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From: Keith Ambachtsheer and Alex Mazer
To: Canadian Pension Observers
Re: HERE'S HOW TO GET RETIREMENT PLANS FOR MORE CANADIAN WORKERS

More than nine million Canadian employees lack access to a workplace retirement plan. Many of them are likely to reach retirement age with inadequate savings, facing a decline in how they live just when they're most vulnerable. Others will delay retirement, remaining in the workforce longer than they planned or their health permits.

This is not a problem that will solve itself. Individual saving decisions are often inconsistent, haphazard, and subject to the behavioral biases that Nobel Prize laureate Daniel Kahneman **taught** us cloud our financial judgment. Without the structure of a workplace plan, with its automatic contributions and employer support, most workers are left to muddle through on their own.

There is another problem for workers who save for retirement through our retail financial sector. George Akerlof, another Nobel laureate, **points** to how this creates an "asymmetric information" problem – allowing knowledgeable service providers to charge too-high fees to unknowing retirement savers. In contrast, a well-managed workplace plan ensures retirement savers receive value for money.

Canada has strengthened its public pension foundation through CPP enhancement. But the persistent gap in private workplace coverage, particularly among employees of smaller businesses, is our retirement system's most significant weakness. For instance, Canada ranked 16th out of 52 countries in the [2025 Global Pension Index](#), which identified limited coverage of workplace retirement plans as our greatest area for improvement.

The gap is most severe at small and mid-sized employers. Fewer than one in five Canadian employers with five to 499 employees offer any retirement benefit. In the United States, nearly half do. This isn't because Canadian employers care less about their workers' futures. It's because they face barriers of cost and complexity that larger employers don't.

In a new [C.D. Howe Institute paper](#), we propose a straightforward solution: A Small Employer Retirement Plan Tax Credit. It would provide up to \$5,000 annually for three years to cover set-up costs, plus up to \$1,000 per employee annually to subsidize employer contributions. For a typical 30-person business, that cuts the cost of offering a retirement plan by nearly over 40 percent across three years.

The program would cost an estimated \$1 to \$2 billion over five years, which is less than 1 percent of federal Old Age Security spending. In return, it could extend retirement coverage to as many as 500,000 workers.

There's a business case here, too. Research shows Canadian workers would accept 6- to 10-percent lower wages for a job with a pension plan. Employers who offer retirement benefits see employee tenure increase by three to six years, and turnover fall by 35 to 70 percent. That means that a small manufacturer in Hamilton, a homebuilder in Saint John, or a tech startup in Calgary trying to compete for talent without a retirement plan is at a structural disadvantage. Levelling the playing field would strengthen these businesses while helping millions of Canadians save.

The United States introduced similar credits through the *Setting Every Community Up for Retirement Enhancement Act* in 2019, and expanded them in 2022, with overwhelming bipartisan support. Early evidence suggests they're working: Approximately 150,000 new 401(k) plans were added between 2018 and 2023, with nearly two-thirds coming after the credits expanded. Our proposal takes this idea and adapts to the Canadian landscape.

It's rare to find a policy idea that helps small business, builds middle-class wealth, and helps take pressure off future government spending. The Small Employer Retirement Plan Tax Credit is one of these ideas. Now's the time to implement it.

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