

April 20, 2023

The Honourable Carla Qualtrough  
Minister of Employment, Workforce Development and Disability Inclusion  
House of Commons  
Ottawa, Ontario, Canada K1A 0A6

The Honourable Chrystia Freeland,  
Deputy Prime Minister and Minister of Finance,  
Finance Canada  
90 Elgin, Ottawa, Ontario K1A 0G5

**Subject: Minimizing disincentives to work**

Dear Ministers,

Employers across the country and across all sectors are struggling to fill vacancies. Labour shortages are hampering businesses' efforts to succeed and are a pressure which will only worsen as the population ages and retirements increase. The key question facing many employers is, how can experienced employees be retained or enticed to return to the workforce? This letter contains a few suggestions for your government's consideration on minimizing disincentives to work for older, or experienced, workers.

Indeed, many of our members have heard from older workers expressing concerns about how additional hours could affect their pension benefits. We recognize and congratulate your government on its past efforts to reduce disincentives to work among older workers. Namely, older workers can now earn up to \$5,000 without it affecting their Allowance or the Guaranteed Income Supplement (GIS) benefits and only part of earned income between \$5,000 and \$15,000 is considered as part of the income test that determines the benefit amount paid. However, this, and the fact that one does not need to stop working to collect Canada Pension Plan (CPP) or Old Age Security (OAS) benefits is not very well communicated so many opt not to work for fear they cannot access these benefits.

It is possible to address perceived disincentives to work by better communicating what already exists and to further reduce disincentives to work by introducing some program changes that could help older workers keep more of what they earn. A combination of measures would be appropriate to ensure there is something for all older workers, irrespective of their level of income. For example, the government could consider:

1. ***Better communicating existing program provisions.*** We encourage the government to develop communications that clearly convey how earned income is treated and how older workers can access pension benefits (CPP, OAS, GIS, Allowances) and the Age Amount without having to stop working. We would be happy to work with your officials on what that communication could look

like and we can support this communication to our networks and/or pass it on to our members who could share it with their older workers considering retirement.

2. ***Enhancing the Age credit amount.*** Rather than basing eligibility for the age credit amount on age and income, base it solely on age so that all seniors benefit equally and do not face any disincentives to work. Such a measure could be welcomed by doctors, nurses, pharmacists, engineers, therapists, professionals that work in skilled trades and many other higher-income service providers and employees with skills and experience that are very much needed. Alternatively, increase the amount available and/or reduce its phase-out rate, so that more could benefit from it, or introduce a similar credit specifically for older workers' earned income.
3. ***Rebasing the CPP basic exemption amount.*** The basic exemption amount is now at \$3,500 and has not changed since 1997. If it were pegged to 10% of yearly Maximum Pensionable Earning (YMPE), it would be \$6,660 in 2023. CPP contributions would not need to be paid on the first \$6,660. The base exemption could be rebased (increased), at least for post-retirement benefits. This would decrease the amount of income that is subject to the CPP contribution rate for all, regardless of the workers' income level.
4. ***Making Employment Insurance (EI) premiums voluntary for those 65 years of age or older*** (like the CPP). Some older workers may prefer to keep more of their earned income rather than get EI benefits, particularly as EI benefits can result in a significant claw back of income tested benefits (e.g., GIS and Allowances). Conversely, some earned income can be exempt from the income test. Let older workers choose what is best for them based on their individual circumstances.

Overall, business owners recognize the tremendous value older workers can bring to their business in terms of knowledge and experience. Everyone could be a winner if older workers could be further enticed to continue to work.

Sincerely,

Canadian Federation of Independent Business

Forest Products Association of Canada

Canadian Chamber of Commerce

Hotel Association of Canada

Canadian Home Builders' Association

Tourism Industry Association of Canada

Canadian Manufacturers & Exporters

Clintar Commercial Outdoor Services