

December 16, 2015

The Hon. Michael DeJong
Minister of Finance
PO Box 9048 Stn Prov Govt
Victoria, B.C.
V8W 9E2

Dear Minister:

We understand that the Canada Pension Plan (CPP) is on the agenda for your meeting next week with your provincial and territorial counterparts and want to ensure that the perspective of one of the largest employers of youth in Canada is considered in your deliberations on this important issue.

Canada's restaurant industry directly employs 1.2 million Canadians, is the number one source of first jobs and serves 18 million customers every day.

We are particularly concerned about Ontario's retirement pension plan (the ORPP) and the impact it will have on youth and employers of youth. We urge you and the other provinces and territories to consider whether CPP enhancements are necessary at this time and if so we would ask that alternative approaches to enhancing the CPP be considered that won't jeopardize entry-level jobs and won't be unfair to youth workers, whose entry level wage contributions would have little impact on their retirement income.

Rather than taking a broad-based approach to pension reform, we recommend targeting reform to Canadians who need additional support.

- **Exempt Canadians earning under \$30,000/year from increased contributions**

We are interested in the approach that was previously put forward by the province of Prince Edward Island that would only raise premiums for those earning over \$30,000 or above per year. According to the Summary Report prepared for the Research Working Group on Retirement Income Adequacy of Federal-Provincial Ministers of Financeⁱ, the problems of retirement income inadequacy are concentrated among middle and higher income earners. At lower income levels, little in the way of saving is needed because Canada's Old Age Security (OAS) and Guaranteed Income Supplement (GIS) will replace their incomes. More than 90% of lower-income Canadians are not expected to experience a drop in consumption after retirement.

- **Exempt Canadians under the age of 25 from increased contributions**

Currently the youth unemployment rate is 2.3 times higher than the unemployment rate for Canadians 25 and over. An exemption from increased contributions for those under 25 would enhance the opportunity for that all-important first-job experience and avoid increased deductions at a point in their lives when they are focused on saving for and contributing to their education.

The Ontario government has stated that Canadians are living longer as an impetus for introducing the ORPP. However, Canadians are also entering the workforce later and working longer. Average retirement ages have increased significantly over the past decade. Provincial governments recognized the trend of delayed retirement when they scrapped the mandatory retirement age.

Delayed career starts reflect, in part, the success of Canadian governments in keeping youth in secondary schools and providing opportunities for post-secondary education and training. Canada leads all OECD countries with 53% of adults completing post-secondary education, but this has led to some unintended consequences. Increasingly, youth are entering the job market without any job experience whatsoever. In fact, 28% of unemployed youth have never held a single jobⁱⁱ. Given the importance of first-job experience to future career success, it is critical that CPP enhancements do not create a new disincentive to hire young, inexperienced youth.

▪ **Restore inflation protection to the Year's Basic Exemption (YBE)**

During the last major round of CPP reforms, inflation protection was removed from the YBE, which resulted in more significant premium increases for young workers and their employers. Until 1997 an indexing formula raised the YBE each year by average earnings growth. The change worsened intergenerational unfairness that already existed in the program.

Currently, restaurant operators are trying to cope with significant increases in labour costs that cannot be passed on to price-sensitive customers. The combination of mandated labour cost increases and tight labour markets are severely squeezing restaurant operator margins.

Increasing the YBE would lessen the impact of CPP increases on the personnel budgets of all labour intensive businesses such as foodservice, hospitality and retail and enhance their ability to hire Canadians, particularly youth.

To conclude, we strongly recommend that any enhancements to CPP being contemplated be implemented without increasing contributions from youth/lower wage workers and their employers by: exempting new premium contributions from youth under 25; exempting workers under an earnings threshold of \$30,000; re-indexing the CPP's YBE; or a combination of these approaches. The ORPP will have a devastating impact on youth employment in Ontario and should not be considered as a model for CPP reform.

We very much look forward to meeting with you to discuss these issues in further detail.

Sincerely,



Mark von Schellwitz
Vice president, Western Canada

ⁱ Research Working Group on Retirement Income Adequacy of Federal-Provincial Territorial Ministers of Finance, December 2009.

ⁱⁱ Economic Insights – Unemployment Dynamics Among Canada's Youth, Statistics Canada, 2013-06-11