

March 3, 2017

Forum of Federal/Provincial/Territorial Ministers
Responsible for Seniors
Employment and Social Development Canada

Re: Consultation Regarding the Labour Force Participation of Older Canadians

Dear Ministers:

We are writing on behalf of the 109,000 small- and medium-sized enterprises (SMEs) who are members of the Canadian Federation of Independent Business (CFIB) to provide feedback on the best practices for supporting labour force participation of older Canadians. While CFIB does not undertake workplace programs or initiatives that promote labour force participation of older workers, our members have lots of experience in hiring seniors and our survey research can help provide policy makers with various approaches that may help connect older workers with small businesses who are interested in hiring them.

Shortage of Qualified Labour

Small businesses across Canada continue to face difficulties finding qualified labour. CFIB's monthly Business Barometer in February shows that over one third of small business owners indicated that the shortage of skilled (31%) and un/semi-skilled (13%) labour continues to limit the growth of their business.¹ In 2014, our data showed that two thirds of SMEs said that it was somewhat or very difficult to hire employees.² As demographics continue to shift, it is expected that more Canadians will be exiting the workforce in the next 10 years, placing increased pressure on SMEs who are already struggling to find and retain qualified employees.

Encouraging greater participation of older workers in the labour market could help alleviate the shortages faced by many SMEs. Small businesses are generally open to hiring older workers and almost half (47%) have tried to hire older workers.² Previous CFIB research from Western Canada found that small business owners value experience, a strong work ethic, and loyalty that many older workers bring to the workplace.³ Additionally, some small firms in Western Canada said that they take extra measures to retain older employees, such as allowing for greater flexibility (61%), a reduced workload/physical demands (44%), and part-time or job sharing options (42%).³

¹ CFIB, *Business Barometer*, February 2017.

² CFIB, *Taking the Temporary Out of the TFW Program*, December 2014.

³ CFIB, *Small business & older workers*, December 2007.

Training of Older Workers

There are several barriers that small businesses may face when attempting to hire an older worker. When re-entering the workforce after a period of retirement, some workers may find that they need to upgrade their skills or qualifications. The vast majority of small businesses (95%) offer training to their employees (whether formal, informal, or a combination of both). This can translate into a big investment for the employer: in 2014, SMEs invested a total of \$14 billion in training (\$9 billion of which was informal training). Despite this investment in their employees, informal training, which is their main method, is seldom recognized by governments. As a result, SMEs who offer informal training do not have access to government support programs. Moreover, many small businesses are unaware of the government programs currently in existence. For example, 71 per cent are unaware of the Canada Job Grant, which splits the costs of employee training between the employer and the government, and 59 per cent are unaware of the Canada Job Bank, which can be a resource for both small businesses and older workers to advertise and find jobs.⁴

Hiring Costs for SMEs

In addition to training, hiring costs for new employees can also be a barrier for SMEs. Employers must not only pay an employee's salary, but also payroll taxes such as Canada Pension Plan (CPP) premiums and Employment Insurance (EI). Increases to both CPP and EI make it more expensive for small business owners to hire new workers, including older Canadians. The cost of EI premiums may also act as a disincentive to older workers who have already retired and are returning to work. Measures such as the Small Business Job Credit, which reduced EI premiums for smaller employers, can be helpful in offsetting the costs of hiring additional employees. Workers between 65 and 70 years old can opt out of paying CPP premiums, which also means that their employers do not have to pay either. However, many older workers may be unaware of this option and, as a result, do not end up filling out the paperwork required to do so.

Older employees returning to work after a period of retirement may also be concerned about the loss or reduction of benefits such as Old Age Security (OAS) or the Guaranteed Income Supplement (GIS). For OAS, if an older employee's net income exceeds \$74,788 (for the 2017 tax year) they must repay 15% of the difference in the income and the threshold amount. Older employees also see their GIS benefits clawed back at a rate of 50 cents per dollar of income. This reduction may particularly be a disincentive for lower-income seniors who are looking to return to work.⁵

Best Approaches to Support Labour Force Participation of Older Workers

When looking to better connect older workers with small businesses, government should ensure that they address barriers such as the costs of hiring and training workers. Older Canadians also face challenges when looking to return to the workforce, whether they need to upgrade their skills or they risk seeing certain benefits clawed back if their income rises.

As such, we propose the following recommendations:

⁴ CFIB, *Insuring Employment: SME Perspectives on the Employment Insurance System*, September 2016.

⁵ CFIB, *Small business & older workers*, December 2007.

Reducing the Costs of Hiring and Disincentives to Work

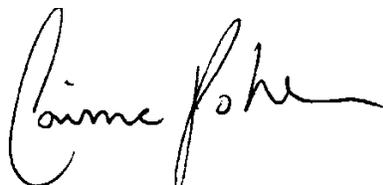
- ▶ Renew the Small Business Job Credit (or a variation of the credit) beyond 2016, or alternatively, implement a permanent, lower EI rate for small businesses in order to help reduce the costs of hiring new employees, including older workers;
- ▶ Improve the awareness of the option for older workers over the age of 65 to opt out of paying CPP if they desire;
- ▶ Review benefit programs such as OAS and GIS to ensure that claw backs and reductions of benefits do not become a disincentive to return to work, especially for low-income seniors; and,
- ▶ Allow older workers over the age of 65 and their employers to opt out of paying EI premiums similar to what is available for CPP.

Addressing the Costs of Training for SMEs

- ▶ Better communicate with small business owners on government programs (such as the Canada Job Grant) that may be able to assist with training older workers in their business;
- ▶ Increase awareness and better align EI training programs and initiatives with small business needs;
- ▶ Ensure a portion of training program-specific funds are allocated for small businesses; and,
- ▶ Ensure that training application processes and reporting requirements follow common-sense principles and minimize paperwork to reduce red tape.

Thank you for the opportunity to present our members' views on the participation of older workers in the labour market. We look forward to more opportunities to share our experience and research with the Forum. Should you have any questions or concerns, you can reach our office at 613-235-2373 or Corinne.Pohlmann@cfib.ca.

Sincerely,



Corinne Pohlmann
Senior Vice-President, National Affairs and Partnerships