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Chair

The Honourable Wayne Easter

Standing Committee on Finance

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● (1540)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): I call the meeting to order.

As our witnesses know, we're dealing with the subject matter of Bill C-26.

Thank you for coming. We will at least start with the presentations so that we have that on the record. We have to leave when the clock hits 15 minutes down.

I'll start then with the Council of Canadians with Disabilities and Mr. Hicks.

Mr. James Hicks (National Coordinator, Council of Canadians with Disabilities): Hello, everyone. Thank you for inviting me to talk. I'll make it quick so that you can move on.

Who are Canadians with disabilities? When we speak of people with disabilities, we are actually talking about people with impairments who are disabled by the environment and type of society in which they live. People may have impairments with hearing, seeing, communicating, walking, thinking, learning, or doing any similar activities, but they are disabled often because of inaccessible information; inaccessible buildings, homes, and apartments that are not designed for people with impairments; inaccessible public and private spaces; lack of supports and services for employment, education, and training; lack of services to remain in one's home; and stigmatizing attitudes.

People with impairments are disabled often because of societal barriers, both structural and attitudinal, which limit the types of activities they can do in their homes, at school, at workplaces, as well as other activities. The United Nations Convention on the Rights of Persons with Disabilities defines disability in terms of social factors, not so much in terms of biological factors.

People with disabilities want to be part of their broader communities, be educated, be trained, and have good-paying jobs. This requires leadership and commitment from governments, the private sector, and disability organizations to work together to bring about this change.

What are the employment realities for Canadians with disabilities? We know that people with disabilities are less likely to be employed than are people without disabilities. The participation rate for people without disabilities aged 15 to 64 years was 79.3%. For people with disabilities, this dropped to 53.6% of the population.

We know that people with disabilities have lower incomes than people without disabilities. The self-reported median income in 2010 for people with disabilities aged 15 to 64 was just over $20,000, while for people without disabilities it was just over $30,000.

We know that many people with disabilities rely on government programs for income and social supports. Among the 204,700 people with disabilities who are completely prevented from working, 43.4% reported that they received CPPD or QPPD in 2010. Among the 632,600 people with disabilities aged 15 to 64 who are permanently retired, 39.9% reported they received CPP or QPP in 2010. This program is extremely important to the welfare of people with disabilities in Canada.

With regard to the impact of Bill C-26, due to unknown sporadic employment periods, a person with a disability who was unable to maintain workforce attachment throughout their adult working life potentially will see a greater impact in terms of the benefit of the enhancement as other Canadian citizens. The impact for people with disabilities will likely be greater levels of disparity between disabled and non-disabled people in the amount received in CPP benefits Additionally, it has the potential to further impact women and girls who are typically the caregivers for both children and family members with disabilities. Women with disabilities who are also caregivers will be hit with a potential double reduction in revenues through these proposed measures if their disability and caregiving drop-out periods are in different years.

In terms of analysis, it is the view of CCD that the implementation of the measures in Bill C-26 has the potential to negatively impact Canadians with disabilities in a manner that could increase the disparity in income levels between Canadians with disabilities and other Canadians. The removal of the drop-out options in the enhanced portion has the potential to further increase the disparity between disabled and non-disabled Canadians through a publicly designed pension scheme. This would be in contradiction to the intent of the UN Convention on the Rights of Persons with Disabilities, which Canada has signed and promised to uphold. Some of these protections are important to highlight here.

Part of the CRPD preamble reads as follows: “Highlighting the fact that the majority of persons with disabilities live in conditions of poverty, and in this regard recognizing the critical need to address the negative impact of poverty on persons with disabilities”.

Article 3 talks about equality of opportunity, not about being treated the same.

Article 5, paragraph 3, says, “In order to promote equality and eliminate discrimination, States Parties shall take all appropriate steps to ensure that reasonable accommodation is provided.”

Article 5, paragraph 4, says, “Specific measures which are necessary to accelerate or achieve de facto equality of persons with disabilities shall not be considered discrimination under the terms of the present Convention.”

● (1545)

Article 28, paragraph 2b, says, “To ensure access by persons with disabilities, in particular women and girls with disabilities and older persons with disabilities, to social protection programmes and poverty reduction programmes”.

In conclusion, the proposed changes to the drop-out provisions in the enhanced portion of CPP and CPPD have the potential to further marginalize Canadians with disabilities. This includes those who have had to leave the workforce due to disability, those who experience potential discrimination in obtaining and maintaining employment, and those who because of disability have had to work sporadically throughout their working years.

CCD urges the finance committee to reconsider its acceptance of the current proposed changes to the CPP and CPPD programs. No revisions to the CPP program, including the retirement and disability portions, should create further barriers and inequality to Canadians with disabilities. The Government of Canada, through its commitment to the Convention on the Rights of Persons with Disabilities, has a responsibility to ensure that Canadians with disabilities are not further impacted negatively due to life circumstances beyond their control.

All federal programs should ensure provisions for those Canadians known to be living with adverse poverty, particularly those eligible for CPP and CPPD who would benefit from the inclusion of the drop-out provisions to all portions of CPP disability or retirement pensions.

Thank you to the committee for allowing us to bring this to light.

The Chair: Thank you very much, Mr. Hicks, for your thorough brief.

I neglected to ask this at the beginning. Once the bells ring, we can't continue to meet unless there's unanimous consent. The suggestion was that we would meet until the clock counts down to 15 minutes so we can hear witnesses.

Is there unanimous consent?

Mr. Raj Grewal (Brampton East, Lib.): No, Mr. Chair.

The Chair: No? Then we can't continue to meet.

We'll suspend until after the vote.

● (1545)

(Pause)

● (1630)

The Chair: We will resume.

The witnesses for the second panel at 4:40 are here. If they want to come to the table as well, if that's agreeable to the committee, we can make that arrangement.

Is that agreed?

Some hon. members: Agreed.

Mr. Ron Liepert (Calgary Signal Hill, CPC): Let's hear from them all first.

The Chair: Yes.

We're away. You can come up to the table, ladies and gentlemen.

We heard from Mr. Hicks, and....

Oh: the bells are going. Is there unanimous consent to continue?

Some hon. members: Agreed.

The Chair: We will go until there are 15 minutes left.

Mr. Dorval is here from the Conseil du patronat du Québec.

[*Translation*]

Mr. Yves-Thomas Dorval (President and Chief Executive Officer, Quebec Employers' Council): Thank you, Mr. Chair.

[*English*]

I will speak in French today. I will try to speak slowly to allow the translation to be effective.

Thank you very much, Mr. Chair, and dear members of this committee.

First, I'd like to highlight the fact that the Quebec Employers Council represents more than 70,000 employers who have activities in Quebec, most of whom also have Canada-wide work implications.

[*Translation*]

We are very pleased to take part in the work of this committee.

I will not discuss the elements of the bill, since you know them well.

First and foremost, I want to say that Quebec employers support the fact that you are attempting to improve the lot of their fellow citizens regarding retirement plans. They are of course concerned about the impact this could have on their businesses and their production costs, but they are very open to an update of the various retirement plans, such as the Canada Pension Plan.

We would nevertheless like to go over certain fundamental principles and make a few remarks about the Canada Pension Plan and its Quebec counterpart, the Quebec Pension Plan.

Even though it is important to encourage people to save for retirement, a universal solution does not meet the needs, and on the contrary could have a negative impact on economic activity, employment and salaries.

First of all, the need for savings is not generalized, as demonstrated by analyses made by several institutions. Certain groups of workers or citizens have more problems in this regard than others. So targeted measures are necessary in order to improve the financial health of individuals.

In fact, the improvements proposed in the bill recognize, to some extent, that the problem is not generalized, since it does propose relatively targeted solutions, but in our opinion they are not targeted enough.

We would like to talk about the government's decision to take low-income workers into account. The government wants to improve the federal working income tax benefit, which is a refundable tax credit for low-income workers, so as to diminish the impact of the increase in contributions to the Canada Pension Plan for those workers.

All of the people we consulted felt that this is a complex solution. It does not have the merit of being as clear as exempting or excluding low-income workers who could be targeted in this very simple way. Rather than creating a refundable tax credit mechanism, you could, for example, set a percentage of the maximum allowable earnings, and state that anyone having a salary under that threshold would be excluded. This would simplify things for those people, and target that group better.

In fact, this concerns the Government of Quebec, as it intends to propose alternate solutions in that area. If the provinces and the federal government could agree on this, all of the provinces would probably agree to take part in the same type of project.

For workers with higher incomes, you should opt for other solutions to encourage them to save more using the various tools that exist.

Additional payroll charges could reduce the capacity of individuals and businesses to keep the economy turning, and could lead to a decrease in salaries and the number of jobs, which is not the objective being sought here.

● (1635)

We must nevertheless admit that the increases proposed in the bill, and the way in which they are staggered over time, takes into account enterprises' capacity to pay. And so we want to emphasize that the bill shows good intentions. The eventual shock is taken into account, but it is a fact that there is an impact when a premium must be paid. In fact, the figures that circulated in Quebec confirmed that the amount individuals and businesses would have to pay could amount to more than $3 billion, which could not be allocated to expenditures.

This money would be invested either by those who invest pension plan funds, or by the people who will receive the benefits. However, we know that it will take between 20 and 30 years before this money begins to circulate in the economy. In short, there will be impacts and we have to point that out. That is what we wanted to say today, while however acknowledging the fact that employers are not opposed to certain improvements.

Also, new mandatory retirement contributions may simply substitute public savings for private savings. That should not be the objective. I invite you to consult the reports of certain experts on this. That is what I did. They have some very clear graphs that show that after a certain number of years, the amounts that would accumulate in this new fund would even surpass the amounts accumulated in the current plan, the Canada Pension Plan.

The removal of what we would normally find in private industry is significant, and the concentration of savings entrusted to the state, regarding its management, is even greater.

Another...

● (1640)

[*English*]

The Chair: Can you wrap up fairly quickly? We are quite a bit over time.

[*Translation*]

Mr. Yves-Thomas Dorval: I apologize for that.

There is also the matter of transparency with regard to the people who are going to put money aside. They will have to be told that it will take close to 40 years before they can count on that money.

We should also consider—and it is unfortunate that we don't take this into account in all of these discussions—that we underestimate the assets or savings that people set aside, outside of pension plans. We particularly want to direct your attention to the fact that owning a home is also a very effective way of saving for retirement and generating more savings. In this regard, the new rules that will make access to property more difficult, and are being applied more and more frequently, run precisely counter to the ultimate objective of this bill, that is to say to encourage savings for later.

We feel that other tools exist, such as owning property. That said, we understand that there are issues in some regions of Canada. In Quebec, however, that is really not the case. Consequently, any measure that makes ownership more difficult for Quebec citizens is going to slow down investments in housing that could be used for savings at a certain point in their lives.

My last point is the adjustment for Quebec. All things being equal, we really want to encourage all of the groups to consider the fact that in Quebec, we are already paying more, in percentage terms, to defray the costs of the Quebec Pension Plan, for various specific reasons. Increasing that expenditure would affect the citizens and employers of Quebec even more.

Thank you, Mr. Chair.

[*English*]

The Chair: Thank you.

We'll turn to Ms. Schirle from Wilfrid Laurier University. She is here as an individual and is joining us by video conference from Waterloo.

We apologize for the wait, Ms. Schirle. Go ahead.

Dr. Tammy Schirle (Associate Professor, Department of Economics, Wilfrid Laurier University, As an Individual): I'm glad you could come back to give me an opportunity to speak with you today. Thank you.

I will take this opportunity to flag some general concerns I have with Bill C-26, with a focus on individuals with low earnings. Over the past few years, several researchers have expressed concerns that an expansion of the CPP's existing structure, alongside the provisions for the guaranteed income supplement, would imply a very low rate of return on contributions for individuals who enter retirement with low average earnings.

The planned changes to CPP and the Income Tax Act, as set out in Bill C-26, take some steps to mitigate those concerns. First, an expansion of the working income tax benefit is included in this bill. Most importantly, this will help some individuals with low earnings cover their additional CPP contributions. This has several other benefits.

As a method of prefunding retirement income through the current generation's tax revenues, rather than relying on programs funded by future—

The Chair: I don't want to interrupt, but your words are being translated, and you're going a little too fast for them to keep up, so slow down a little.

Dr. Tammy Schirle: I shall do that. I have a habit there.

Thinking of the benefits to expanding the working income tax benefit, as a method of prefunding retirement income through the current generation's tax revenues, we reduce intergenerational transfers. I like this approach. I wish we had forced it on the baby boomers 30 years ago.

The proposed changes will enhance work incentives among our lowest earners. The changes offer broader support to those with disabilities, with a noticeable expansion to the WITB disability supplement, and using the WITB involves a simple expansion of existing policy. I see the appeal there; however, I don't think it's the best approach, and I will state my concerns with using the WITB to refund CPP contributions.

First, I think we need to design policy in ways that support and promote gender equity. WITB eligibility depends on a couple's earnings, not just the individual's. Also, only one spouse can claim the benefit. This means that the after-tax and benefit wage rate of a secondary earner, who is typically the wife, will depend in part on the decisions of their spouse and their ability to negotiate with their spouse. I think that whenever practical and possible, such policies should be based on individual earnings.

Second, the WITB is not directly and visibly linked to the CPP. As such, the link between this expansion of the WITB to additional CPP contributions will not be clearly visible to workers, and we want that link to be as clear as possible to minimize any negative effects on the labour market. Moreover, without a clear link to CPP, it is easy for future governments to forget the importance of this provision.

Third, the WITB only covers the lowest earners. A single person earning around $20,000 per year would not be eligible.

Fourth, the WITB expansion is only designed to cover the employee's new contribution at 1%, not the employer's additional 1%. We expect wage bargaining to result in employees absorbing nearly the full cost of the additional contributions.

The second part of planned changes that I think is important for understanding the contributions of low earners is the lack of drop-out provisions. Existing drop-out provisions, for years with young children, low earnings, or disability, work to subsidize labour market interruptions. However, the drop-out provisions then sever that important link between contributions and benefits. Also, if those years dropped include some low earnings, the contributions made when earnings are low effectively offer a zero return.

My understanding is that we have not entirely done away with the cross-subsidies and that we are only counting a person's best 40 years when calculating their benefits. As such, workers will continue to have some low-earnings years in which their earnings and contributions are dropped from the contribution period and are not directly linked to a benefit.

Thinking beyond my focus on low earners, I would like to highlight concerns with the survivor benefit formulas. It is my understanding that the provisions that define a maximum combined retirement and survivor benefit remain in the new formula; moreover, the benefit eligibility does not depend on whether retirees have a spouse who would receive survivor benefits. This differs from many employer pension plans that offer reduced monthly benefits to pensioners who keep the option to have survivor benefits available. The prevailing CPP survivor provisions weaken the link between one's contributions—

● (1645)

The Chair: Ms. Schirle, I'll have to interrupt again. We do have to run to a vote. We're a distance from the House of Commons.

Dr. Tammy Schirle: Certainly.

The Chair: We'll have to suspend for the moment. We have no choice.

The meeting is suspended until after the vote.

● (1645)

(Pause)

● (1720)

The Chair: We'll continue.

Again, my apologies, Ms. Schirle. Please go ahead and finish your remarks.

Dr. Tammy Schirle: Thank you very much.

Instead of trying to repeat myself, I will just quickly summarize some of the points I made. I will also note that my speaking notes are available online, as are some informal notes to questions that I commonly receive about CPP.

To summarize what I was saying, first, I'd like to highlight that there are clear merits to using something like the WITB in refunding the contributions of low earners. I am very concerned, however, about gender equity goals not being met by the WITB, and that requires further consideration.

I think there are merits to not including drop-out provisions in the expansion of CPP. I was expressing concerns with cross-subsidization in the program via survivor benefits, in particular the maximums that are placed on combined benefits.

At that point, I was ready to conclude, really, so that's where I'll continue. If given the opportunity to make recommendations here, I would focus on two things. First, continue with efforts to clearly link individual contributions and benefits, avoiding intergenerational and intragenerational transfers in the CPP. Such transfers can be more transparently and effectively developed in other programs. Second, administer the refund of CPP contributions to low earners separately from the WITB and define eligibility by individual earnings. This should be administered through the tax system to minimize administrative costs. The refund of CPP contributions should be clearly visible to those who are receiving it.

I do thank you for your attention. I'm happy to take any questions you might have.

The Chair: Thank you very much. Again, we apologize for the confusion.

We'll turn now to the National Pensioners Federation, Herb John and Susan Eng.

Go ahead, Mr. John.

Mr. Herb John (President, National Pensioners Federation): Thank you.

My name is Herb John, and I am the president of the National Pensioners Federation. With me as our counsel is Susan Eng.

The National Pensioners Federation is a national, non-partisan, non-sectarian organization of 350 seniors chapters, clubs, groups, organizations, and individual supporters across Canada, with a collective membership of one million seniors.

While seniors need help with their health and financial concerns today, they are also concerned about the financial security of tomorrow's seniors. Without reservation, National Pensioners commends the federal and provincial governments on reaching a historic agreement to increase the Canada Pension Plan. We welcome the proposal in Bill C-26 to implement the increase and to amend the Income Tax Act to facilitate deductions for the increased CPP and QPP contributions, but especially for the increase to the working income tax benefit to allow low-income Canadians to participate.

National Pensioners held our annual convention this year in Vancouver, where the delegates applauded this rare example of federal and provincial co-operation. It is important to note that none of the people in that room will benefit from the increase to the CPP. Rather, they are concerned that their children and grandchildren do not have workplace pensions—two-thirds of working Canadians do not—and see the increased CPP as vital to helping them save for retirement. They know how hard it is to make ends meet in retirement, even though some of them have workplace pensions.

The CPP increase is coming just in time. No new defined benefit pension plans have been established in years. Many workplaces that have defined benefit plans are switching to defined contribution plans in which the investment risk is entirely borne by the employees. This is happening even in the unionized environment. GM, Ford, and FCA auto workers made an unprecedented concession to allow companies to close the doors on their defined benefit plans and to require new employees to participate in a defined contribution plan.

Many of our members have also been affected by business bankruptcies like Nortel's, which left the pensioners with heavily reduced pensions, if they had anything left at all after the dust settled. This is an ongoing result of not having legislated protection of pension plan assets during bankruptcy. The sustainability of the CPP, clarified by the fact that the chief actuary has declared that the CPP will be able to pay CPP benefits for at least the next 75 years, is very important to seniors, again, for their children and grandchildren.

The changes announced, which are the first increase in half a century, will take years to phase in. Even so, the increase is modest and, while very welcome, does not ensure Canadians an adequate retirement. What it does do is bring the maximum CPP benefit to $20,000 in 2016 dollars, which is approximately equivalent to the poverty line. National Pensioners would recommend that a review of future increases, including a voluntary layer to the CPP, be initiated as soon as possible, especially given the length of time it took to get this increase.

I will now turn it over to Susan Eng, who has further recommendations for the committee.

● (1725)

Ms. Susan Eng (Counsel, National Pensioners Federation): Thank you.

Thank you, Mr. Chair and members of the committee.

I reviewed parts of the debate in the House during second reading, and there were a number of positions that I wish to address here.

One of the comments made in the debates was that voluntary savings vehicles such as RRSPs and TFSAs are adequate to enable people to save for their retirement. While this is true for the well off, with sufficient funds to invest, it is not true for middle-income families and certainly not for lower-income people. The net result cited by various researchers is that nearly a quarter of middle-income workers will sustain a substantial drop in their standard of living upon retirement because they have not, or could not, save enough.

It was also said that the CPP contribution is a payroll tax that will cause job losses. The same argument was made when the contribution rates were doubled in 1986 with no attendant increases in benefits, and there were no job losses then. There's no evidence that job losses will happen this time either.

There was a comment that employers will be paying thousands of dollars more. The absolute maximum additional contribution payable by an employer is $1,100 in today's dollars and is not payable until the increases are fully phased in, in 2025, and only in relation to a person earning approximately $82,700. To raise the fear that small businesses will be burdened with thousands of such payments is unwarranted. Average incomes are closer to $55,000, which is the YMPE today. In 2025 the annual employer contribution would be $515 a year, or $43 a month, or less than $20 per paycheque. As to the job loss argument, why would an employer terminate an employee over a $20 impact on their paycheque?

Another comment made was that low-income workers would lose their GIS benefits due to an increased CPP. Low-wage earners should absolutely participate in the increased CPP, even if their income supplements are replaced by CPP benefits, not least because of the dignity of having paid for one's own retirement. The increased WITB is a much-welcomed measure to ensure that low-wage earners can participate. If the legislators are concerned about low-income earners, they can exempt the increased CPP benefits from the GIS calculation.

Finally, it is often said that our children should not have to pay for our retirement. This concern is actually prevented by the CPP legislation: all future benefit increases must be fully funded. Each generation is funding its own retirement in relation to these increases. Furthermore, as with all large, well-managed defined benefit pension plans, contributions pay for about 20% of the benefits that are ultimately paid. The rest is funded from the investment returns.

Those are our recommendations. We'd be pleased to take your questions.

The Chair: Thank you both very much.

From the Canadian Taxpayers Federation, we have Mr. Wudrick.

Mr. Aaron Wudrick (Federal Director, Canadian Taxpayers Federation): Thank you, Mr. Chair.

Good evening. My name is Aaron Wudrick. I am the federal director of the Canadian Taxpayers Federation. I am very pleased to appear this evening on behalf of the CTF to comment on Bill C-26, which, as we know, deals primarily with the expansion of the Canada Pension Plan.

In CTF's view, Bill C-26 is essentially a classic case of good intentions leading to some very unintended consequences, and of an attempt to solve a very specific concern by using a very blunt instrument.

Income security for seniors is, I don't think anyone will deny, a very valid and pressing public concern, but it is also important here to acknowledge that the facts do not show that there is a broad, generalized crisis when it comes to Canadian seniors' pensions. For poor seniors in particular, income supplements such as old age security and guaranteed income supplement, which have already been mentioned, largely address the issue. If concerns remain for this group as a whole that these programs are not sufficient, those are nonetheless the programs we should look to, and not CPP, to address any lingering problems. Rather, the changes in Bill C-26 are instead designed to target a relatively small group of middle-class to upper-middle-class Canadians who are not meeting an arbitrary threshold set by the government as to what an adequate amount of retirement savings should be. Most importantly, in calculating this, the threshold does not consider, for example, non-RRSP investments, nor things such as equity in people's homes. Rather, the government has declared that this threshold isn't met. As a result, they have chosen a sweeping, one-size-fits-all solution to effectively force—not help, but force—all Canadians to save more money.

Now, some people will probably react by saying, “What is so bad about governments forcing Canadians to save more money?” It does raise a number of important questions, such as why exactly the government feels that it is better placed than individual Canadians and their families—who I think we can all agree have a vast range of lifestyle preferences—to know what the right amount of savings is. It is entirely possible that there are some people who would prefer to spend more money today. I think an obvious example is people with young children or large families who require money today and want to spend that money today in anticipation of, perhaps, a more frugal lifestyle once the kids have grown up and moved out.

Then there is, of course, the question where, if some people are not saving because they simply cannot afford to save, how is depriving them of that money today—even if they are potentially going to get it down the road—going to make them better off overall?

It is also important to stress here that, when we are discussing income security for seniors, income support is often conflated with income replacement. CPP, of course, is a program where the yield you receive depends on what you pay in. Enhancing it, therefore, does nothing for people who are not paying very much into it in the first place. It does not give people extra money. It simply shifts the money from the current day into the future.

Finally, and very briefly, I think it is still worth noting that its expansion could be very damaging to businesses insofar as it effectively functions as a payroll tax. It is possible—I believe news came out today of a government memo that stresses exactly this point—that the CPP expansion could lead, certainly in the short and medium term, to lower wages and fewer hours for workers, as businesses attempt to compensate for the new costs.

I think I will leave it at that. Thank you.

● (1730)

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

We now turn to Mr. Cross with the Macdonald-Laurier Institute. Welcome.

Mr. Philip Cross (Senior Fellow, Macdonald-Laurier Institute): Thank you.

First I'd like to thank the committee for inviting me to speak, especially on an issue as important as the plan to expand the contributions and benefits of the CPP.

Previous changes to the CPP were based on clear evidence that changes were necessary. Prior to the introduction of the CPP in 1966, 44% of seniors lived in poverty, clearly unprepared for what was a new phenomenon of living a substantial portion of one's life after leaving work. The reform of the late 1990s was based on the actuarial fact that a “pay as you go”, or PAYGO, system for a rapidly aging population meant unbearably large and fast increases in contribution rates for younger workers. Instead, contribution rates were hiked immediately, and the surplus funds were invested in the newly created CPP investment board as the CPP transitioned to a modified PAYGO scheme.

Unfortunately, the proposed reform package of the CPP is not grounded in current experience and facts. Looking at both the living standards of retirees and the financial soundness of the CPP, one can only conclude that there is no actual or impending crisis. Instead we are being sold on the proposition that Canadians are not saving enough, despite the immense amounts of wealth they are squirrelling away in a variety of assets, nor are most low-income Canadians being left behind in their retirement. The combination of OAS and GIS guarantees that few will fall below the poverty line. One exception is elderly women who have never worked.

Instead we have an imaginary crisis, mostly for the middle- and upper-middle-lass workers who hold many financial and housing assets. The hypothetical crisis is based on forecasts decades into the future that implicitly make assumptions about everything from when older people leave the labour force to how much income they earn, the assets they hold, the return on these assets, what future inflation will be, and even how medical technology will change life expectancy. The future evolution of any and all of these variables is inherently unknowable, and the uncertainty surrounding attempts to forecast them has not been openly acknowledged by their proponents.

As a result, they have convinced themselves that the future is predictable, even after it was made strikingly clear in 2008 that economists and financial analysts could not predict the global financial crisis that was just around the corner and the lingering impact that crisis would have on growth. The myth of a possible drop in living standards of retirees is openly encouraged by the financial industry, which stands to profit from both an increased supply of savings and higher demand for its lucrative financial counselling services.

What we do know for certain is that the Canadian economy is in its most prolonged period of slow growth since the early 1990s. When CPP contributions were introduced in 1966 and increased in 1997, the economy was booming, which made the reduction of household disposable income growth manageable. In the current circumstances of weak growth and with the U.S. poised to reduce its tax burden, imposing another tax hike on Canadian households will only further dampen growth.

Let us dispense with the argument that CPP contributions represent a form of saving and not a tax. Your CPP contribution is not saved as an investment in an account set aside for you like your RRSP. Since the CPP is primarily a PAYGO system, your contributions today are going to pay the pensions of today's retirees. Your future pension is based on the assumption that younger workers will be willing to pay CPP contributions for your retirement. If future generations decide that it's too much of a burden, which is possible given the tax hikes they'll be paying to meet other demands of an aging population, such as health care, you will quickly discover that there is no savings account with your name on it.

To the degree that higher contributions are offset by lower savings elsewhere—StatCan estimates the offset is about 50%—then the vulnerability of future retirees to an arbitrary change in their pensions is increased.

The debate over CPP reform detracts attention from the real problem at the heart of the pension system today, which is the imbalance between the public and private sectors. Currently one third of the workforce in the public sector has two-thirds of trusteed pension plan assets, and even that is not enough to pay its generous benefits. Instead, the public service will be looking to the private sector, which has two-thirds of Canada's workers but only one third of pension plan assets, to subsidize its pensions. The current level of benefits in the public sector is unsustainable, and it is unrealistic and unfair to ask private sector workers to pay even more as private sector pension benefits lag.

Thank you.

● (1735)

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

Turning to questions, we have time for one question from each party—about three minutes, no more.

We'll hear from Mr. Ouellette, Mr. Deltell, and Mr. Duvall.

Mr. Ouellette.

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

To each and every one of you, I really appreciate your coming here today. I also appreciate your understanding of how Parliament works sometimes and why we had to delay your testifying.

I was reading your Macdonald-Laurier testimony here, and I have to say that I disagree on a certain level. My grandmother makes $18,000 a year in retirement. She's 88 years old and she's pretty well at the poverty line, if not below. I think there's something to be said for people who have worked their entire lives. I know my grandmother has worked, maybe not at jobs that paid a lot, but she certainly did work. I think as a government we have to sometimes look to the long-term future to find ways of making pensions sustainable. For instance, in Canada only 38.4% of pensions today, or at least in 2004, were actually registered pension plans in private hands.

I was also reading the Hansard from back when we put the CPP in place, and many of the same arguments—for instance, by the Canadian Taxpayers Federation, and many of your comments—were the exact same comments they were making back then: that it's not something we need. Yet we know that 44% of seniors lived in poverty, according to the Macdonald-Laurier Institute.

I have a general question for all of you.

● (1740)

The Chair: You'll want to give them time to answer, though. At three minutes we're cutting speakers off, so you'll want to get to the question.

Mr. Robert-Falcon Ouellette: Okay.

When you see all these provincial governments and the federal government coming together in an agreement, for me there must be something there. If all these governments across Canada were able to sit down and come to some form of agreement, there must be something behind the drive towards allowing Canadians to save for the long-term future.

I guess we could go very quickly and get people's comments.

The Chair: Do you have a couple of comments? Who wants to start?

Ms. Eng, and perhaps one other.

Ms. Susan Eng: Thank you.

The one thing I think we have to remember around this table is that the amount each individual is being asked to contribute, both employer and employee, is a very modest amount. The reason it can be modest is that everybody has to do it. The workforce is 17 million people. When you have contributions from nearly all of them, you can afford to increase the ultimate retirement benefit, and that's why it needs to be done.

We have to make clear that the amount per person is very small. The amount per employer is still modest in relation to the benefit. When we look at what we're trying to do here, it's to be part of a large, well-managed fund. It doesn't replace every other thing you might still have to do, but the CPP and its maturing since 1966 actually lifted an entire generation of seniors out of poverty and directly replaced taxpayer dollars that had to be spent on GIS; there was an exact match.

That work is done now, and in order to prevent further poverty, this enhancement has to take place.

The Chair: Thank you.

Mr. Deltell.

[*Translation*]

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

Welcome, lady, gentlemen, to this parliamentary committee. I am really sorry about the complications you had to deal with.

My question is for Mr. Dorval.

You have highlighted some of the realities that directly affect entrepreneurs, such as the increases they are going to face over the coming years. There is also the fact that it will take 40 years before we see any concrete results.

Property is one avenue to a good pension fund. However, if access to property is restricted, as the government proposed in its October 3 announcement, this may put a damper on things.

One aspect has not been mentioned yet, and that is the age of retirement. When the pension fund was put in place 50 years ago, life expectancy was much shorter than it is today.

Our government proposed and implemented setting retirement at 67. Now, we are taking a step backwards and the retirement age is being set at 65 again. In your opinion, what impact could this change have on the process we are studying today?

Mr. Yves-Thomas Dorval: Thank you, Mr. Chair.

In most other countries of the world, the intent is to delay the age at which one can fully benefit from retirement advantages. It isn't complicated. The fact that people live longer means that today people are going, for the most part, to live longer after work than during their work lives. There are also the living conditions that extend life expectancy, and mean that people are in better shape and can work longer.

If we wanted to improve things, we would also have to look at the age of retirement, as the previous government did. The current government has brought the age of retirement back to 65. Honestly, I would say that the global tendency is to increase that age and not to lower it. Perhaps we could have gone halfway and indexed each year according to mortality statistics. If we had begun to do that in 2007 as they did in Sweden, we would already be on our way. It would have been better than changing things abruptly. It's very difficult to change that.

In addition, the population is aging, which means it is difficult to find available workers. The more we encourage people to leave the labour market early, the harder it gets. In Quebec, for instance, we made extraordinary efforts to increase the rate of participation of women in the labour force, by introducing various programs. This was successful, because today the rate of participation of women in the workforce is much higher.

When you look at the current demographic picture, you see that it's difficult to reach the same rate of participation in the workplace for people of more than 45 years of age. Of course this is not only due to individuals and to retirement projects. Employers must also make efforts. In any case, this is a factor we need to pay greater attention to when considering how to improve the plan.

● (1745)

[*English*]

The Chair: Thank you.

Mr. Duvall, you're on.

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

Thanks very much, people, for coming in today. We really appreciate it.

To Ms. Eng or Mr. John, was your organization consulted in any way about the changes to the Canada Pension Plan? We've discovered that the government either forgot or decided not to include the child-rearing and disability drop-outs in the enhancement. I'd like your comments on that. Would this reduce payments or affect more women or people with disabilities?

Ms. Susan Eng: The drop-out provisions are really an important part of the basic plan at this time. Our understanding, of course, is that with the enhancement, those drop-out provisions were left out. They are still important, because if we're going to increase the benefits for everyone, especially those who need it the most, then the drop-out provisions are needed for the enhancement as well as for the basic plan.

My understanding of the legislation, however, is that the enhancement has to be fully funded, in which case the cost of folding that in is going to be measurably higher. Nonetheless, we would support adding in the drop-out provisions to the enhancement as well.

Mr. Scott Duvall: Thank you.

The Chair: Is that it?

Mr. Scott Duvall: Do I have more time?

The Chair: You have about 35 seconds.

Mr. Scott Duvall: Okay.

Just to go further on the costs for the enhancement, we understand that the cost to include that will be very, very minimal. Can you comment on that, if you've done an actuarial study?

Ms. Susan Eng: It depends how far you go with the drop-outs. If you have the regular seven-year drop-out, which we have in the basic plan, that's one part of it and it goes across the board. If you start adding it for child-rearing, that's another seven years. For people with disabilities, that could be an expanded portion.

I'm not in a position to say how much that would be; I just know that it would be more.

Mr. Scott Duvall: Thank you very much.

The Chair: Does anybody have one quick point they want to add?

Ms. Schirle, I know you sat there for two and a half hours. Is there one quick point you want to add as a conclusion?

Dr. Tammy Schirle: I'll just emphasize the point that when we're looking at the current set-up of the CPP and many of the statistics to describe what gaps there are, we're talking about the baby boomers, who have a very different history, a very different history with child drop-out provisions in particular, than when we're looking forward to our next generation, which, as Mr. Cross pointed out, faces a great deal of uncertainty and low private pension coverage. I think the context for developing that policy has to shift with the policy.

The Chair: Thank you to one and all for your presentations. I do apologize for the confusion.

There is food at the back of the room, because we had ordered supper, so if witnesses and members want to indulge in that food, you're welcome to it. Don't let it go to waste.

For members, at tomorrow's meeting we will have departmental officials on Bill C-29, as you know. We will hear from departmental officials on each part of the bill, for each division in part 4, so members should prepare questions along the lines of each part of Bill C-29. It will be broken into parts.

Officials to begin with will provide a brief overview of each part, and the committee will then proceed with questions on that part of the bill before moving to the next part. I want people to know this so that they are prepared.

You will also receive the Library of Parliament briefing note tomorrow morning on Bill C-29.

Yes, Mr. Duval.

Mr. Scott Duvall: I have just one question. If any amendments come forward, is there a timeline that they have to be in by?

● (1750)

The Chair: For Bill C-29 it is next Thursday. Bill C-26 is Monday.

Mr. Scott Duvall: Monday?

The Chair: Yes. Bill C-26 is Monday, and Bill C-29 is next Thursday, for amendments.

Mr. Scott Duvall: Thank you very much.

The Chair: With that, thank you to all.

The meeting is adjourned.