Canadian Restaurant
and Foodservices
Association

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November 19, 2013

Hon. Wes Sheridan
Minister of Finance
P.O. Box 2000
Charlottetown, PE
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Dear Minister:

It is my understanding 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. As we discussed during CRFA's roundtable event in Charlottetown, the restaurant industry wants to be sure that the perspective of one of the largest employers of youth on the Island is considered during your deliberations. Restaurants create 20% of all jobs held by those between the ages of 18 and 25. The restaurant industry is the number one place where Islanders get their first-job experience, and a straight increase in CPP premiums would put these jobs at risk.

We are pleased that your plan to protect lower-income workers was one of the key principles all provinces and territories agreed to at your 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. Your approach 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.

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 the 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 average 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.

To conclude, when you are meeting 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 and in the future.

Yours sincerely,

Luc Erjavec, P. Eng.
Vice-President, Atlantic