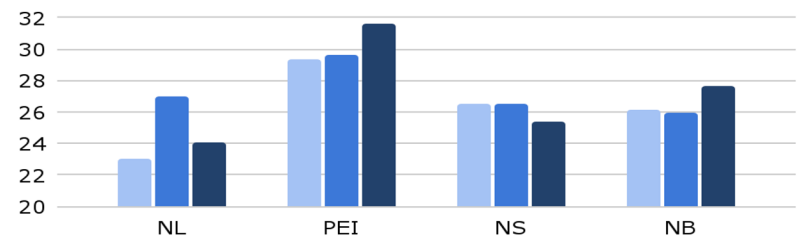
NL revenues per GDP (%)



Data: RBC, Cdn Fed. & Prov. Fiscal Tables

Revenues per GDP (%) by prov.

Three years: 2018-19, 2019-20 and 2020-21 projected



Data: RBC, Cdn Fed. & Prov. Fiscal Tables



Deficit Reduction: Fair Revenue Options

Estimated revenue sources (\$M)		Not-estimated revenue sources	
48	Job creation (reduce unemployment 3%) raises PIT		Job creation (reduce unemployment 3%) raises HST
42	PIT rise top 2 brackets 2%		PIT reduce income threshold top 2 brackets to NS levels
50	Wealth tax (1% above \$20M net wealth - \$5.6B Cda)		Royalties & other non-renewable resource revenues
50	Capital gains (tax them the same as wages)		Buffett tax (rich to pay at least <i>some</i> tax)
30	CIT 2%		Minimum wage \$15+ (PIT and HST boost)
110	HST 1% (progressive offsets)		Pay equity (PIT and HST boost)
400	Carbon tax improvements (2022, rises by 2028 to \$1B)		New CIT rate for largest corporations
130	Best-in-class energy efficiency		Capital tax for large corporations
16	Luxury tax		Loopholes, tax havens, etc closed
876	TOTAL		Federal support (requires provincial revenue effort)
			Automation tax strategy
			Scale fines to incomes and wealth

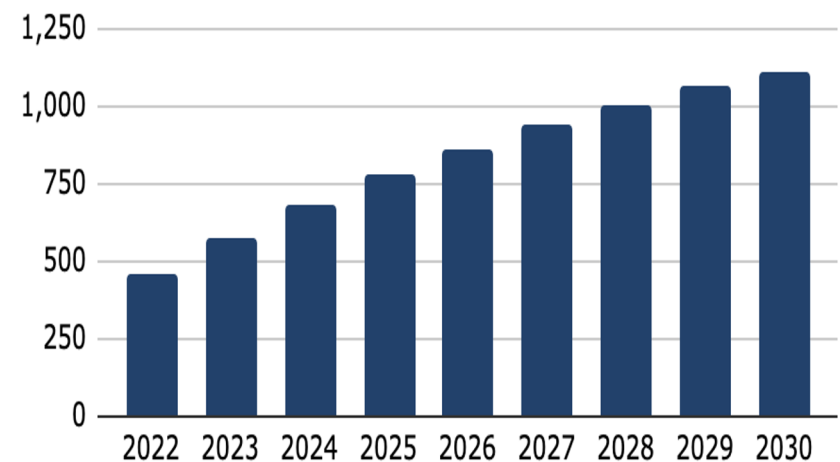


Deficit Reduction: Fair Revenue Options

- Provincial revenues will increase over time due to Federal Carbon Tax Schedule
 - Cover more sectors...

Carbon tax gross revenues (\$M / yr)

Based on federal carbon price schedule, NL GHG emissions



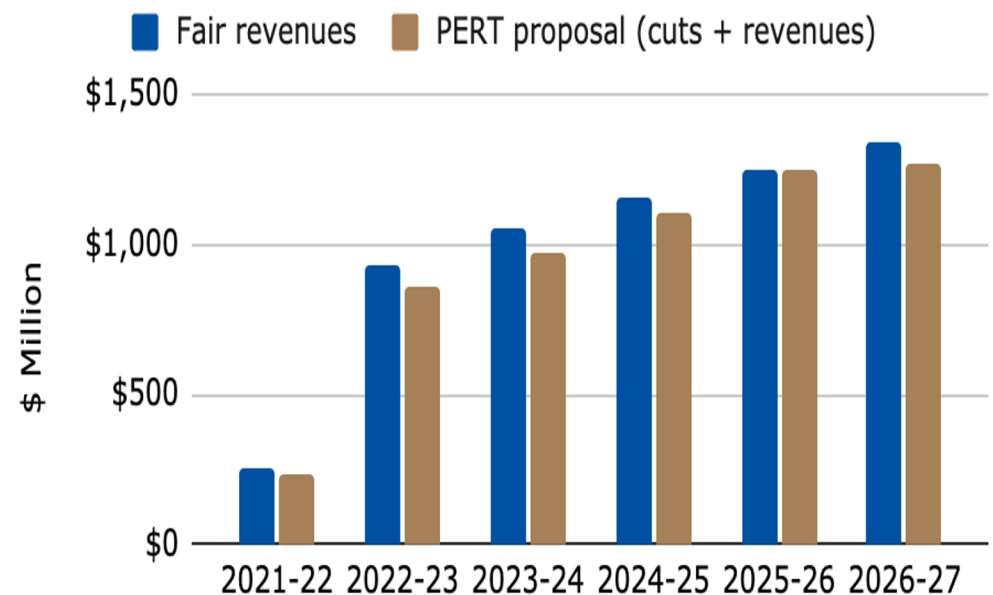
Canada Climate Plan Dec 2020; GNL GHG Emissions Summary



Deficit Reduction: Fair Revenue Options

- Fair revenue options on par with what the PERT report recommends - (regressive cuts + revenues)

Fair revenues can replace PERT proposal



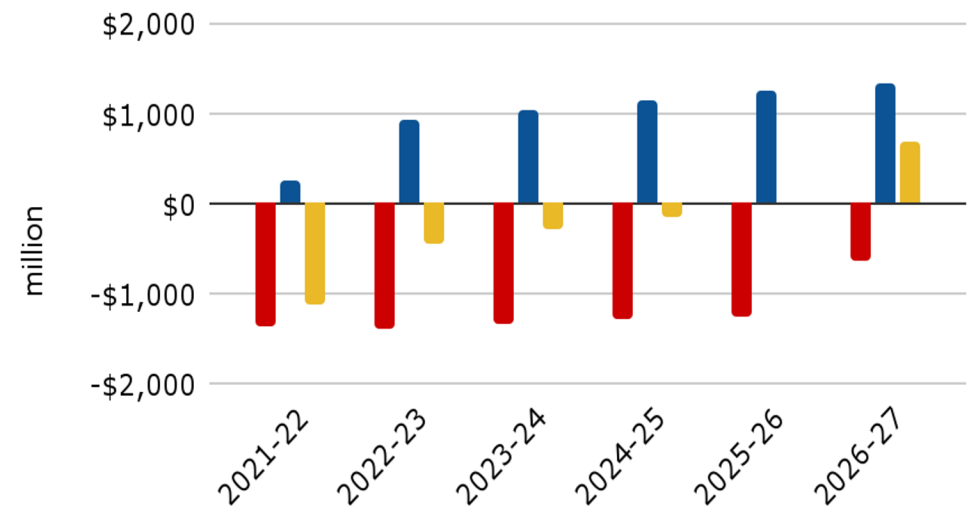


Deficit Reduction: Fair Revenue Options

- Fair revenues and deficit projections
- Eliminate deficit by 2026-27

Fair revenues can tackle the deficit

■ PERT deficit projection without revenues
■ Fair revenues ■ Surplus / Deficit with fair revenues





Conclusions

- We get it - deficit needs to be addressed
- Myth that spending is spiralling out of control
- Fact is tax cuts tipped us into deficit with oil over \$100 - Caused deficits of several hundred million dollars per year - Billions in debt
- Good news is we have room to increase fair revenues - revenues would more than eliminate deficit by 2026-27



Thank You

NLFL.NF.CA

kmurray@nlfl.nf.ca



NLFL Further Readings

- “Priorities for Economic Recovery: Robust and Viable Options towards an Economy that Works for All.” August 2020 <https://nlfl.nf.ca/2020/08/priorities-for-economic-recovery-robust-and-viable-options-towards-an-economy-that-works-for-all/>
- "NLFL Budget 2020 Submission: Stronger Revenues and Economic Growth." Feb 2020. <https://nlfl.nf.ca/2020/02/nlfl-budget-2020-submission-stronger-revenues-and-economic-growth/>
- NLFL Submission to Minimum Wage Review Committee. Nov 2019. <https://nlfl.nf.ca/2019/12/nlfl-submission-to-minimum-wage-review/>
- “Protecting ratepayers, workers, citizens, businesses and the climate: A better way to manage the costs of Muskrat Falls.” October 25, 2019 submission to Public Utilities Board Rate Mitigation Review <https://nlfl.nf.ca/2019/10/submission-to-the-public-utilities-board-rate-mitigation-review/>
- Newfoundland and Labrador Budget 2018: Measuring What Matters. Feb 2018. <https://nlfl.nf.ca/2018/02/nl-federation-of-labour-report-calls-on-government-to-put-people-first-in-budget-2018-prioritize-jobs-fairness-and-sustainability/>
- "Good Jobs, Green Jobs: Exploring Opportunities for Newfoundland and Labrador" <https://nlfl.nf.ca/2009/06/green-jobs-discussion-paper/>



Sources

- RBC, "Canadian Federal and Provincial Fiscal Tables" October 12, 2020 www.rbc.com/economics/economic-reports/pdf/canadian-fiscal/prov_fiscal.pdf
- OECD, "Revenue Statistics 2019 Tax revenue trends in the OECD" <https://www.oecd.org/tax/tax-policy/revenue-statistics-highlights-brochure.pdf>
- OECD "Data - Social Spending" <https://data.oecd.org/socialexp/social-spending.htm>
- StatCan Labour Force Survey , Table: 14-10-0287-03
<https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1410028703>
- Government of Newfoundland And Labrador, "Estimates Of The Program Expenditure And Revenue Of The Consolidated Revenue Fund"2020-21 <https://www.gov.nl.ca/budget/2020/wp-content/uploads/sites/3/2020/09/Estimates-2020.pdf>
- Abacus Data, "Wealth tax? Canadians like the idea." <https://abacusdata.ca/wealth-tax-canada-poll/>
- Government of Newfoundland And Labrador, "Historical GHG Emissions Summary Newfoundland and Labrador, 1990-2018" <https://www.gov.nl.ca/eccm/files/Historical-GHG-Emissions-Summary-Newfoundland-and-Labrador-1990-2018.pdf>
- S. Dobson et al, "The Greenhouse Gas Emissions Coverage of Carbon Pricing Instruments for Canadian Provinces" U Calgary School of Public Policy, SPP Research Paper, vol 12:6, Feb. 2019.
<https://www.policyschool.ca/wp-content/uploads/2019/02/Carbon-Pricing-Dobson-Winter-Boyd-final2.pdf>
- Government of Newfoundland and Labrador, "Revenue Action"
<https://www.budget.gov.nl.ca/budget2016/highlights/revenueaction.pdf>

2021-09-13

CARE Symposium



Sources

- “Priorities for Economic Recovery: Robust and Viable Options towards an Economy that Works for All.” August 2020 <https://nlfl.nf.ca/2020/08/priorities-for-economic-recovery-robust-and-viable-options-towards-an-economy-that-works-for-all/>
- "NLFL Budget 2020 Submission: Stronger Revenues and Economic Growth." Feb 2020. <https://nlfl.nf.ca/2020/02/nlfl-budget-2020-submission-stronger-revenues-and-economic-growth/>
- NLFL Submission to Minimum Wage Review Committee. Nov 2019. <https://nlfl.nf.ca/2019/12/nlfl-submission-to-minimum-wage-review/>
- “Protecting ratepayers, workers, citizens, businesses and the climate: A better way to manage the costs of Muskrat Falls.” October 25, 2019 submission to Public Utilities Board Rate Mitigation Review <https://nlfl.nf.ca/2019/10/submission-to-the-public-utilities-board-rate-mitigation-review/>
- Newfoundland and Labrador Budget 2018: Measuring What Matters. Feb 2018. <https://nlfl.nf.ca/2018/02/nl-federation-of-labour-report-calls-on-government-to-put-people-first-in-budget-2018-prioritize-jobs-fairness-and-sustainability/>
- "Good Jobs, Green Jobs: Exploring Opportunities for Newfoundland and Labrador" <https://nlfl.nf.ca/2009/06/green-jobs-discussion-paper/>