



Let's not put youth jobs at risk

THE ISSUE:

Payroll taxes have a particularly negative impact on labour intensive industries like restaurants where a high proportion of employees are young and the tax rate compared to their wage is disproportionately high. This creates a disincentive to hire young inexperienced workers.

WHY IT MATTERS:

Currently the youth unemployment rate is 2.3 times higher than the unemployment rate for Canadians 25 and over.

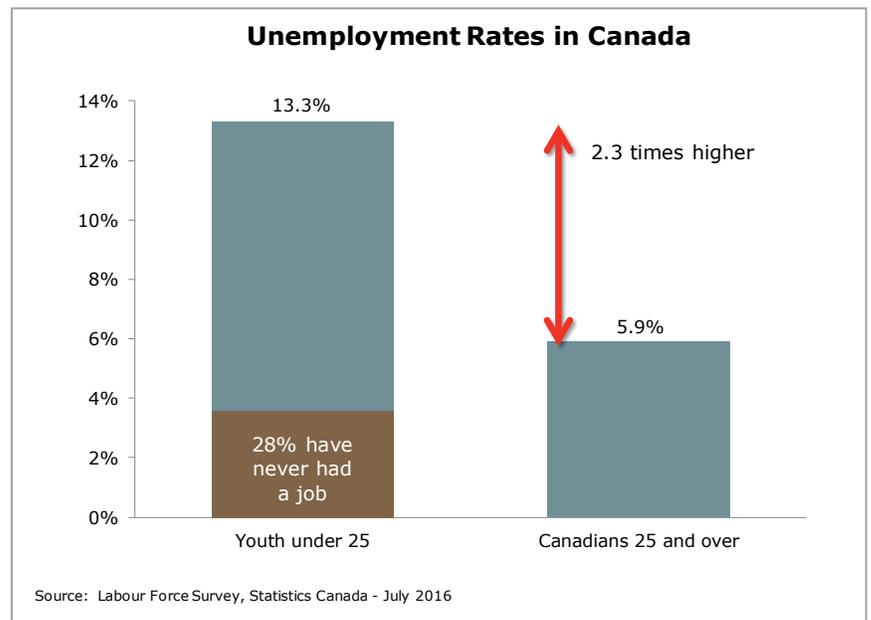
WHAT YOU CAN DO:

- Ensure there are EI premium cost reductions to offset increased CPP premium costs
- Introduce a Year's Basic Exemption (YBE) in EI system, similar to the CPP YBE, whereby \$3,000 of annual earnings are not subject to premiums
- Introduce an EI policy incentive to hire youth

BACKGROUND:

Restaurants provide more first jobs than any other industry. Twenty-two percent of Canadians got their career start in a foodservice business. No other industry helps more students to pay their way through school or works with more young people to develop valuable jobs skills leading to careers in the industry or in other fields.

Currently, restaurant operators are trying to cope with significant increases in labour costs that cannot be passed on to price-sensitive customers. The combination of mandated labour cost increases and tight labour markets are severely squeezing restaurant operator margins.



Restaurant operators are particularly concerned about the job impacts of increased payroll costs as enhancements to the CPP program are phased in. EI policy measures are needed to help reduce the overall payroll tax burden on employers, and particularly employers of youth.

Restaurants Canada has long advocated for a \$3,000 Year's Basic Exemption (YBE) in the EI program, similar to the Year's Basic Exemption in the CPP and QPP programs. This proposal is designed to permanently address flaws in the cost structure of the of the EI system. The EI program, as it is administered today, is regressive placing a disproportionate tax burden on low-income Canadians and labour-intensive businesses. For example, a kitchen helper earning \$11,000 a year contributes almost 2% of his or her earnings, while a person earning \$100,000 a year contributes less than one percent. YBE would encourage employers of higher wage workers to invest in additional employees. The current system incents employers of workers earning more than the maximum insurable earnings threshold to simply extend work and overtime hours to existing workers instead of hiring additional workers.

To meet government's youth hires policy objective, Restaurants Canada proposes to initially target the YBE proposal to workers under the age of 25. Instead of having the \$3,000 YBE apply to all 18 million employees in Canada's workforce, including those Canadians who typically earn more than the average industrial wage, the YBE would only apply to the 2.4 million employees in the workforce under the age of 25 and provide a tangible incentive to hire more young people.

Canada's Restaurant Industry: Dishing up a Thriving Nation

- **\$75 billion** a year in economic activity
- Investment in every Canadian community
- **1.2 million** direct jobs
- Number one source of **first-time jobs** for our nation's youth
- Canada's culinary researcher and innovator
- A top tourism driver

