

# The Facts (and fiction)

about Labour's Plan to improve  
the Canada Pension Plan



[canadianlabour.ca](http://canadianlabour.ca)



Canadian Labour Congress

Congrès du travail du Canada

## **Canada's Finance Ministers agree.**

The best way to help today's workers save enough for retirement is by increasing what everybody gets from the **Canada Pension Plan** (and the Quebec Pension Plan).

**The Canadian Labour Congress is proposing a gradual doubling of future CPP benefits.** A modest increase in contributions today will produce thousands of dollars a year in extra benefits for workers when they retire.

Thousands of Canadians along with citizens' and retirees' groups agree with us.

Our proposal has won support from a majority of Canada's Finance Ministers. It has been endorsed by the country's mayors and municipal leaders.

But our plan has come under attack from special interest groups who are scare mongering and spreading lies about our proposal.

**Let's set the record straight about our plan for the Canada Pension Plan.**





## **FICTION #1**

**Labour's plan to gradually double future CPP benefits will double CPP contributions for workers and employers.**

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### **THE FACTS:**

The reality is that a gradual doubling of future CPP benefits can be paid for by a modest increase in contributions, spread out over 7 years.

This would mean increasing what everyone contributes to their CPP savings by 0.43% of pensionable earnings each year for 7 years.

For a worker earning \$47,200 or more per year, the initial cost of gradually doubling future CPP benefits works out to about 9 cents an hour, or \$3.57 a week. That's less than the cost of a newspaper subscription.

For a worker earning \$30,000 per year, the initial cost would be about 6 cents an hour, or \$2.27 a week. That's less than the cost of a medium double-double with a donut at Tim Hortons.

**This is first-rate retirement savings at a low cost.**



## **FICTION #2**

**Labour's plan for the Canada Pension Plan is a job-killing tax.**

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### **THE FACTS:**

The reality is that CPP contributions are not a tax. They are savings.

They are an investment by workers and their employers into a pension plan that is safe, sound and highly regarded around the world.

CPP contributions do not discourage employers from hiring workers. In 1997, the unemployment rate was 9.1%. That year, the federal government announced plans to increase CPP contributions for both workers and employers from 2.5% of pensionable earnings to 4.95% over a five-year period. The move was immediately labelled a "job-killing payroll tax-hike" by business lobbyists.

When premiums stopped rising in 2003, the unemployment rate stood at 7.6% and continued to drop every year until the 2008 recession. So much for that "job-killing tax" nonsense.

**Contributing to the Canada Pension Plan does not discourage hiring.**





## FICTION #3

**The CPP won't be there for young workers when they are ready to retire.**

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### THE FACTS:

The reality is that the CPP is recognized as one of the most stable pension plans in the world, and it will be there for the next generation of workers when they retire.

The CPP is actuarially sound (meaning it is guaranteed to deliver, as promised) for the next 75 years. Today's young workers have nothing to worry about, nor do their kids.



## FICTION #4

**Younger workers will be forced to pay more to cover the cost of expanding CPP benefits for older workers.**

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### THE FACTS:

The reality is that a gradual doubling of future CPP benefits would be fully paid for on a go-forward basis. Future benefits for each worker will be based on the number of years that worker made expanded contributions.

Right now, one-third of Canadian workers aged 24-64 have no personal retirement savings at all. Today's young workers will benefit the most as they will be able to save more for retirement and get more from the CPP when they retire.



## **FICTION #5**

**Expanding the CPP will hurt lower income workers who cannot afford to pay for increased premiums.**

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### **THE FACTS:**

The reality is that the CPP already exempts the first \$3,500 of income when it calculates everybody's contributions – that's a policy designed to make contributions easier for low income workers.

It is lower income workers who stand to gain most from a gradual doubling of future CPP benefits. The increased contributions needed to pay for those improvements will be modest and phased in over seven years.

The cost to workers who earn \$10,000 per year to expand the CPP is just 2¢ an hour each year over the next seven years. This will pay for a future doubling of CPP benefits. This is the first-rate retirement saving at a low cost.

Most low income workers have no workplace pension plans and if nothing changes they are destined for a life of poverty or near poverty in retirement.





## **A FINAL POINT**

Over the past year there has been a thorough debate in Canada on retirement security. Now Canadians say it's time for action.

There is no excuse for putting off improvements to the Canada Pension Plan.

The longer we wait, the less Canadians will have saved for retirement.

**Let's get the job done!**





## Now help us make it happen!

Help us get those finance ministers moving  
so they expand the CPP this year.

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Join the campaign. Invite your friends.

**Let's get the job done!**

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