The Brief

Vol. 12 No. 5 | A publication of the NB Media Co-op | February/March 2021 | nbmediacoop.org

Pandemic inequality: Premier Higgs attempts to squeeze money from unionized front-line public sector workers while billionaire wealth rises

By SUSAN O'DONNELL

A custodial worker. Photo from CUPE NB.

During the pandemic, New Brunswick Premier Blaine Higgs is trying to squeeze income from front-line public sector workers while at the same time, the most wealthy people in the province are increasing their fortunes dramatically.

More than 13,000 hospital workers and educational support workers, as well as other workers in New Brunswick represented by CUPE, the largest public sector union in the province, have contracts in various stages of negotiations.

During his Dec. 11 meeting with CUPE leaders, Higgs confirmed that the government's wage offer at the bargaining table will be a three per cent increase in wages over a contract of four years: zero (a wage freeze) in the first year, and one percent in each of the remaining three years.

In November, the Canadian Centre for Tax Fairness published a report showing that Canada's billionaires are doing very well during the pandemic, particularly over the past six months this year.

Among the billionaires listed in the report are two from New Brunswick. Between April and October this year, the wealth of James Irving, owner of JD Irving, rose 36 per cent, from 6 billion to 8.1 billion.

The wealth of Arthur Irving, owner of Irving Oil, rose 32 per cent, from $3.3 billion to $4.4 billion over the past six months.

The report revealed that while Canada's wealthiest billionaires became even wealthier through the pandemic, "millions of ordinary Canadians and small businesses have struggled to stay afloat."

The wealth gap in New Brunswick and across Canada is the result of decades of regressive tax measures, particularly lower rates of tax on business and capital. The most wealthy people and most profitable businesses in the province are contributing less to the public purse, leaving the government with fewer resources to pay for public services, including public sector wages.

During a media event following the meeting with the Premier, CUPE New Brunswick president Brien Watson pointed out that New Brunswick now has the lowest median wages in the country, according to Statistics Canada. "Investing in the front lines and in ordinary people must be the new mandate," he said.

Sandy Harding, director of CUPE's Maritime Office, said that the offer from Premier Higgs was "very disheartening," particularly when front line workers represented by CUPE "have worked tirelessly during the pandemic and have kept this province going."

Harding said CUPE recently polled its members after learning of the Higgs wage freeze proposal, and within 24 hours they received more than 1,100 responses. Members reported being exhausted, with their mental health at risk.

Norma Robinson is president of the CUPE's New Brunswick Council of Hospital Unions, representing nearly 10,000 members. She said they are "not happy" with the government's offer and "it's a slap in the face for the work they have done during this pandemic." The hospital workers have been at work throughout the pandemic. "They are in stressful times, there is uncertainty, they are frustrated, they are burnt-out."

Theresa McAllister represents CUPE's 3,900 Educational Support Staff. Her members are in negotiations, have a report from a conciliator, and are looking to return to the bargaining table. She said Robinson's comments apply also to educational workers. "They are exhausted, mentally, and physically."

McAllister said that before the pandemic, Premier Higgs was always "expecting us to do more with less." Now, during the pandemic, educational support staff have even more duties and tasks, despite being paid for the same amount of hours.

In March this year, the NB Media Co-op reported how the provincial and regional governments in New Brunswick were using the COVID-19 crisis to undermine CUPE members in New Brunswick. Now the union's leaders are fighting the same threat again, at the bargaining table.

After the new contracts are negotiated and an offer is put to CUPE members, it will be up to the members to decide to accept or reject the offer or take job action. "CUPE is a grassroots organization, not a top-down union," explained Watson.

"The Premier has to recognize how workers who are integral to the pandemic response cannot be ignored to achieve a strong economic recovery," said Harding. "Our economy will need wage increases for our members to help stimulate the recovery, and our members deserve a fair wage increase."

Research has demonstrated that the best way to protect wages and decrease the gap between rich and poor is to have a high number of unionized workers. Unions reduce inequality and protect the ability of workers on low and middle wages to obtain a fair share of economic growth.

The Canadian Union of Public Employees (CUPE) represents more than 28,000 workers in New Brunswick and is the largest public sector union in Canada.

Susan O'Donnell is a reporter with the NB Media Co-op.

New Brunswick needs rental reform--and fast

By MATTHEW HAYES

Moncton Mayor Dawn Arnold sounded giddy. "We have $270 million plus in new building permits," she told the CBC, noting Moncton was "the hottest real estate market around."

The sudden surge in interest amongst property investors in New Brunswick's multi-family residential sector is pushing up housing costs in the province, especially for renters.

Yet, in the face of a looming crisis, the province's political leaders assume the market will "adapt."

That remains to be seen.

In the absence of a concerted public effort—one that would include public investment as well as rent controls and tenant protections—the province is on the cusp of an even greater housing affordability problem.

Faced with an unprecedented situation in its rental market, the provincial government continues to rely on staid and discredited supply and demand platitudes offered up by neoclassical economics.

Here's some basic economics: Classically, housing is viewed as an immovable asset tied to the places people work and live that is difficult and costly to sell. Its price in perfectly competitive markets depends on local labour market conditions.

This is no longer the case. Both, the supply and demand for housing, have changed since 2008 in ways that significantly transform the future of housing in New Brunswick. Classical conditions no longer apply, if they ever did. Public policy needs to keep pace.

On the demand side of rental housing, vacancy rates have dropped and apartment building construction has expanded over the last decade. While some of this could be due to people moving here from away, the numbers do not bear this out. *The Telegraph Journal* reported Dec. 24 that net interprovincial migration to New Brunswick is only about 1,000 for this year, not a significant change over the last several years. International immigration is way down.

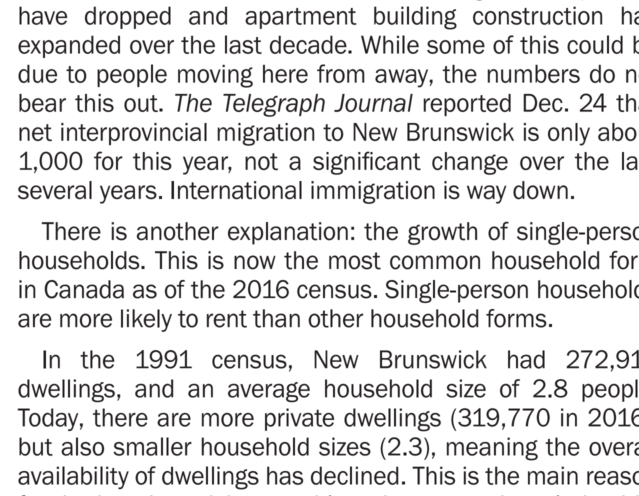
There is another explanation: the growth of single-person households. This is now the most common household form in Canada as of the 2016 census. Single-person households are more likely to rent than other household forms.

In the 1991 census, New Brunswick had 272,915 dwellings, and an average household size of 2.8 people. Today, there are more private dwellings (319,770 in 2016), but also smaller household sizes (2.3), meaning the overall availability of dwellings has declined. This is the main reason for the housing crisis, a problem that was acknowledged by the McKenna government back in 1995 (see pp. 22-23).

On top of these household demographic changes, there are also socio-economic ones. Since the early 1980s, income and wealth inequality in Canada has grown substantially. This means that the composition of demand for housing has changed, with some people able to afford high rents in newbuild housing, and others less able to afford rents in older buildings.

The coronavirus crisis has made this inequality even worse. Record levels of unemployment and surging real estate prices have led to a national housing affordability crisis that is now spreading beyond Toronto and Vancouver.

New Brunswick's housing market was relatively affordable compared to the rest of Canada, but the province also has higher levels of unemployment, lower labour market



Apartment buildings in Fredericton. Photo by Matthew Hayes.

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Axed bus routes blamed on Higgs' refusal to accept public transportation funds

By DATA BRAINATA

A Maritime Bus in Saint John. Photo by Data Brainata.

Maritime Bus plans to cut routes in New Brunswick due to the province's refusal to grant subsidies to the struggling company but says they will delay the cuts by two weeks to allow time for affected communities to come up with a temporary bail out plan for the company. The cuts were supposed to come in effect on January 15.

The reduced service primarily affects francophone northern parts of the province, which rejected Blaine Higgs' Conservative agenda in last fall's election.

Higgs has no representation north of the Miramichi River, and now, New Brunswick could have no bus service there either.

The announcement angered members of the public and other political parties.

According to New Brunswick Green Party Leader David Coon, funds coming to the Province from the federal carbon tax would give Premier Higgs a second chance to sign a deal to keep the buses running to northern New Brunswick. It would also give the government time to plan for a long-term solution to extend public transportation services to more New Brunswickers.

"I am baffled by the Premier's indifference to those New Brunswickers who depend on public transportation to connect with healthcare services, school or work. What does he see the role of government if not to support its people?," said Coon.

For Coon, "It is just wrong to leave people living in the northern half of the province stranded without public transportation services. It is blatantly discriminatory."

Maritime Bus reached out to the provincial governments in the Maritimes, requesting all three provinces co-share in a Grant Subsidy Support Program. Only New Brunswick rejected the request. Nova Scotia and Prince Edward Island agreed to provide the subsidy to ensure rural residents had some access to transportation.

New Brunswickers are increasingly being cut off from transportation services since the start of the pandemic. This week, Air Canada announced it is ending flights in and out of Fredericton and Saint John. Via Rail services have been suspended as well. Now, bus routes servicing Fredericton to Edmundston and Moncton to Campbellton are planned to be halted.

Jessi Taylor, spokesperson for Reproductive Justice NB, is concerned how the axed bus routes will affect access to abortion care in a province that "refuses to fund abortion services in community settings."

"Unless you pay privately or go out of province, abortion services are only available in two regions of the provinces, Moncton and Bathurst. If you don't live in these two regions, you often have to travel more than once because you have to come for two different appointments and definitely not on the same day and the next day. So you either have to pay out of pocket to stay in town or you have to travel," said Taylor.

To address inadequate transportation services in the province, Coon wants to see the "Premier mandate the Minister of Transportation to implement the public transportation strategy commissioned by the government five years ago."

In 2015, the New Brunswick Rural and Urban Transportation Advisory Committee led by Dr. Yves Bourgeois, Dean of the Université de Moncton's Shippagan campus, was commissioned by the Gallant government to develop a 20-year public transportation strategy for the province.

Released in 2017, the report recommended a provincial transportation strategy that included commitments to invest in transportation services as well as the promotion of initiatives that align with public, private and community assets.

It identified the need to change the province's dependence on private vehicles sooner rather than later because of the "heavy financial burden on middle income families." The report also pointed out that people living in poverty or those with a disability, especially in rural areas of the province, may not be able to have a car to access jobs, services and healthcare. "It diminishes the quality of life of families and communities," the report said.

The report also recognized that "available, affordable and accessible mobility options" are instrumental in job creation, youth retention, keeping healthcare costs low, and achieving lower carbon targets, while the lack of transportation options burdens government finances as fewer people work and pay taxes, while increasing public service delivery costs.

"Improving access is not only a question of fairness; it is also about tapping into our most valuable resources: our people," the report said.

Coon argues that "public transportation is a public good, that needs to be publicly funded," and said, "it is atrocious that the Government of New Brunswick will not provide funding to support this essential transportation infrastructure in a province where so many people lack the ability or income necessary to drive, yet need to go to the doctor frequently because of high rates of chronic disease and cancer."

"Everywhere else in Canada 50 per cent of the costs of public transportation is publicly funded, with the balance coming from ticket sales," said Coon.

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Rental reform--and fast

participation rates, an aging population (many on fixed incomes), and lower average incomes than other parts of Canada.

New Brunswick has the lowest median household income in Canada and the high levels of child poverty. Thirty-six per cent of New Brunswick renter households spend 30 per cent or more on rent and utilities, the common limit of housing affordability.

Inequality should be a concern to policymakers as the real estate market heats up. Rapidly rising prices will reduce affordability most for those on lower or fixed incomes.

Higher-income groups, however, may not even notice the affordability crisis—or their options may even expand. For example, although Airbnb owners may have suffered this year, the number of Airbnbs have increased consistently in New Brunswick since 2015.

Financialization comes to New Brunswick

This brings us to dramatic changes in housing supply, which have accelerated since the 2008 global financial crisis.

The main new market actors influencing housing supply are real estate investment trusts (REITs) and other private equity firms specializing in the purchase of 'multi-family residential housing,' e.g. rental housing.

Killam is the largest REIT operating in New Brunswick and its market size is growing. CMHC counts just under 35,000 rental units in multi-family dwellings in New Brunswick in October 2019. According to Killam, they own 4,900 of those units. On its own, it accounts for about one of every six rental units in Moncton and Fredericton.

That gives Killam significant market power—the ability to set its own price. It is not a monopoly, but because it owns such a large percentage of the market, its decisions influence all other rental suppliers. That power is much more significant in the tight rental market now developing in New Brunswick, and will grow as Killam purchases more properties.

Market power also allows companies like Killam to avoid dropping prices if and when vacancy rates rise, since it can absorb vacant units more easily across its vast portfolio, and does have a near monopoly on rental units in certain choice, high-amenity neighbourhoods.

New Brunswick is also very important to Killam. Eighteen percent of its net operating income over the first nine months of 2020 came from New Brunswick residential rentals. Only the Halifax portfolio generates more income.

But significantly, Killam draws 34 per cent of its operating income—nearly twice the amount for New Brunswick as a whole—from only 5,814 units in Halifax, just 900 more than they own in New Brunswick.

Killam's November 2020 investment statement specifically states that its strategy is to increase earnings from its existing portfolio.

That can only mean increasing the rent.

They will do this as they have done – by buying older buildings and repurposing them for higher-income demand. Killam's revenue-generating strategy targets 'strong occupancy,' in other words, tenants who pay higher rents.

It is important to understand that REITs like Killam are not technically in the business of renting. They are in the business of packaging rental income streams and selling them off to investors.

Rental housing in Canada has been 'financialized' as an asset class, which can be bought and sold seamlessly by investors across Canada and around the world.

Even before the COVID-19 crisis, large institutional investors were switching their portfolios from bonds to REITs, searching for higher returns.

Killam and other REITs are eager to invest in New Brunswick because there is strong demand for what they are selling: not rental units, but relatively safe asset-backed securities that generate returns derived from rental properties that are higher than bond yields.

Modernizing tenant protection

New Brunswick's tenants are unprotected, providing REITs like Killam with an important advantage in their rental portfolio. Big investors in REITs know this, and pay attention to the underlying rental contracts they are investing in.

But what is good for REITs is not necessarily good for New Brunswickers. Rising rents don't necessarily mean more investment in the rental sector and it won't improve affordability by increasing rental supply. It just means higher returns to REIT investors—many of whom are not residents in New Brunswick.

The financialization of housing in New Brunswick will lead to new affordability problems that will transform our cities and cost the public money as we deal with the downstream effects of greater housing insecurity such as homelessness.

The debate about rent controls and tenant protections deserves more than lazy references to neoclassical economics. It requires better knowledge of how the rental market is changing, and it requires public officials to make decisions in the best interests of the public, rather than investors.

Matthew Hayes is a professor of sociology and the Canada Research Chair in Global and International Studies at St. Thomas University.