

CPP deal is ‘devastating move,’ businesses warn

By Bertrand Marotte

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The proposed expansion of the Canada Pension Plan represents a significant threat to a business sector that is trying to cope with the fallout from a still-shaky economy, top business lobby groups say.

“The announced agreement to expand the CPP will basically be a form of payroll tax which, when it is in full force, will put further financial strain on Canada’s already struggling businesses and on the middle class,” Perrin Beatty, president and chief executive of the Canadian Chamber of Commerce, said in a news release.

The new plan, agreed to late Monday by Federal Finance Minister Bill Morneau and all the provinces’ finance ministers except for Quebec and Manitoba, will require workers and their employers to pay higher contributions.

But Ottawa has so far not disclosed how much the move from a payout of 25 per cent of earnings to 33 per cent will cost, the Chamber of Commerce said.

“When a government promises big increases in benefits without telling us how much it will cost or who will pay for it, we know there’s a big bill coming,” Mr. Beatty said.

“Employers may have to halt job creation in order to pay for this CPP increase, or delay important investments.”

The Canadian Federation of Independent Business said the proposed CPP expansion is “a devastating move for Canadian workers and the economy in general.”

“It is tremendously disappointing to see that finance ministers are putting Canadian wages, hours and jobs in jeopardy and willfully moving to make an already shaky economy even worse,” CFIB president Dan Kelly said.

The only positive thing about the agreement is that Ontario will not go ahead with its proposed Ontario Retirement Pension Plan – “the CPP’s far uglier cousin” – Mr. Kelly said.

“It’s a shame that Ontario spent millions of dollars to effectively bully the smaller provinces to force their pension agenda.”

The Canadian Chamber of Commerce echoed that sentiment. “The silver lining of the agreement is that it likely means Ontario will not be moving ahead with its separate plan, the Ontario Retirement Pension Plan, which would have been an even worse strain on businesses of that province,” it said.

Canada’s life and health insurance industry, was more positive in its initial reaction to the deal.

“While we look forward to more details, we are pleased that the Federal and Provincial governments have committed to a modest increase in CPP,” Canadian Life and Health Insurance Association president and CEO Frank Swedlove.

“However, we continue to believe any CPP enhancement should be targeted to those sectors of the population that need to increase their savings for retirement, and that they will be available to all Canadians no matter where they work or live.”