

December 6, 2022

The Honourable Chrystia Freeland
Deputy Prime Minister and Minister of Finance
House of Commons
Ottawa, Ontario
K1A 0A6

Subject: Upcoming increases in the Canada Pension Plan (CPP) and Employment Insurance (EI) premiums

Dear Minister Freeland,

The Canadian Federation of Independent Business (CFIB) represents 95,000 small and medium-sized enterprises (SMEs) across Canada. We are writing to you and all provincial Ministers of Finance about the upcoming increases in the Canada Pension Plan (CPP) and the Employment Insurance (EI) premiums.

The impacts of COVID on our economy have been severe and small businesses continue to feel its impact. Our most recent data shows that 52% of small business are making less than normal revenues and 58% have been forced to take on pandemic related debt averaging over \$114,000 per business. Further, small business confidence in Canada continues to decline as the level of optimism for the next three months drops to 43.8%.

The January 2023 increases to the CPP and EI premiums will add pressure on all businesses and particularly on those least able to afford it.

The CPP system is in the middle of phased increases through to 2025. As of January 1, 2023, the premium rate and the Yearly Maximum Pensionable Earnings (YMPE) will increase, costing employees and employers up to \$255 more in contributions per employee, a 7.3% increase over 2022. EI premiums are also set to increase by as much as 5.2% per employee as of January 1st. Altogether, the increases in CPP and EI could add up to \$325 per employee to the employer payroll. This represents an increase of 6.7% from 2022.

It's important to note that very few small employers are in a position to offer their employees a wage increase to fully offset their own CPP and EI increases, so most Canadian workers will see a reduction in their take home income because of these additional costs. At a time when inflation is hitting Canadian families hard and many are worrying about a potential recession, pausing these planned increases would allow many workers to better weather the storm.

Small businesses are also dealing with other inflationary pressures, such as increased costs of inputs, including wages, which all add to the cost of doing business.

Given the potential for a recession, now is not the time to increase cost on businesses or their employees. Given that EI premiums were frozen in 2021 and 2022, the same approach should be taken in 2023. CFIB recommends:

1. Engage with the provinces to freeze or offset the 2023 CPP increases; and,
2. Freeze the 2023 EI premium rate increases, or
3. Introduce a Small Business Job Credit (similar to the one introduced in 2015 and 2016) to effectively lower the EI rate for small businesses.

As CPP and EI premiums are set to rise on January 1, 2023, we need your immediate help to postpone these scheduled increases.

Sincerely,

Dan Kelly
President & CEO