MERCER'S RESPONSE: 2017 FEDERAL BUDGET

Today, the government tabled the 2017 Federal budget. Despite the budget's cautious nature, there are still items which can have an impact on employers and employees – and questions which remain unanswered.

A SUSTAINABLE PENSION SYSTEM

Although this budget largely preserved the status quo, there are two items of note for employers: changes to employment insurance, and the announcement of the Infrastructure Bank's opening, in May of 2017. But the details are critical: questions remain about the ability of private sector partners, particularly pension plans, to participate fully in infrastructure investment.

We look forward to seeing greater clarity from the Government as the Infrastructure Bank's opening date approaches.

Going forward, we hope the federal government shows greater commitment on two pressing policy concerns:

- The governments of Quebec and Ontario have shown that they recognize the realities of defined benefit pension plan funding. We hope that the federal government will undertake its own review, as present rules can create financial challenges for federally-regulated employers, and prevent them from making the capital investments they need to innovate.
- We hope to see progress on Bill C-27, which will enable federally-regulated employers, and crown corporations, to mitigate risk by implementing target-benefit pension plans, and to fully discharge obligations by purchasing annuities. The bill has lain dormant since October 2016. We look forward to seeing the government move this bill through the legislative process – these measures are critical to ensuring pension sustainability, and it would be a shame to see it die on the order paper.

GENDER EQUALITY

The government made visible commitments to gender equality in this budget, with one of its headline items being the expansion of EI benefits to offer more flexibility.

It includes a new EI caregiving benefit of up to 15 weeks, which will cover a broader range of caregivers, where individuals are caring for an adult family member who requires significant support. It also includes options for parents of critically ill children to share their existing benefits with more family members.

But a new option to take extended parental leave for up to 18 months, at a reduced rate of 33 per cent of average weekly earnings, received the most attention.

We welcome the attention the government is showing to the representation of women in the workforce. But as we have found in our When Women Thrive research, true equality is only possible when there is a significant cultural change within an organization, with buy-in from senior management and with metrics in place to ensure accountability at every level.

Organizations must be willing to provide benefits tailored to women's investment, career and especially healthcare preferences, and while more information is always welcome, it will ultimately take broad buy-in, and action across both public and private sector organizations to succeed.

On the taxation front, the government had previously committed to refrain from taxing health benefits – and we are pleased to see that they have followed through with that commitment.

As we have written in the past, ending the tax-free status of employer-provided group health and dental benefit plans would have serious negative consequences for Canadians, with the cost to the health system outweighing any additional tax revenue generated. We are glad to see that the government has so far followed through, and we hope to see that reflected in the Fall Economic Statement.

COMPETITION FOR GLOBAL TALENT

This budget contains investments into various job skills and training measures, but the impact will not be felt immediately. In the near term, challenges will remain around finding employees with the right skills, particularly in highly competitive sectors. To assist organizations in meeting this challenge, the government announced efforts to streamline the process of bringing in talent from abroad – and this could have implications for employers' overall talent strategies where skills gaps exist.

While changes to the taxation of capital gains, dividend income or stock options have long been rumoured to be in the works, this budget has left present taxation policies in place – for now.

Should the government continue to maintain capital gains and stock options taxation at present levels, there will be positive effects on Canada's competitive position in regard to talent – particularly in the white-hot tech market, where companies in Canada can often struggle to fill all the skilled and specialized openings they have. These companies often use stock options as part of their compensation packages.

In the absence of increased spending on benefits by government, there is an opportunity for employers to improve the communication of their own benefits – to engage the modern, multi-generation workforce at the moments that matter to them, to improve employee engagement with benefits, and ultimately to attract and retain the talent they need to succeed.

Contact your Mercer consultant today to discuss what this means for your organization.

ABOUT MERCER

At Mercer, we make a difference in the lives of more than 110 million people every day by advancing their health, wealth, and careers. We're in the business of creating more secure and rewarding futures for our clients and their employees — whether we're designing affordable health plans, assuring income for retirement or aligning workers with workforce needs. Using analysis and insights as catalysts for change, we anticipate and understand the individual impact of business decisions, now and in the future. We see people's current and future needs through a lens of innovation, and our holistic view, specialized expertise, and deep analytical rigour underpin each and every idea and solution we offer. For more than 70 years, we've turned our insights into actions, enabling people around the globe to live, work, and retire well. At Mercer, we say we *Make Tomorrow, Today*.

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