Canadian Restaurant
and Foodservices
Association

Association canadienne
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et des services
alimentaires

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November 25th, 2013

The Honourable Doug Horner, MLA
President of Treasury Board and Minister of Finance
Room 423 Legislature Building
10800 97 Avenue
Edmonton, AB
T5K 2B6

Dear Minister:

I understand that enhancements to the Canada Pension Plan will be on the agenda for discussion when you meet with your federal, provincial, and territorial counterparts in mid-December. We want to be sure that the perspective of one of the largest employers of youth in Alberta is considered in your deliberations. Restaurants create nearly 16% of all jobs in Alberta held by those between the ages of 18 and 25. 38% of our 130,500 employees are under 25. The restaurant industry is the number one place where Canadians get their first-job experience, and increasing CPP premiums would put these jobs at risk.

We are pleased that protecting lower-income workers was one of the key principles all provinces and territories agreed to at the November 1st meeting. It is recognized that the problems of income inadequacy are concentrated among middle and higher income earners (*Research Working Group on Retirement Income Inadequacy of Federal-Provincial-Territorial Ministers of Finance, December 2009*). At lower-income levels, little in the way of savings are needed because Canada's Old Age Security (OAS) and Guaranteed Income Supplement (GIS) will replace their income. In fact over 90% of lower-income Canadians are <u>not</u> at risk of experiencing a drop in their consumption in retirement.

In 2010 when enhancements to the CPP were being contemplated, CRFA recommended that they be implemented without increasing the contributions from lower-wage workers and their employers (i.e. increase the level of maximum pensionable earnings, increase premiums for employees and their employers over a specific earnings threshold ($30,000) or a combination of these approaches. The approach proposed by PEI Finance Minister, Wes Sheridan, appears to be consistent with this; however, the magnitude of the changes contemplated must be examined in relation to the impact on disposable income, other voluntary retirement programs, businesses, and the economy.

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Also a key element of reform is missing from this proposal - the diminishing value of the $3,500 year's basic exemption (YBE). Lower-income workers, primarily youth, and the foodservice sector, were hit hardest during the CPP reforms of 1997 when the YBE was frozen. Until 1997, an indexing formula raised the YBE each year by average earnings growth. This change worsened intergenerational unfairness that already existed in the program. Young Canadians and future generations have been forced to cover the CPP debts of today's retirees and members of the "baby boom" generation who were not asked to pay the full cost of CPP benefits. Canadians born after 1980 will average real returns of about 2% from the CPP or half the 4% returns granted to the "baby boomers" born in 1950. To offset this intergenerational unfairness and protect youth jobs, CRFA urges you to include a re-indexing or a lump sum increase to the YBE.

In conclusion, when you meet with your federal, provincial and territorial colleagues on December 14th and 15th to examine options for CPP reform, we urge you to not put youth jobs at risk though payroll tax increases, now or in the future.

Sincerely,

Mark von Schellwitz
Vice President, Western Canada