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—
Chair

The Honourable Wayne Easter

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• (1535)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): The meeting is called to order. Thank you.

Pursuant to Standing Order 108(2), subject matter of Bill C-26, an act to amend the Canada Pension Plan, the Canada Pension Plan Investment Board Act and the Income Tax Act, we have witnesses here today to speak on Bill C-26.

First of all, welcome everyone. We would like to hold witnesses to about five minutes, if we could, so that we have plenty of time for questions.

Pat Trask, I believe you're going to be first, with the Saskatchewan Seniors Association Incorporated. Good to see you. You and I used to be colleagues 25 years ago.

Ms. Pat Trask (President, Saskatchewan Seniors Association Inc.): That's right.

The Chair: Welcome. I know this is your first appearance, but we're not as tough as the NFU used to be in those days.

Ms. Pat Trask: Thank you, Wayne.

As Wayne said, my name is Pat Trask. I'm from Saskatchewan. I live in Saskatoon now. I represent the Saskatchewan Seniors Association.

I'm the president of that group and just got that job in June, so I'm not up to par yet with everything I'm supposed to know. Indeed, it was late Friday when I was summoned to replace someone else. I didn't have a lot of background information and I downloaded all my stuff, but I decided I'm not up to par on everything you want to discuss or ask questions on.

As I said, I represent the seniors and the seniors always need more money. They are right on board with us in asking for the increase in the Canada pension plan. I apologize that I'm not a good working part of this committee tonight, but I would answer any questions if you want to know anything about my background or about Saskatchewan in general.

The Chair: All right. We'll go to questions with you later. Is that what you're suggesting?

Ms. Pat Trask: Whenever.

The Chair: Okay, good. Thank you, Pat.

We'll hear from the Canadian Federation of Independent Business.

Ms. Morneau—excuse me, I mean, Ms. Moreau.

Ms. Monique Moreau (Director of National Affairs, Canadian Federation of Independent Business): Thank you, Chair. That's becoming a common mistake for me, so I will reinforce that I am not related to our cherished finance minister.

Thank you for the opportunity to be here today to share the small business owner perspective on premium increases to the Canada pension plan. You should have a slide presentation in front of you that I'd like to walk you through in the next few minutes.

As many members know, CFIB is a not-for-profit, non-partisan organization, representing more than 109,000 small and medium-sized businesses across Canada. Our members represent all sectors of the economy and are found in every region of the country. It's important to remember that Canada's SMEs employ 70% of Canadians working in the private sector, are responsible for the bulk of new job creation, and represent about half of Canada's GDP. Addressing issues of importance to them can have a widespread impact on job creation and the economy.

The CFIB takes its direction solely from our members through a variety of surveys throughout the year. In all previous member surveys on this topic, a strong majority of our members have told us they will be directly impacted by CPP premium increases.

The state of the economy has a big impact on small businesses and the middle class. One of the surveys that CFIB conducts is our monthly business barometer. Our latest barometer shows that small business confidence dropped in October, sitting at 57.7, one point down from its previous barometer in September. Ideally, we want to see this indexed between 65 and 70 when the economy is growing at its full potential.

Although employment plans tend to fluctuate seasonally, this October's downward turn was far sharper than usual. As you see on slide 4, the blue line shows the percentage of respondents planning to hire, and that is 10. The red line is those planning to lay off, which is 21. Normally, we like to see these lines quite far apart, as we did in earlier 2016.

Like many other government programs, the biggest issue around CPP increases is awareness. As you can see, 40% of Canadians think the government pays into their portion of CPP, and nearly three-quarters of Canadians don't realize that current retirees will not benefit from the proposed expansion. In fact, nearly one-quarter of current retirees wrongly believe that they will see larger CPP benefits as a result of the proposed expansion. It is unclear to most Canadians that it will take up to 40 years of increased premiums in order for a worker to see the full impact of these increases in their CPP benefits.

Small business owners don't have money hiding under the mattress waiting for government tax hikes. If CPP/QPP is increased, even if it results in higher future benefits, two-thirds of business owners indicated they would feel pressure to freeze or cut salaries, while nearly half would be forced to reduce investments in their businesses. This impact comes at a time when the government is trying to encourage innovation, investment in business, and job creation in small firms.

Employed Canadians also oppose a CPP hike. Nearly 70% indicated they opposed an increase if the consequences meant a freeze in their wages or salary, while 83% were opposed to the plan if increases led to a cut in their wages or salary.

As you can see, if employed Canadians had extra money to save for retirement, they would first invest in RRSPs and TFSAs over other savings vehicles such as the CPP/QPP. Small business employers also favour such saving vehicles if they have the opportunity to contribute toward the retirement savings of their employees.

If the government is trying to help Canadians save more for retirement, only 18% of Canadians are choosing mandatory CPP increases. There is a variety of other options available, including reducing taxes, creating new incentives for savings, and allowing employees to voluntarily contribute to their own CPP/QPP. Putting pressure on financial institutions to lower their management fees for retirement savings vehicles is also an important consideration.

It is clear that Canadians are uninformed about CPP and want the government to consult with them before proceeding with their plans to expand. Nearly 80% of Canadians, many of whom form the middle class, want to share their views with government. Small business owners also want the opportunity to engage with government on this issue, as 90% of them indicated.

We strongly recommend that the federal government encourage their provincial counterparts to engage in consultation. We also ask the federal government to recall their promise made in budget 2016, where they said, "The Government will launch consultations to give Canadians an opportunity to share their views on enhancing the Canada Pension Plan."

Finally, if the government does intend to go ahead without consulting Canadians, we suggest they adopt the following mitigating measures.

- (1540)

First, they exempt the first \$27,000 of income from additional CPP increases, similar to what the Quebec government is proposing. Second, they could offer up tax savings by sticking to their promise to reduce the small business tax rate. Third, they implement a

permanent, lower EI rate for small businesses. Lastly, they exempt self-employed Canadians, who pay double the amount of CPP, from these increases.

This concludes my remarks. Thank you for the opportunity. I'm happy to take your questions.

The Chair: Thank you very much, Ms. Moreau.

Turning to the Canadian Labour Congress, we have Mr. Yussuff and Mr. Roberts.

Mr. Hassan Yussuff (President, Canadian Labour Congress): First of all, Chair, members, good afternoon.

Thank you for the opportunity to appear before you today. It's a pleasure for me to speak to the bill. I'm very proud to be here today in regard to this discussion.

The Canadian Labour Congress speaks on behalf of 3.3 million workers across this country. Every day in this country, unions bargain pensions on behalf of our members. The labour movement believes that all workers should be able to retire in dignity after a lifetime of work, regardless of whether or not they have a union. The Canada pension plan is a critical part of retirement security for Canadians. The universal CPP delivers a secure and predictable benefit in retirement and is protected against inflation. The problem is that the CPP benefit was set too low when it was created in 1965. It pays a benefit of just 25% of pensionable earnings below the average wage. We have been fighting to improve the CPP from the very beginning. Seven years ago, the Canadian Labour Congress, in 2009, and its member unions decided to once again redouble our fight to expand the Canada pension plan.

If we had not campaigned tirelessly for the last seven years to expand the Canada pension plan, we would not be here today having this discussion. There is no exaggeration in regard to this point. Both our allies and opponents acknowledge that the labour movement was pivotal in getting this agreement. In the beginning, we had little support. Not a single province supported the expanding of the CPP. The federal government was opposed, and as always, the banks and the insurance companies opposed any expanded CPP.

We were not deterred. We mobilized our activists across this country. We educated our members and the public about an expanded CPP. We patiently explained to anyone who would listen why it makes sense to expand the Canada pension plan. Gradually, we began to win over seniors, students, anti-poverty organizations, provinces, and politicians. The Federation of Canadian Municipalities unanimously endorsed our call to double the Canada pension plan. The Canadian Federation of Students backed our proposal. Pension experts and economists were on our side. Newspaper editorial boards endorsed the expanded CPP. Polls showed that Canadians supported an improved CPP in every region, in every age group, and in every income bracket, regardless of party affiliation.

Gradually, the provinces came to understand why Canadians need a better CPP. Only the federal government stood in its way. At one time, even then, the late finance minister Jim Flaherty supported an expanded CPP. The labour movement made CPP expansion an election issue in the last election in 2015. We helped change the federal government. I am happy and proud to say that the labour movement's consistent efforts are what got us here today.

Critics tirelessly continue to make the same arguments against expanding the CPP. They say that most Canadians don't need a better pension. They say that rising house prices and RRSPs will provide Canadians with dignity in retirement. They say the sky would fall if contributions were to rise modestly over a gradual phase-in period. These arguments have been discredited in the past. They have been rejected by Canadians.

Bill C-26 is the result of a long struggle, and we are proud to see it proceed. This is a historic achievement on behalf of Canadians and our country. For the first time in 50 years, the Canada pension plan benefits will improve.

I want to thank personally Minister Morneau and the provincial governments for their hard work and leadership in getting us this deal.

The bill before you today, Bill C-26, isn't perfect by any stretch of the imagination. For instance, we fail to see why the child-rearing dropout provision isn't extended to the enhanced benefit. This may have been an oversight and it needs to be fixed before the legislation is adopted by the House.

We urge the committee to include a child-rearing provision in the new benefit, but make no mistake; Bill C-26 is a historic and significant improvement in the CPP benefits for working Canadians. At a time when public pensions are in retreat around the world, Canada's leadership sends a beacon to working people everywhere. This is a proud moment that we Canadians can celebrate.

On behalf of the congress, thank you very much for inviting us to present before the committee today.

• (1545)

The Chair: Thank you very much.

With the Confédération des syndicats nationaux, we have Ms. Joncas, Ms. Lévesque, and Mr. Enault.

Ms. Lévesque, I believe you're leading off. Go ahead.

[*Translation*]

Ms. Francine Lévesque (Vice-President, Confédération des syndicats nationaux): Mr. Chair, on behalf of the CSN, representing nearly 2,000 unions active mainly in Quebec, I would like to thank you for allowing us to appear before the Standing Committee on Finance on the important topic of the future of Canada's pension plans.

From the outset, I want to commend the initiative and the elements of the bill because they are designed to improve the financial security of Canadians when they retire. We think this is a very important goal. When they retire, most Canadians rely on the Canada Pension Plan as their main source of income.

The bill contains two main measures, which we support. The goal is to increase the income replacement rate from 25% to 33% and to increase the salary considered in the income replacement rate.

While we support those two measures, we feel that it should take a little less time to implement them. For many years to come, the majority of Canadians with a significant lack of income at retirement will not benefit before all this is fully implemented.

While this is a step in the right direction, we believe it is important to consider some other elements and to significantly consolidate the other pillars of the retirement income protection, private plans and other aspects, such as the guaranteed income supplement and the old age security program.

For the poorest workers, it would have been desirable that the preferred measure to guarantee the improvement of their income should not be fiscal, but rather integrated into the pension system, since they are not immune to much faster and frequent changes in tax rates. If perhaps we had taken a little more time, we could certainly have looked at options to raise the income level, while not imposing any form of additional contributions for lower income workers. The latter are those whose income is less than 50% of the maximum pensionable earnings.

The other measure that is of great concern to us is the integration with private plans. In our view, the current proposal is a step forward, but it is basically an upgrade, considering that the last few years have been rather difficult for pension plans with the many cuts and reductions.

Right now, employers must also maintain their company's pension plan. Where none exist, we think steps must be taken to establish them. The main challenge we face is to ensure that, for all the pillars of retirement income, we do not receive something from one hand that is taken by the other. We must not end up in a situation in which the retirement income of the worst-off workers is not improved, when all is said and done.

In conclusion, we welcome the bill. However, although this reform is not enough to solve all the problems within Canada's pension system, it is a step in the right direction. Increasing the income replacement rate from 25% to 33% is a step in the right direction, but this will not allow a large proportion of workers to reach the levels of savings required to ensure adequate income replacement upon retirement.

Several recent reports have noted the challenges of private pension plans and Canadians' low level of savings. It is believed that Canadian employers are increasingly shirking their obligations, which include putting adequate pension plans in place and contributing to their employees' retirement savings. This is because no law exists in Canada requiring employers to pay into a company plan as is the case in a number of OECD countries.

• (1550)

Requiring contributions from workers and employers encourages the establishment of adequate pension plans, which is not achieved by strict reliance on individual savings. International experience demonstrates not only the ineffectiveness of voluntary and individual saving measures, but also the difficulties people encounter while trying to understand, manage and determine the contributions required and the best investment choices on their own. All of that speaks in favour of strengthening the three pillars of Canada's pension system.

For all those reasons, we welcome the initiative and we look forward to further reflection to continue moving forward and ensure that all Canadians have a better retirement income.

[English]

The Chair: Thank you very much, Ms. Lévesque.

From the Canadian Union of Public Employees, we have Mr. Janson.

Mr. Mark Janson (Senior Pensions Officer, National Office, Canadian Union of Public Employees): Thank you, Mr. Chair, and thank you to the committee members for having CUPE here today.

CUPE is Canada's largest trade union. We have 639,000 members across the country. Pensions are a very big deal for our members. Half of our members don't have good defined-benefit plans in their workplace, so this is an important issue for our members, their families, and their communities.

The labour movement, as the CLC representative said, has long been a champion of Canada's public pension system, and of seeing it grow. At a similar committee hearing to this in 1965, labour representatives appeared and said that they endorsed the creation of the Canada pension plan that year, but were sharply critical of the too-limited level of the benefits that were provided. The 25% replacement rate that was set out that day remains today.

At the time, labour representatives called for CPP benefits to be doubled. The government did not listen and implemented what we saw as a very modest pension system. In choosing a very modest public pension plan, Canada really put all their eggs in the basket of a private pension system that needed to work very well.

The CPP just turned 50. This is a good time to look back. We now have 50 years of evidence showing us quite clearly that this private pension system wasn't working very well for most Canadians. We've never had a situation where most Canadians had a pension at work. Today, six in 10 Canadians don't have a pension at work. Those who do have pensions are seeing their plans become less generous and less secure over recent decades. The individual systems of the RRSP and the tax-free savings account simply aren't working for most Canadian workers. You add all this up and it's no surprise that study after study showed we were facing a big problem, that Canadians simply weren't saving enough and that future generations of retirees were looking at very steep drops in living standards unless something was done. That problem was projected to get worse with each subsequent generation.

Clearly, something had to be done, so in 2009, as the CLC said, the labour movement revived our 50-year campaign to see CPP benefits increased. The labour movement and CUPE were very strongly supportive of the deal that was struck in June. We recognize changing the CPP is not an easy thing to do. The two-thirds/two-thirds rule makes this harder to do than changing the Canadian Constitution, so we applaud the federal government and the provincial governments for sitting down and getting that job done.

Like others here, while we recognize this as an important step forward, we also can't escape the fact that we were calling for a doubling of CPP benefits. The increase provided in Bill C-26 goes only about a third of the way to getting there. CUPE is still going to continue to fight for better public pensions for all Canadians.

Like the CLC, we are extremely concerned about the dropout provisions in Bill C-26. The child-rearing dropout and the disability dropout provisions, which I know you discussed at committee yesterday, have been long-standing provisions of the existing CPP. In Bill C-26 we were surprised to see that these provisions would not apply to the expanded portion of CPP. At first, we thought this must have been oversight and should be an easy fix, but yesterday departmental officials confirmed that this was actually intentional.

These two provisions have been long-standing aspects of the CPP. The child-rearing provision was introduced under the Liberal government of Pierre Trudeau in 1977 with much fanfare. Ministers of the day said the provision “would ensure that a contributor who remains at home to care for young children will not be penalized for that period during which he or she has low or zero earnings” and that “parents should not be penalized under the CPP for undertaking a socially desirable and necessary task”.

This child-rearing provision has mostly been used by women. It has helped women narrow, but not close, the gap between what they earn under the CPP and what Canadian men earn under the CPP. On average, for every dollar a Canadian man earns, a Canadian woman earns about 70¢ in the CPP. That's with the child-rearing provision intact. If the child-rearing provision were not there, that 70¢ would certainly be lower.

It's the same point on the disability dropout. This has been a long-standing provision of CPP. Since day one, this has been part of the Canadian pension plan. It ensures that workers who are forced to collect CPP disability payments do not see their CPP retirement payments suffer as a result. They're simply allowed to drop those years of zero or low earnings from their CPP calculation.

• (1555)

In our view, these are very important principles within the CPP. They're equity provisions within the plan. They've worked well for decades, and we don't see why they should not continue to work well into the future under the expanded CPP. They're still going to apply to the base CPP going forward; they should apply on the same basis to the expanded CPP.

We wonder whether the provinces were aware that these provisions would not apply when the deal was signed in June, and whether they know now. The discussion yesterday at committee clearly showed this has not been costed by the chief actuary's office or Department of Finance officials. We would suggest it's a pretty simple first step, which could be taken at the committee, to find out what this is going to cost on that side of the ledger, but then on the benefit side of the pension ledger to run some numbers to find out what this is going to mean for women going forward, or for Canadians with disabilities, in terms of the CPP cheques we expect they're going to receive under the expanded portion of CPP. These are important principles. They've applied for decades and they should absolutely continue to apply.

Thank you for your time.

The Chair: Thank you very much, Mr. Janson.

Turning then to questions, we have a seven-minute round.

Mr. MacKinnon.

[*Translation*]

Mr. Steven MacKinnon (Gatineau, Lib.): Thank you, Mr. Chair.

My thanks to the witnesses for being here today. Welcome to the Standing Committee on Finance, and thank you for sharing your views with us.

My first question is for Ms. Moreau, who, as usual, faithfully reflects the views of her members.

I also consult with the leaders of small and medium-sized businesses not only in my riding, but also across the country. They are far from decrying this new plan, as you have done. They are saying the same thing as the projections from the Department of Finance. Based on those forecasts, the impact will be modest for both sides. In the short term, the reform will have a very small impact on employment. However, in the long term, it will be a good thing for jobs and growth in Canada.

How do you explain the gap between the very pessimistic view you have described in your presentation and the econometric projections based on real data from the Department of Finance?

• (1600)

Ms. Monique Moreau: Thank you for the question.

First, we agree that everyone should have a retirement income that allows them to live a comfortable life after working for many years. I'm presenting the position of 109,000 members, although they may have different opinions.

You have heard of the efforts made to improve the Canada Pension Plan. The CFIB has always tried to present the position of SMEs. Some of those companies will not be able to absorb the cost of the changes. As I explained, two-thirds of our members indicated that they will have to review their current number of employees and salaries, as well as their ability to hire. In the long term, we will see what happens.

Let me point out that the government has not given us enough information on this. It did not consult, as promised, with SMEs and Canadians. In our view, the impact of those measures on SMEs should be mitigated. If there are still repercussions for several years after the reform, we invite the government to support companies for a period of five, 10 or 15 years.

Mr. Steven MacKinnon: We do indeed have to take into account the views of Canadian businesses and entrepreneurs. Let me tell you that there have been consultations. The provinces have done that, and we are holding one today. The figures, deductions and tables are all known. It will take a number of years to implement the new deductions.

Do you not think there's a gap between the disastrous scenario you're describing and the economy-based data that we have received?

Ms. Monique Moreau: There may be a lack of communication. As I said, we did a survey with a third party, Ipsos, which surveyed 2,000 Canadians. They believe that the government contributes to the CPP and QPP. We are talking about almost half of the respondents. If the information you have indicates that it will not get to that point, I encourage you to share it with the public. Despite the changes that will be made, it is clear that many Canadians do not understand how the system works right now on either side. I think a lot of awareness needs to be raised on the issue.

Mr. Steven MacKinnon: Thank you, duly noted, Ms. Moreau.

Since I'm a member from Quebec, I will now turn to Ms. Lévesque.

Quebec has started its own exercise on pension plans. What are your thoughts on the enhanced plan that Quebec intends to implement?

Ms. Francine Lévesque: Thank you for the question.

In Quebec, we have to make specific representations to our government, given that we have a special plan, but the content of what we are saying is along the same lines as what we have said before you today on the Canada Pension Plan. We believe it is important to take measures to increase the percentage of contributions to the Quebec pension plan. We also believe it is important to ensure better plan coverage.

On those issues, we are saying exactly the same things. We believe that measures must be taken factoring in all the generations. We must avoid costs for future generations. We express this view in the debate on Bill C-26, as well as to our government. Its work is still ongoing and we are waiting to see how it plans to change its pension plan.

•(1605)

Mr. Steven MacKinnon: This is a fine example of co-operation and consensus in both Quebec and Canada.

Ms. Francine Lévesque: In any case, it is a fine example of consistency on our part.

Mr. Steven MacKinnon: Okay.

Ms. Francine Lévesque: We are saying the same thing.

Mr. Steven MacKinnon: That's right. Thank you very much.

Thank you, Mr. Chair.

Ms. Francine Lévesque: Thank you.

[English]

The Chair: Thank you, Mr. MacKinnon and witnesses.

Mr. Deltell, you have the floor.

[Translation]

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): Thank you, Mr. Chair.

Ladies and gentlemen, welcome to the Parliament of Canada and to this parliamentary committee.

My first questions are to the representatives from the CSN. Ms. Lévesque, Ms. Joncas, Mr. Enault, welcome to Ottawa.

You have expressed your support for the spirit of the bill, but nonetheless underlined two points that are of concern to you. First, there is the question of time. Yesterday, experts from the Department of Finance confirmed to us—to use the image of the wheel turning—that it would take 40 years for the real impact to affect all Canadians directly and that those who are currently retired would not benefit from those improvements. You have concerns about that. You want the wheel to turn a little faster, which is understandable.

Furthermore, my understanding is that you don't want the increase to apply to the low income earners. Is that correct?

Earlier, you looked at Ms. Joncas and mentioned an acronym. Could you clarify that?

Ms. Francine Lévesque: If you don't mind, I will ask Ms. Joncas to answer your question.

Ms. Nathalie Joncas (Actuary, Confédération des syndicats nationaux): I could answer in French.

Mr. Gérard Deltell: Yes.

Ms. Nathalie Joncas: We think low-income groups should also have a cumulative credit, as provided for in the bill. However, we would not want people with low incomes to have to contribute more, because they need the income they have. A person whose income is 50% of the maximum allowable earnings needs...

Mr. Gérard Deltell: That is what you said. You spoke of 50% of...

Ms. Nathalie Joncas: I was talking about the maximum allowable earnings. This affects those who earn about \$25,000 and will be entitled to the tax credit. Someone who earns less than \$25,000 cannot really pay a retirement premium. However the bill provides for a tax credit that offsets the contribution. Would a less awkward mechanism not have been better, as well as a zero-level contribution?

Our concern is that at a certain point, the tax credit may disappear. Over the years, will the tax credit always match the contribution? There is no mechanism that will connect these two things over time. Would an employee contribution equal to zero not have been preferable to a mechanism that means that people have to contribute first and recover it later through a tax credit?

It might have been preferable to include a mechanism in the Canada Pension Plan allowing these people not to make a contribution, without having to resort to tax credits. However, with regard to the overall impact, we are entirely in agreement with the result for those with low incomes.

Mr. Gérard Deltell: Thank you for that clarification. I think it is important going forward.

As you probably know, we too would like this zero impact to apply to all workers. Our points of view are different, but I thank you very much for having taken part in this meeting and having provided that clarification. Our points of view are different in that we don't like the idea of there being less money in the pockets of taxpayers. We prefer to let people make their own choices.

My question is for Ms. Moreau, of the Canadian Federation of Independent Business.

In your document, you indicate that more than half of Canadians wish they could contribute more to pension funds, such as the TFSA, that we created, or RRSPs.

In your opinion, what explains people's participation in this type of voluntary retirement savings?

Ms. Monique Moreau: As I explained earlier, our members, and SMEs everywhere in Canada, understand the situation and want to put money aside for retirement. They see that there are retirement savings tools that allow them to have bigger tax returns. As for our members who have to pay these premiums, any increase aimed at improving the plan will have a significant impact on them, whether their enterprise makes money this year or not.

• (1610)

Mr. Gérard Deltell: According to evaluations, the average cost for a business would be \$1,000 per employee.

In your opinion, what impact could this have on a small Canadian business that will also have to pay the Liberal carbon tax, and will not benefit from the 9% corporate tax rate that had been promised? Furthermore, SMEs are going to have to pay an additional \$1,000 per employee for the pension plan.

Ms. Monique Moreau: I'll use the average rate for our members, which is 11%, as an example. Think of a small corner store or convenience store in your region. For these businesses, a yearly increase of \$11,000 a year is a lot of money. You mentioned the carbon tax. We don't know the details of that yet, but we expect it to have an impact. The tax rate is an issue, but so are employment insurance premiums. They are going to increase for SMEs in 2017. Tax credits for small and medium businesses were not renewed in 2016. In 2019, changes will be made to the CPP and the QPP. I don't know if things are going to go on like this.

Mr. Gérard Deltell: You are describing quite an intense environment for businesses, but in your opinion, will these additional expenses stimulate, or slow, job and wealth creation?

Ms. Monique Moreau: I will let my members answer that question, since 46% of them said that an increase, even if it involved an eventual increase in benefits, would reduce investments in their businesses. After taking into account the impact on salaries and the number of employees who work in their businesses, they feel that would be the immediate effect.

Mr. Gérard Deltell: Thank you very much, Ms. Moreau.

Ms. Monique Moreau: Thank you.

[English]

The Chair: You have time for another quick one.

Mr. Gérard Deltell: Thank you.

[Translation]

What you have to say is very interesting.

What concerns us in this regard is that it is not the government that creates jobs, but private enterprise. You are the backbone of our economic system. You are the ones who generate wealth and jobs.

In light of all these additional charges, are you concerned that we might see the opposite effect, that is to say that people will not invest and may have to lay off more personnel?

Indeed, for a small convenience store, \$11,000 more per year is a lot.

Ms. Monique Moreau: In fact, you have answered the question. Our members told us that with an increase to improve the CPP and

the QPP, they will have trouble investing in their business, continuing to hire people, making investments, and so on.

Moreover, this will probably prevent them from making other investments in their employees' pension plans. They will be forced to share the cost of the CPP and QPP instead of perhaps offering a bonus to an employee that year. For his part, the employee might have preferred to reimburse his student loan or other important obligations. The effect of this is that it will eliminate certain choices that employees could have made.

[English]

The Chair: Thank you both.

Mr. Duvall.

Mr. Scott Duvall (Hamilton Mountain, NDP): Thank you, Mr. Chair.

Thank you to all for your valuable time and for coming here to express your concerns and views. We really appreciate it.

I'd like to direct a question to Mr. Janson on his remarks. At any point during the years of the debate over the CPP expansion, did you or your union have any indication that the child-rearing or disability dropouts were on the table for CPP expansion?

Mr. Mark Janson: No, and as I said today, it was a surprise to us to see they were not included. The signed document the finance ministers put out in June and the backgrounder they produced at the time said nothing about this, so it was only when we saw the legislation. During the years of talks we had not heard that this was an item to be discussed and perhaps changed.

Mr. Scott Duvall: Yesterday, we had some government officials here and they said the child-rearing and disability dropouts were subsidies within the plan. Do you agree that they are subsidies?

Mr. Mark Janson: My view would be more in line with the Trudeau government of 1977, when they brought in this measure and said they were doing away with the subsidy that flowed from the unpaid work in the home that served to penalize the person doing that unpaid work under the CPP. They saw that as an unfair subsidy from that person to Canadian society as a whole, so they saw fit to correct that subsidy through the CPP and they did so, and it has worked well for 40 years. I don't agree that having this mechanism is a subsidy. I would argue that, if we do away with this, we add a much more inequitable subsidy to the Canadian pension landscape.

•(1615)

Mr. Scott Duvall: Mr. Janson, do you know the effect the absence of the dropouts will have on the gaps between future CPP pensions and those who would have used these provisions versus those who would not?

Mr. Mark Janson: You're asking about a dollar impact on a CPP benefit for a person with dropouts versus a person without.

Mr. Scott Duvall: Absolutely.

Mr. Mark Janson: We don't know those numbers. The finance officials and the chief actuary's office were asked directly about that and they responded that they didn't have those figures and hadn't run them. They're really the only people who can do those kinds of calculations.

As I said, the average woman today earns 70¢ on the dollar for the average man's CPP entitlement. That's with the child-rearing dropout. If that dropout wasn't there, that 70¢ would be lower, no doubt.

Mr. Scott Duvall: Thank you.

Mr. Yussuff, I know your organization has worked very hard, and I give you kudos for the co-operation and participation you have been doing.

I know the CLC called for a 50% increase, from 25% to 50%, a much bigger percentage, but it came out to be 33%. Do you think that has a negative effect on the CLC or your organization, not receiving the 50% but the 33%?

Mr. Hassan Yussuff: Obviously, when we started the campaign we recognized that 11 million Canadians who went to work today have no workplace pension, and the only pension they're going to have when they retire is the Canada pension plan. The fundamental challenge we face is that we know that their savings are very low. The reality is that for the average Canadian male, a little over \$500-and-something a month is currently being paid out under CPP. For women it's even less than that. It's in the range of \$474, so when we were looking at what we would like to see happen to an expanded CPP, we figured doubling the CPP benefit over a phase-in period would be the appropriate way to proceed because this would ensure that those Canadians who are currently getting the average benefit will see a doubling of that benefit as this is phased in.

Of course, we're not pleased that we ended up where we did, but again it is a significant increase in the context, given that for the last 50 years the benefit had not changed other than the inflation protection that Canadians get who receive a benefit on a regular basis. It is a reasonable compromise.

We also knew we had to convince the provinces and the federal government to land in the same place, and given the complexity of CPP changes, this was not an easy task, as my friend Mark Janson noted. It required 66% or two-thirds of the provinces, representing 66% or two-thirds of the population. Where they ended up, obviously it was an improvement, but we would have preferred a much larger improvement because it took us 50 years to get to this stage. I hope it doesn't take us another 50 years to get to the next stage in improving the Canada pension plan.

Mr. Scott Duvall: Mr. Janson, do you anticipate the labour movement will rethink its endorsement, given the recent information with the dropout for child rearing and the disabled?

Mr. Hassan Yussuff: This committee has a direct responsibility to amend the bill to fix that problem. This is an affront to women's equality in this country, and it is simply wrong. It was corrected in 1997, and we have no business going back and taking that away from women and people who get disability benefits. However, the department came up with a draft. They've made a fundamental mistake, in my view, and it needs to be fixed. This committee has the responsibility to fix that.

More than half the workforce today is represented by women. To tell them that they are not going to be treated equally as men in the workforce is wrong and this committee has a responsibility. Equally, the department should come back to say that it made a mistake. This will do very little, I think, in terms of the premium increase. It disadvantages two very important groups in this country, and in my view, it was never discussed during the enhancement. It should not remain as part of the bill going forward when the House debates and finally votes on the bill at third reading.

It's fundamentally wrong and given what the government has said about women's equality, I don't think this was intended. It needs to be fixed.

•(1620)

Mr. Scott Duvall: I appreciate that.

Ms. Lévesque, if I heard you correctly, you mentioned that those people making \$25,000 and under would be exempt. Is that what I'm hearing?

Ms. Nathalie Joncas: Yes, we want them to have.... The bill is good because they will have a credit. Even if they have a low salary, they will get the credit, so we are happy about that because they need it.

However, something that could have been looked at is that the credit, which gives them back their money, their contribution, is maybe not the best way, because there is no mechanism in the law to foresee whether, in the next 20 or 25 years, those two mechanisms will stay the same. If at one point the work credit is moved or changed, those people will end up paying the contribution and will not receive a financial refund.

Maybe take the time to find something in the pension plan that indicates that the contribution is zero for those people and don't collect from them, so that when you have a low salary you don't pay. You could sign something. I think it's at \$10,000 when you don't pay forward your income tax.

Mr. Scott Duvall: What about the business? Does it pay?

Ms. Nathalie Joncas: The business has to pay the contribution, yes.

The Chair: Thank you. We're substantially over.

Mr. Sorbara.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Mr. Chair.

Welcome, everyone, and thank you for flying or driving here for a visit.

I will start off with a general comment about CPP. We live in a time when private employer pension plans are declining as a percentage of coverage of the workforce. We live in a time when interest rates are very low, so there is a big disincentive for firms to continue to maintain what's called a defined benefit pension plan. The CPP is a true defined benefit pension plan. You get it every month, it's stable, it's secure, it's indexed to inflation, everyone contributes, and it's portable, so you can go from one employer to another. The CPP has many advantages that I think make it an envy of the world.

This strengthening of the pension plan will ensure that the next generation of workers and many current workers will receive greater benefits. The replacement rate goes up from 25% to 33%. It is graduated. Not everyone is going to pay the full amount, and not everyone is going to pay the least amount.

To the CFIB, Ms. Moreau, I understand your concerns. Small businesses, SMEs, are the backbone of our economy. We need them healthy, we need them robust, and we need them employing Canadians.

When I was growing up, I worked at McDonald's, Tim Hortons, and Zellers, so I understand that the local businesses need to be supported. Our government is supporting them through tax cuts to middle-class Canadians and an increase in the Canada child benefit. We also need to make sure that workers today and tomorrow are taken care of and that they have a secure and dignified retirement.

We need to look at the bigger picture. This is an investment in Canadians. The other side likes to think not. I think it's an investment in Canadians and an investment in their retirement future.

I'm going to start off with Hassan Yussuff of the CLC because I'd like to hear the feedback you're receiving from your members for our government's achievement in terms of being able to strengthen the retirement pension plan.

To Ms. Moreau, what else are you hearing from your constituency? That is the small and local businesses, which I visit on a daily basis when I'm in my riding and I talk to, whether it's the local Nicol's Pastry Shop or the Desserts Plus down the street.

Mr. Yussuff.

Mr. Hassan Yussuff: I can tell you, on a personal level, I've spent the last seven years—it will be eight years this December—criss-crossing this country, talking to anyone who cared to listen on why we should do this. The fact that we have done it is truly an amazing achievement on behalf of Canadians.

This will benefit young workers, those who are entering the workforce currently or are about to enter it in the next little while. More importantly, the 11 million Canadians I talked about will have the greatest benefit. For those individuals who work just as hard as I and my members do, they don't have a workplace pension. They rely on the CPP for their entire benefits. If they are fortunate enough to provide savings through whatever mechanism, kudos to them.

The reality is that our organization and activists see this as truly a remarkable achievement, given that they spent so much of their time campaigning for it. Of course, we would have liked to have seen the increase much higher, but the fact is that the increase is universal. Nobody is excluded. The positive thing for low-income Canadians is that it will cost them part of their salary and there's a tax credit to go with that.

Secondly, on the increase, allowing higher-income Canadians to pay on the higher salary is a positive thing. As you know, that was capped at around \$52,000 a year. I think that's a significant improvement. Those Canadians will get a better benefit as a result of paying on a higher income. More importantly, this will be phased in over a period of time. Despite all the arguments that have been made, I have yet to see some of those realities happen. There is notice now that it will start in 2019 and will be phased in over a period of time. I think it will have little or no impact on the economy.

I also want to speak directly to the small businesses. Those individual owners who own those businesses are also people who need a pension when they retire. If they are fortunate enough to sell that business when they retire and are able to earn from that, so be it, but they also need a decent pension. The Canada pension plan provides them with an opportunity to save for their retirement.

The CPP is not a tax; it is a savings plan for all Canadians. We pool our investments together so that we can have a better benefit when we retire. Everything we know about the Canada pension plan is that it is 75 years solvent. It has a solid structure. More importantly, it's able to meet the obligation to ensure that every Canadian has a benefit when they do retire.

The last point I would make, and I say this coming back to the point of private pensions, is that every benefit that's been promised by the CPP has been paid. I know the challenges we face with private pensions because we negotiate them. If the company goes bankrupt or the plan is not fully funded, our members are directly impacted by that.

This is a good thing for the economy. It is a good thing that the province came together to support the federal government to do this across the country, so we don't have a piecemeal system happening.

● (1625)

Mr. Francesco Sorbara: Can I get a couple of comments from CFIB, please?

Ms. Monique Moreau: Briefly, as I've mentioned repeatedly, Canadians and small business owners are for retirement savings. In the nineties, when CPP needed to have increased premiums with no additional benefits, when the plan wasn't doing as well as it was now, our members voted to increase it. They appreciate and enjoy the benefits that CPP brings to them.

The difficulty for them—and what I unfortunately have to respectfully disagree with Mr. Yussuff about—is on whether or not it's a tax. If you have to pay something without a choice, it's a tax. When you owe money to the government at the end of the year, even though your business has not made any money, by definition, for a business owner, that is a tax to them.

There have to be other ways. Are there ways that we can be innovative and look at what other countries around the world have done to increase retirement savings for their citizens without pinning it on the backs of small businesses? There are options out there. The U.K. has looked at a voluntary model.

Canadians, through the polling that we've done, have said they appreciate a tax-free savings account and contributions to RRSPs over CPP, because they can do more with them when they have those savings. They can pay for their first house. They can take out loans to educate themselves further. They can look into moving the results of their TFSA to other savings, if they need them in that period in their life.

I think, from our perspective, that's what our members have said.

Mr. Francesco Sorbara: To Ms. Trask, thank you for coming in from Saskatchewan, even though you didn't have a full presentation.

Could you comment, please, on what seniors are experiencing in Saskatchewan, and what your members are experiencing in terms of what issues they're facing today?

Ms. Pat Trask: Thank you.

Seniors in Saskatchewan, probably 20% of the senior population, are living at or below the poverty level. I have recently moved into an apartment in Saskatoon, and I'm much more aware of it than I was in the country, although I've always been involved in that kind of thing.

I really feel that while the increase in the Canada pension plan now will not help anybody like me, or a lot of the older people, when some of the younger people get up to that stage, I would be delighted, if I were them, and had an increase in the Canada pension.

• (1630)

Mr. Francesco Sorbara: Thank you.

The Chair: Very quickly, please....

Mr. Francesco Sorbara: Thank you for those comments. Our government did put an increase into the guaranteed income supplement of nearly \$1,000 to help a lot of single seniors across Canada.

Thank you.

The Chair: Okay.

Thank you, both.

Mr. Albas, you begin the five-minute rounds.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): Thank you, Mr. Chair.

Thank you again to our witnesses for your testimony today.

I'm going to follow up on Mr. Sorbara's comment.

Ms. Trask, would you agree with the information that CFIB has said that many seniors are not aware that the current changes that are proposed within the bill will not affect them?

Ms. Pat Trask: Yes.

I've been a small business person. I ran a catering business for 43 years; I still do a little bit. I think seniors are quite aware that they

worked hard all their lives, and through no fault of their own, many, many of them are at that poverty level. They're very conscious of the fact that the CPP isn't sufficient. Any rise in the old age pension runs up to \$3 or \$4 per month.

Mr. Dan Albas: Would you say, though, that most seniors are aware that the enhancements that are proposed here will not affect them?

Ms. Pat Trask: Oh, absolutely.

Mr. Dan Albas: Okay. I just thought I'd ask that.

Mr. Janson, in regard to your membership, obviously with CUPE right across the country, municipalities probably have a great deal of members among your membership. Is that correct?

Mr. Mark Janson: Yes, we have lots of municipal members.

Mr. Dan Albas: Unlike the federal government, municipalities do have to run balanced budgets. Is that correct?

Mr. Mark Janson: I believe so, yes.

Mr. Dan Albas: Okay.

I do know from the economic fall update by the finance minister that there will be an additional cost to the federal government and that by the 2021-22 fiscal year it will almost be \$1 billion. Do you think there will be an additional charge to municipalities?

Mr. Mark Janson: Under the CPP legislation...?

Mr. Dan Albas: Yes, which they'll be having to contribute to as employers.

Mr. Mark Janson: I would agree with the comments of the CLC on this, that the contribution rate increase is quite modest for most municipal workers. I'd say for the vast majority of municipal workers you're looking at 1% of payroll on the employer's side. That's with the notice period of a couple of years, and then a five-year phase-in period.

Mr. Dan Albas: Sure.

Mr. Mark Janson: We think that's well within the realm of affordability.

Mr. Dan Albas: In British Columbia, I used to be a municipal councillor. We were spending over 42% of our budget just on protective services, with the majority of it being in the emergency services, so you had police and firefighters. Obviously, those are very highly paid positions. Again, I'm worried about the sustainability for municipalities because they don't have the option the federal government does. They can't go into deficit. Inevitably, that will go toward taxation, right? That's the only way to recover it.

Mr. Mark Janson: This is just one line item of a very complicated municipal budget. What we expect to hear from employers is that they're going to be increasing their contributions. We're going to hear about that at bargaining tables and that's going to be part of a complicated bargaining structure, as increases in costs always are.

Mr. Dan Albas: So these changes may actually cause some compromise in other positions for bargaining for your members.

Mr. Mark Janson: No, I'm not saying that. I'm just saying we expect to be hearing that. Our position is going to be that the CPP increases are modest and affordable. We have a seven-year to nine-year period to prepare for them. We can find 1% in a municipal budget to make that happen.

Mr. Dan Albas: When you say "we" can find, you mean that the municipal governments will have to ante up that money. Inevitably, it will be coming from groups. For example, Penticton has one of the lower tax rates when it comes to charging small businesses and whatnot. In British Columbia, they range anywhere from 1.66 times, which means that compared with a residential homeowner a business will pay 1.66 more, but in areas of British Columbia they'll pay seven times more.

I'll go over to the CFIB. It's kind of like you're being asked right now to not only ante up for your own employees, or for your member's employees, but you're actually going to be asked to pass on also for the municipal costs, and the federal costs as well, I guess.

Is that correct?

• (1635)

Ms. Monique Moreau: The cost in terms of...?

Mr. Dan Albas: Obviously, taxes are going to need to be paid to pay for these increases, and in many places in British Columbia someone will pay six times what a residential homeowner will pay in taxation. It's a bit of a double hit, is it not?

Ms. Monique Moreau: It could be, I suppose, if the federal government had to raise additional taxes to then pay for CPP.

Mr. Dan Albas: They have no choice. They're either going to cut services or they're going to have to increase taxes.

Ms. Monique Moreau: I won't speak to the municipal level, but federally CPP is funded, as it sits right now. If that changes five years from now, if the economy for some reason doesn't continue to stabilize, at least in growth...

That's why I introduced my presentation with the chart about employment trends. We're in an okay place but not a great place. There's no way of knowing whether five years from now, when these proposed modest increases come in, we will still be in this place. Already business owners are telling us they can't afford it.

Mr. Dan Albas: Ms. Trask raised an interesting point when she said that many young people will appreciate this 40 years down the line. Maybe that's true; I guess we'll have to wait and see. Ms. Trask, I hope you're there.

By the same token, many young people are graduating with higher education now, with higher debt, and if there's not a solid job market... Not everyone can work for government and do the good work that they do, but is there a concern that we're going to see less and less employment by your members?

Ms. Monique Moreau: As I showed in my slides, we had some very strange behaviour this past month in the barometer, in which our numbers are crossing. It is unusual. We haven't seen this in a number of years. We're hoping it's a blip. If it's not, we'll know in the end of this month's barometer. Then I think there is cause for concern.

The Chair: I'll have to cut you there, Dan.

Mr. Dan Albas: Could I get an extra minute and a half?

The Chair: You had an extra minute and a half. Can you imagine?

Mr. Dan Albas: Thank you. You're tough and fair.

The Chair: Mr. Ouellette, five minutes is what we'll start with.

Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.): Thank you, Chair.

Thank you very much, everyone, for coming here today.

I wonder what our lives would be like if the Canada pension plan didn't exist today, what Canadians would do, and what levels of poverty we would experience. When I teach classes at the University of Manitoba and the University of Winnipeg on this and we discuss pension plans, I note that senior poverty was epidemic in our society.

We might be like Mexico or something like that. I don't think that's something that we want in our society.

My first question is to Monique Moreau. I'm wondering how many of your members from the Canadian Federation of Independent Business have defined benefit pension plans or any form of pension plan that they offer to their employees?

Ms. Monique Moreau: I can certainly come back to the committee with a bit more research. I know that we offer group RSPs that tend to be quite popular and other savings mechanisms through employee bonuses or additional income at the end of the year. I'd have to do a bit more research. That's not a piece that we necessarily have research on.

Mr. Robert-Falcon Ouellette: Thank you very much.

I was also looking at some of the stats you provided. You offer that Canadians prefer TFSAs and RRSPs over a bigger CPP, going by the number of responses that favour tax-free savings accounts, RRSPs, personal savings, and other investments, Canada pension plan, voluntary retirement savings plans, or none of the above.

One of the things we don't ask is whether people want to see their companies forced to provide a defined benefit plan and every company forced to offer a pension plan. What we've seen in the course of a number of years is that in 2014 only 38.1% of all employees actually had a registered pension plan in this country.

Unfortunately, if the private sector is unable to cover that or to look for ways to ensure that people retire in a good way so that our seniors don't continue to live in poverty, then I think it falls on the government to ensure the public good. I've seen the stats and I just don't think.... Perhaps they can be onerous, but compared with such other jurisdictions as Singapore, it's only 12.5% and moving up somewhat. I don't think the rates are onerous compared with those in other OECD countries.

Could you comment, from your experience in other jurisdictions around the world, on how competitive we might be?

• (1640)

Ms. Monique Moreau: I'm not as informed as you are about other areas of the world and the depth of their pension programs. I know, as I explained earlier, that for our members \$11,000 for the average business is quite a bit of money. I know it doesn't sound like a lot, but if your margins are 3% or 4%—which many of our grocery stores, hotel operators, or you name it have at the end of the year—and you need to cough up an extra thousand dollars per employee on average, that's not money that comes from thin air. The business owner has to come up with it.

Mr. Robert-Falcon Ouellette: But the interesting thing about it is that if you're a supermarket, you're competing only against other supermarkets, or if you're a convenience store, you're competing only against other convenience stores. It's right across the country in those examples.

I see it as a level playing field, but I also see that there's a long-term benefit to society. Seniors, when they have income to spend, will spend that income. They're so near the poverty line anyway, and it's not like they're going to be saving for 40 years—well, perhaps they might be. When you're 65 years old, it's very unlikely you'll make 105 but it could happen. I hope it happens.

I wanted to ask Chris Roberts about the pension plans for the federal civil service. Generally, when people retire from the federal civil service they've been paying in for a contribution, defined benefits, and then when they hit 65 they see their pension rolled back according to the amount they received from CPP. I was wondering if you had any talks or any discussions about that with the federal government, or if it's part of any negotiations.

Mr. Chris Roberts (National Director, Social and Economic Policy, Canadian Labour Congress): Thanks for the question.

Yes, indeed, most defined benefit plans are integrated with the CPP. That means the benefit, the workplace pension benefit, is adjusted to take into account the CPP. It's the same with the contribution rate.

There's nothing in Bill C-26 that tells workplace plans how they're going to accommodate the gradual phased-in increase in contributions and the higher CPP benefit. That's up to the bargaining agents and the employers in a unionized situation, or the trustees where there's joint-only trustee plans. It's really up to the plans and the stakeholders involved to decide how they want to adjust to that higher benefit and the higher contribution rate.

There's a gradual phase in, so there's lots of time for plans to adjust. It's true, we do have to do a lot of education with members about it.

Mr. Robert-Falcon Ouellette: Should we adjust, though? That's my question.

For instance, I find now that a lot of civil servants or anyone who gets a defined benefit plan often start their careers later than might normally have happened. In the military, where I worked for over 20 years, people would join at 19. Now I see people who are in their late forties joining the Canadian Armed Forces. They don't have the same time to accumulate the same type of pension, yet they still see the same amount of rollback.

Mr. Chris Roberts: You're absolutely correct.

There are a lot of, predominantly women, public sector or third-sector workers who have nominally defined benefit plans, but the pension benefit is very low. They need a bump in their retirement incomes, and the CPP will provide that. They may decide they want the increased CPP benefits stacked on top of their existing workplace plan benefit. That's entirely legitimate, but it's their decision.

Mr. Robert-Falcon Ouellette: Thank you very much.

I just want to say I'm very happy to be wearing purple today for violence against women.

The Chair: We thank you for that. Many people are, which is a good sign.

Mr. Aboultaif, you have five minutes.

Mr. Ziad Aboultaif (Edmonton Manning, CPC): Thank you very much.

I have a few questions.

Mr. Yussuff, have you, yourself, been a business owner? Have you owned a business before?

Mr. Hassan Yussuff: No.

Mr. Ziad Aboultaif: I'll turn to CFIB. In terms of the benefits on the payroll, what do we call those?

Ms. Monique Moreau: I'm sorry....

Mr. Ziad Aboultaif: The benefits on a company's payroll, are these taxes or not?

Ms. Monique Moreau: To a business owner, if you have to pay it and you don't have a choice, it's usually a tax.

Mr. Ziad Aboultaif: Exactly. I've seen some of these charts and some of these results....

I was a small business owner before. Actually, I'm still a small business owner.

The problem is that these taxes, which will be going for years, are going to be affecting businesses. When the dollar moves in the economy from place to place, that's going to add taxes across the board. The tax is going to be moving from place to place. We're not talking only about 1% or a small percentage; we're talking about a huge number. If we were to calculate.... Just a simple calculation—and you probably can help me out on this—how many full-time employees do we have in Canada? Do you have any idea?

• (1645)

Ms. Monique Moreau: I don't know the answer to that.

Mr. Ziad Aboultaif: Can we suggest 14 million?

Ms. Monique Moreau: I don't know.

Mr. Ziad Aboultaif: So 14 million, and we're talking somewhere around \$1,400 per employee per year. We're talking about \$24 billion to \$30 billion a year. That is a huge amount of money to be collected.

Do you think Canadians are convinced this sum of money is going to be well invested and is going to come back to pay for their future retirement plan? Do we have that calculation anywhere? Have people been informed, through consulting and by going through the country? Mr. Yussuff suggests he's been throughout the country, from place to place. Has anyone asked that question?

Mr. Chris Roberts: Department of Finance has done extensive modelling. The whole fallacy of calling CPP contributions a tax is that it ignores the benefit side that comes from higher contributions. Benefits will increase. Incomes will increase and consumption expenditures will increase, and that has an impact on output, on employment, and the like. That's why in the medium to long run, there will be a net benefit from expanding the CPP.

Mr. Ziad Aboultaif: That's an inflation, isn't it?

Mr. Chris Roberts: Inflation is price movements. We're talking about the real expansion of the economy.

Mr. Ziad Aboultaif: No, it's not an expansion. That's a tax.

Mr. Chris Roberts: No, it's not a tax. That's a fundamental fallacy.

Mr. Ziad Aboultaif: It is a tax.

The Chair: Go ahead, Ziad.

Mr. Ziad Aboultaif: Question two is on developing consultations with Canadians. How aware have you found Canadians on this issue? Are Canadians aware what this expansion, this tax, is really all about?

Mr. Hassan Yussuff: I think Canadians are aware that 11 million people have no workplace pension in this country. They are aware of the dire straits, if we don't fix the system, that their conditions will be in when they retire. They understand that, yes, it will cost them a little bit more to pay for their pension, but they know, at the end of the day, they will get a benefit, not a gamble that, if I put money into my RRSP, maybe the returns will be there.

One thing about the Canada pension plan is that it actually pays a benefit indexed to inflation, and workers appreciate the fact that it is low for the majority of Canadians who retire with the Canada pension benefit; it's very low. They understood that, yes, they will have to pay a little bit more, but for that little bit more, they would get a better benefit when they retire at the end of the day. Of course, it's true, your argument that it's going to cost. It's going to cost employers a bit.

What's the other side of the argument? The other side of the argument is, let's subsidize everybody who we can't allow to have a better pension because that's the only way we can do it. The Canada pension plan for the 11 million Canadians who don't have a workplace pension is the one retirement income they can say for certainty they will get when they get to retirement. If they're fortunate enough to have other assets or other savings, so be it.

I can tell you without a doubt that they recognize it will cost a bit more, and they're prepared to pay that little bit more because they know, at the end of the day, they will get a benefit. Every benefit that is promised by the Canada pension plan has been paid to Canadians throughout this country.

Mr. Ziad Aboultaif: What about the businesses?

Mr. Hassan Yussuff: Exactly. We did a survey of small business owners in Ontario who said they would support an expanded CPP because they know, at the end of the day, they would get a better benefit as individuals who need to have an income when they also retire.

Mr. Ziad Aboultaif: This is the first time I hear that business will really accept—

Mr. Hassan Yussuff: I would be more than happy to show you the study. I'd be more than happy to share the study with you.

Mr. Ziad Aboultaif: Have you done it in Alberta? I would be happy to see it, for sure.

Have you done anything in Alberta on that?

Mr. Hassan Yussuff: It was a survey, a poll that was done in Ontario of small business owners recognizing that, yes of course, they would have to pay for the Canada pension plan. They recognized also they would get a benefit by paying a little more for their Canada pension.

Mr. Ziad Aboultaif: That's in Ontario.

We believe in big—

The Chair: Ziad, this is your last question.

Mr. Ziad Aboultaif: We believe in doing things with the people. We represent the people. We see people at the door. We had people complaining to us last week. Many people, business owners, small business owners in a riding like mine, complain about this. This is a tax. This is going to add a burden on their payroll at the end of the day. With their slim margins, they'll be facing either reducing employment, shutting down some operations, or paying money that they don't have, which is also coming out of their pockets at the wrong time.

● (1650)

Mr. Hassan Yussuff: In the 1990s when we reformed the CPP, and employers and workers had to pay a little bit more, everybody said the country would be in an incredible crisis. They ended up paying a little bit more in premiums, the workers did and employers did. Guess what happened? The economy grew. The GDP grew and the country was better for it.

Mr. Ziad Aboultaif: That's not a factor of CPP expansion.

Mr. Hassan Yussuff: It was a result of the CPP expansion.

The Chair: Mr. Yussuff and Mr. Aboultaif, we'll have to cut the discussion there. That was an interesting exchange and a little difference of opinion.

Ziad, you're not far off on your numbers, though. In 2015 there were 14.6 million full-time employees, according to Stats Canada, and 3.4 million part-time employees, for the record. There is a difference of opinion on whether it's an investment or a tax.

Before I go to Mr. Grewal, there's been a fair bit of discussion both yesterday and today on the concern about the child-rearing and disability dropout provisions, which they dumped off the current services of CPP, in that they don't apply to the expanded CPP. Does anybody know what it would cost, if they were in the system? If you don't, that's fine. I don't think we asked the department yesterday what that would cost.

Maybe to you, Mr. Yussuff, in your discussions across the country with the provinces.... I haven't had this kind of discussion, and I don't think anybody on our side has, as yet. I would expect that if an amendment were made—and maybe, Mr. Champagne, you might have some information on this—or if there were a change in that clause, as a number of you have suggested.... It was complicated getting to where we are. If it was mistake, then it was mistake, but if there was a change in that clause, would it jeopardize the agreement with the provinces where we would have to go back and renegotiate? Where would we end up? Does anybody have any answers?

On the costs, Mr. Roberts, I believe you might have a point.

Mr. Chris Roberts: When the chief actuary assessed the cost of the initial child-rearing dropout in the CPP, the cost was found to be very modest. It was 0.1% by 2000 and 0.3% by 2025, or something like that. You can find that actuarial report from just after 1977, when the first dropout was added.

We asked former chief actuary Bernard Dussault for his opinion, and he did a back-of-the-envelope calculation based on those numbers that would suggest the cost of adding the child-rearing dropout to the enhanced benefit would be even more modest than that going forward.

Given that we now have the chief actuary's 28th actuarial report on the CPP, and it confirms that the legislated additional contribution rates to support the enhanced benefit are sufficient to fund that benefit over the long term and that there's a bit of wriggle room in what's possible, we think it is very likely possible to reintroduce or extend that child-rearing dropout to the enhanced benefit within the cushion and the room that exists. I think that's something the office of the chief actuary will have to undertake, though.

The Chair: Okay. Mr. Yussuff.

Mr. Hassan Yussuff: In regard to whether this was ever anticipated or discussed during the entire period of the enhancement, it was not. I can say that without any hesitation, and it will not jeopardize the agreement that was reached, because it was clear that anything that was currently in the CPP that was protected and provided for was never intended to be taken away, either from women or from those in the disability dropout period.

I do believe, by the way—and obviously the finance officials aren't here, so I can't speak for them—that they made a mistake in the drafting of the legislation, and they should own up to it and fix it. It's as simple as that. It will not jeopardize the agreement we reached with the provinces across the country.

The Chair: Okay. Does anyone else have anything to add? We'll have to check that out.

Thank you for that information.

Mr. Grewal, you have five minutes.

• (1655)

Mr. Raj Grewal (Brampton East, Lib.): Thank you, Mr. Chair, and thank you to the witnesses for coming here today.

The question really is, what drove the expansion of the CPP? If you look at a bunch of research that has been done, the single biggest factor that led to the expansion of the CPP is the dire state of the traditional company pensions.

The statistics are as follows. In 1971, about 48% of men were covered by defined benefit plans, according to StatsCan. By 2011, that portion had already fallen to half, to 25%, and it has been declining every year since. There's actually a legitimate concern and that's why CPP was expanded. This was a commitment made in our campaign and we're happy to deliver on it.

Something should be said to the fact of how CPP is actually expanded. You have to get seven provinces that represent two-thirds of the Canadian population to agree to something. Anybody who has lived in this country knows that is not an easy feat, so congratulations to our government. We deserve a pat on the back.

More seriously, in regard to the concerns amongst small businesses, Ms. Moreau, you speak about the membership of the Canadian Federation of Independent Business, and you have these statistics. My background is that I'm a finance guy. I always like the numbers, but the devil is in the details.

You have 109,000 members, right? Did all 109,000 members receive your survey?

Ms. Monique Moreau: Correct. In the vast majority of these, in the data I have before you, we contracted out Ipsos Reid to do a poll, so the numbers are smaller than you would normally see in the response rates for our own surveys.

Mr. Raj Grewal: That's extremely telling of the responses. One of the charts you have here, the business barometer index and GDP, was responded to by 651 people, which represents 0.5% of your entire membership.

Ms. Monique Moreau: If I can intervene, that's because the poll is monthly, and we don't poll our entire membership every month. We try to poll only 10,000 per month so that they are not getting—

Mr. Raj Grewal: Even then, 651 responses from 10,000 businesses is not even a drop in the bucket. To say these people represent the voice of Canadian small businesses, in my humble opinion, is a bit misleading.

Ms. Monique Moreau: I'll only say that this piece of research is the only research that gets at the non-stock-market economy. It's used by the Bank of Canada. It's used by Bloomberg. It's a very well-respected piece of research that our organization has developed over the last 15 years.

Mr. Raj Grewal: The story isn't told, then. You're sitting here advocating that small businesses are against CPP expansion.

Ms. Monique Moreau: Correct. They're against the expansion. They support CPP.

Mr. Raj Grewal: You're saying your organization has that mandate based on these survey results.

Ms. Monique Moreau: Yes, that's how we get our mandate on all issues.

Mr. Raj Grewal: Then I would seriously look at the methodology on how you get your mandate, because that does not reflect the majority of businesses that operate in Canada.

I represent one of the fastest-growing areas in this country. A lot, including my family, own a lot of small businesses. They recognize the need for an expanded CPP because of the benefit to their workers.

It's not always a bottom-line approach. I refuse to believe that all small businesses focus only on the bottom line. If they have employees who are protected by an enhanced CPP, that makes their employees work harder for them because they don't have these concerns of saving for retirement. They know their employer is looking after them and their government is looking after them.

The CPP is an extremely well-managed pension fund.

Ms. Monique Moreau: We agree.

Mr. Raj Grewal: It does better than competitors around the world, and more importantly, it's well-diversified. I believe it's beyond insolvent for some 100 years.

Ms. Monique Moreau: It's 75 years.

Mr. Raj Grewal: The math of insolvency doesn't make any sense. I want to hear your comment on the fact that, in my opinion, this does not represent the voice of small businesses in Canada. If you go around and talk to small businesses, the majority of them are supportive because they recognize that if their employees are taken of, it benefits their bottom line in the long run.

Ms. Monique Moreau: I hear what you're saying. I don't pretend that all small business owners feel that way. That's why you don't have 100% on all the different data points that we have. There are business owners who disagree and believe the CPP should be expanded. However, as an organization for the last 45 years we've always taken the majority voice. We're a very democratic organization in that perspective. It's one member, one vote. We do poll our members regularly on a variety of issues.

In terms of—

Mr. Raj Grewal: I would highly encourage your entire organization to make sure they go out and get more responses from their membership, because this is not telling. To rely on these results to say that the 651 respondents represent 109,000 businesses, plus or minus 2%, in my humble opinion, does not carry weight.

• (1700)

Ms. Monique Moreau: I hear you. I have to say that's the first time we have received feedback on the business barometer that's... I will speak with our chief economist, because as I mentioned, it has been a very respected tool. The Governor of the Bank of Canada, who we are meeting with next Monday, uses it as the only measure of the non-stock-market economy, so we've taken his seal of approval as a sign that this is good research, likewise with Bloomberg Canada.

Mr. Raj Grewal: I would say the same thing to the Governor of the Bank of Canada if he were here.

Ms. Monique Moreau: All right.

Mr. Raj Grewal: At the end of the day, it doesn't make—

The Chair: We'll have to cut it there.

We'll go to Ms. O'Connell, and then to Mr. Duvall.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Thank you, Mr. Chair.

Thank you all for coming.

Following up on the slides here from CFIB, which Mr. Grewal was just talking about, you mentioned the survey. In this one you had a few more responses. You had 2,003 responses. It is entitled "Employed Canadians oppose a CPP hike if it means a wage freeze or cut". Did you ever poll businesses or employees on if they would support a CPP hike or retire in poverty? Which would they prefer?

Ms. Monique Moreau: Or if it was what, sorry?

Ms. Jennifer O'Connell: Retire in poverty. Having to use food banks, having to make a decision between paying for medication or food, deciding whether or not to pay for hydro; was that ever a question?

Ms. Monique Moreau: No, we did not ask that question.

Ms. Jennifer O'Connell: Okay.

In regard to the responses—and this follows up on Mr. Ouellette's question—have you ever polled your membership about the cost to businesses of providing their own pension plans?

Ms. Monique Moreau: Yes, that I have. I can tell you that the vast majority of that research was when the PRPPs were being introduced several years ago. A third of our members said that once they were rolled out they would be interested in providing a PRPP to their businesses. We know that—

Ms. Jennifer O'Connell: But they haven't.

Ms. Monique Moreau: The PRPPs aren't in force across the country yet. The only ones that are in place are in Quebec, and the uptake there is mandated for five or more. I'm not sure if that would answer your question. I believe that for the four other provinces, it's a technical federal issue that's holding them up. They have provincial buy-in already, but they're waiting for approval from the federal government. The other provinces have not put forth legislation yet.

Ms. Jennifer O'Connell: Thank you.

Mr. Yussuff and Mr. Roberts, when Mr. Ouellette was asking his questions, you also looked like you wanted to comment on the idea of private pension plans, and I'm assuming, their decline. Did you want to add to this?

Mr. Chris Roberts: There was a specific question from the member about pension coverage in small and medium-sized enterprises. According to Statistics Canada, about 2% of micro and small businesses offer registered pension plans.

Mr. Hassan Yussuff: To respond to the point about the PRPP, Quebec is not the only province that has legislation that allows it to be part of the system. Every place else where the legislation exists to set up a PRPP account, not a single employer has taken advantage of it. Again, there's a bit of a fallacy. Give them this great tool and magically people are going to do what? By the way, the tool is no different than an RRSP account.

Ms. Jennifer O'Connell: Right.

The Chair: I think Ms. Moreau wants in, and then we'll come back.

Ms. Monique Moreau: Thank you, Mr. Chair.

Briefly, this may be misinformation, but my understanding is that things are being held up federally on a technical issue for those four provinces that do have the legislation in place.

A difference is that PRPPs are meant to be really low cost, unlike RRSPs, which can be very expensive to administer. The legislation was designed to make them low cost and portable, to give all Canadians a different option for savings.

Ms. Jennifer O'Connell: Thank you.

Ms. Trask, I just wanted to ask you to clarify. Your organization does support the enhancement of the CPP. I just want to make sure I understood correctly. I think you mentioned in your response to a question that the concern is that, while retirees right now won't benefit, given the pressures on seniors and retirees today, and although this government has made financial enhancements there, you don't want to see future generations constrained, as some seniors are today with the current conditions, and fear that people are not even saving as much today as they might have done previously.

• (1705)

Ms. Pat Trask: That's true. A lot of these people are concerned for their own children and their grandchildren when they get older. That's where this is going to benefit down the road more. The seniors in general in Saskatchewan are very concerned about that, as well as in my own little apartment building, which has 240 people. I dare say only a third of them have a car now because, on limited income, they can't afford a car. They can't afford their medicine. Yes, it's critical that they have more money when they get older.

Ms. Jennifer O'Connell: Thank you very much.

The Chair: Thank you, both.

Mr. Duvall, you have the last round of questions, unless Mr. Champagne has one.

Mr. Duvall.

Mr. Scott Duvall: Thank you.

I have just a quick question to Mr. Janson. Right now the CPP delivers a pretty secure pension. They know they're going to get it at the end, anyway, but they have no idea how much they're saving towards that CPP pension or what they can expect to receive when they retire. Do you think CPP should improve its reporting to Canadians? If so, how?

Mr. Mark Janson: It's a great question. To even know how much you're going to receive from CPP, you have to go on Service Canada and create a log-in to get your CPP statement. It's not something that's automatically sent to Canadians every year. We automatically see our deductions from our paycheques every two weeks, so we're aware of what's going in, but as you say, we're not aware of what will go out.

Typically, in a workplace pension plan, the plan administrator would have to provide an annual pension statement to every member saying this is how much you've put in, this is the amount in benefits

you've earned to date, and this is your expected pension on retirement. I think it would be entirely appropriate for the CPP to do something similar so that we don't only see what's going out every two weeks, so we can prepare for what we will receive under the plan when we retire.

The Chair: Okay, thank you.

Mr. Champagne, do you have a quick question?

Mr. François-Philippe Champagne (Saint-Maurice—Champlain, Lib.): If there is time, Mr. Chair.

The Chair: Yes, there is.

[*Translation*]

Mr. François-Philippe Champagne: Thank you, Mr. Chair.

I thank each one of you for being here with us today to present your testimony. Like you, I had the opportunity of travelling the country as parliamentary secretary to the Minister of Finance and hearing what people had to say about the improvement to the Canada Pension Plan.

I would like to put a question to the representatives of the CSN.

What do the members of your organization think about our approach, that is to say improving the plan for today's workers and also for those of tomorrow? Afterwards, M. Chair, if I still have some time left, I would also have a question for M. Yussuff.

Ms. Lévesque, how did your members view this announcement? Do they understand it well? Do they see the long term benefits for those who are joining the labour market today?

Ms. Francine Lévesque: In fact, the members of the CSN are very concerned by all of the issues having to do with retirement. In Quebec in particular, over the last few years there have been a host of reforms to pension plans. The current discussions in Canada to improve all of the pension plans, and retirement income, are of very great interest to our members. They find these issues interesting because they will affect everyone.

This will improve the basic income of workers when they retire. There is a public sector and a private sector, and certain enterprises do not have pension plans. The general pension plan therefore ensures that all Canadians and Quebecers will see an improvement in their basic income upon retirement. For us, this involves the Quebec Pension Plan.

Those are the bases of our brief, which bears witness to the fact that people are pleased with this improvement and with this perspective that aims to ensure that everyone will have a better retirement income. However, we do have a concern, which is that the other pillars that are the foundation of people's retirement income are not as solid. We would like to avoid a situation whereby in improving the Canadian and Quebec pension plans, employers who already have pension plans in their enterprises, or even those who do not, distance themselves even more from these matters. We have observed this tendency for many years. Unfortunately, despite the actions of governments, the incomes of Canadians and Quebecers have continued to deteriorate over the past few years.

In short, yes, people are in favour of the change and they appreciate it. They would even like us to do more, and take this work further.

• (1710)

[English]

Mr. François-Philippe Champagne: Mr. Yussuff, you have a unique voice in our country, talking about employees and workers across our nation.

You talked about when we created CPP in this country and how this was a landmark in our history. Tell us how much you see, from your own perspective with your unique voice in this country, the enhancement to the CPP being as transformational as when we created it for Canadian workers.

Mr. Hassan Yussuff: For the future workforce, this of course will give them a better benefit when they retire. The younger people will get the greatest benefit of what this enhancement will provide. Those who have another 10 or 15 years to work will also see an enhancement to their benefit by the time they retire. It will provide greater benefit for Canadians to know that, ultimately, they don't have to live in abject poverty. Of course, we wish the increase had been greater.

The uniqueness of the improvement is that it's universal. It's not targeted, as some would like to suggest, and it includes all Canadians at the end of the day. I think the reality of this is that workplace pensions have not grown significantly in the last two or three decades. As a matter of fact, they're diminishing because of the pressures on workplace pensions, low interest rates, and what have you. I also believe this will bring some stability to workplace pensions because, in many cases, workplace pensions are integrated with the CPP.

On the other hand I think, as Ms. Trask said, we hope when other generations of Canadians become seniors, they don't have to live in poverty in this country. Like me, if you spend a lifetime working... I'm fortunate because I belong to a workplace pension; I will have a decent pension when I retire. You, as members of Parliament, by the way, don't have to be stressed about what you're going to get. You're going to get a decent pension. I think Canadians are entitled to the same thing because they work just as hard as the rest of us.

I think this is a profound moment in our country, and it needs to be acknowledged. It took a great effort on our part. We spent eight years campaigning on this important change and many Canadians share in this vision that we could do better. I think we are doing better, so again, I want to compliment the government, and I want to compliment our members and our activists across this country who worked extremely hard in the last eight years to convince the provinces and the federal government that this is the right thing to do.

The Chair: Thank you.

That's a good high note to end on. With that, I thank everyone for putting together their briefs, making their presentations, and answering questions here today.

Tomorrow we'll meet on the same subject at 3:30 in the Valour Building. We'll come back and do it all over again.

The meeting is adjourned.

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