



Office of the President and
Chief Executive Officer

Cabinet du président
et chef de la direction

September 10, 2010

Hon. James Flaherty
Minister of Finance
140 O'Connor Street
Ottawa, ON
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Dear Minister:

I am writing to you to express the deep concern of the Canadian Chamber of Commerce over reports that the government may be called upon to permit the maximum allowable increase to Employment Insurance (EI) premiums 15 cents/\$100 for employees and 21 cents/\$100 for employers - to come into effect in January 2011 after a two-year freeze. Such an increase would have significant negative implications for the 420 chambers of commerce and boards of trade across Canada that are members of the Canadian Chamber network and for the 192,000 businesses they represent.

The government's response to the recession, including economic stimulus measures and other temporary initiatives like freezing EI premiums for two years and enhancing EI benefits for long-tenured workers, has helped Canada weather the economic downturn better than most other countries. The Canadian Chamber has strongly supported these measures and also agrees with the government's intention to turn its focus to balancing the country's books.

At the same time, we have also been clear that, for the recovery to succeed, governments need to refrain from increasing taxes and other charges that hinder job creation, entrepreneurship and investment. We have urged the government to keep payroll tax increases, including to EI premiums, at manageable levels by taking other approaches, such as amending the rate-setting formula to balance the EI account over a business cycle of up to 10 years to help mitigate the impact of premium increases on employers and employees.

Higher taxes, whether imposed directly or in the form of payroll taxes, make business less competitive and kill jobs. As they recover from the recession and face global competition that grows more fierce each day, Canada's businesses need to see the costs imposed by government decrease, not increase.

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Given the fragility of the recovery, particularly in the American economy, which is so important to our own economic health, this would be a very poor time to increase the EI payroll tax to the maximum extent possible. Doing so would increase the cost of retaining current employees, let alone hiring new ones, at the very time when we need to ensure that the private sector resumes its role as the primary engine of economic growth.

The Canadian Chamber has long advocated fundamental reforms to EI that would ease its burden on employers and make it a more effective insurance program for Canadians who have lost their jobs through no fault of their own. I would be pleased to discuss them with you in more depth.

In the meantime, we urge the government to take a more measured approach to balancing the EI account that reflects our current economic realities and employers' efforts to deal with them.

Sincerely,

A handwritten signature in black ink that reads "Perrin Beatty". The signature is written in a cursive style with a large initial "P".

Perrin Beatty
President and Chief Executive Officer