Ontario Federation of Agriculture

Comments on the Proposed

Ontario Retirement Pension Plan

The Ontario Federation of Agriculture (OFA) represents the interests of 37,000 farm businesses across Ontario. These farms are family–owned and operated businesses covering a wide range of employment circumstances.

Legal structure of farms includes incorporated businesses, sole proprietorships and partnerships. Employees could be the owner, family members, arm's length full and part time employees, contract workers and seasonal workers (local and off-shore).

The fruit and vegetable industry, in particular, is a large employer of seasonal workers and relies on the Seasonal Agricultural Worker Program (SAWP) as a source of seasonal workers for planting, maintenance and harvest of the crop. This federal government program, in operation for over 40 years, links Ontario farmers with off-shore labour.

Given the array of ownership and employees circumstances across the farming industry, farm businesses will be affected, in some way, by the proposed Ontario Retirement Pension Plan (ORPP).

The OFA offers the following concerns and considerations in response to the Ontario government's proposal for the ORPP.

Impact on Farming:

As was enunciated by the farm community in the discussion surrounding the minimum wage debate, the price of farm outputs is dictated by markets and well beyond the control of individual farmers.

The ORPP, in requiring an employer contribution of 1.9% of employee wage/salary costs simply increases the cost of labour on Ontario farms. From an employer's perspective, this is akin to another increase in the minimum wage, although from an employee's perspective it represents a deferred wage.

As mentioned, the fruit and vegetable industry is a significant employer within the agricultural community and will be most affected by this imposed increase in input costs. The impact of the

ORPP will also be felt in other non-labour inputs for all farmers from suppliers who may also face the ORPP contribution and who are able to pass the additional cost through their sales.

In short, the ORPP presents a one-time inflationary jump in farm inputs, likely not recoverable by the farm sector. A 1.9% addition to non-family wages reduces farm margins by an estimated $20 million annually. A further $10 million annually is taken out of the business if family labour also draws the ORPP contribution.

As this new cost is not likely recoverable in sales, farmers will look at future wage caps, fewer employees and increased mechanization. Each of these responses serves to damage the farm employment outcome and seriously dampens the ability of the farm sector to achieve the Premier's job growth challenge.

Additionally, Ontario farmers depend on the livestock and food processing sector to purchase and market their products. When this sector experiences increased costs, including but not exclusive to labour, its viability and competitiveness is threatened. This increases downward pressure on farm prices and may even encourage a move to a lower cost jurisdiction.

It is critical to Ontario jobs and to Ontario farms that the food and beverage sector remain in Ontario and that it maintains its ability to compete with neighbouring jurisdictions.

The payroll of the food chain in Ontario is significant – the sector is a major economic driver. A 1.9% increase in labour costs across the sector reduces the food industry's margins by over $100 million annually. This decrease will be felt, in turn, across the farm sector.

OFA will be recommending that, if the ORPP moves forward it, closely mimic the administration of the CPP to minimize administrative complexities on employers. Nonetheless, the new program will present an <u>additional</u> administrative burden for small employers including family farm businesses.

Impact Assessment is Required:

Along with concern for the price pressure and increased costs imposed on the farm sector in added labour and administrative costs, OFA agrees with concerns expressed by the Ontario Chamber of Commerce on behalf of other Ontario businesses.

An additional arm's-length organization will be required to administer and manage the ORPP funds. This duplicates the current CPP and interferes with existing private retirement plans. OFA is also concerned with the potential liability to taxpayers in the event of poorly managed pension funds.

OFA also shares the concern of the Ontario Chamber of Commerce with regards the number and significance of the unanswered questions concerning the pension and our ability to make an informed public policy decision until these questions are satisfactorily answered.

For OFA, the outstanding issues include:

- What will be the impact of a fully-implemented ORPP?

The Ontario government needs to conduct and release an overall impact analysis of the ORPP to fully assess the costs and benefits of the Plan from economic and social perspectives. This process is fundamental to the commitments made by the government of Ontario in its Open for Business Strategy.

The analysis should provide the impact of the ORPP on farm and other business competitiveness, investment and its effect on employment. The potential positive outcome, being increased retirement savings must be assessed against the real possibility of no net impact on retirement savings.

- How will the government treat businesses struggling to match mandatory contributions?

Could there be exemptions for small businesses and farms?

- What types of pension plans will be “comparable” to the ORPP?

The ORPP proposal includes an exemption of employees with a “comparable” workplace pension plan. If businesses determine that an alternative pension scheme, such as the PRPP, or other registered pension plans is preferable to the ORPP, will they qualify as “comparable”?

OFA believes “comparable” pension plan should be broadly defined to encompass as wide a variety of retirement saving options as possible.

- Will the ORPP impact the self-employed?

Farmers are generally self-employed – as owner operators of a small corporation in which they may also be employees or as sole proprietors or partners in non-incorporated businesses.

Will the ORPP be flexible enough to acknowledge that investment in their business most often serves as a farmer’s pension and provide necessary exemptions to enable this to happen?

The ORPP in the Farm Community:

The Ontario government is determined to implement the ORPP. OFA strongly recommends a delay in implementation until the ramifications of the ORPP can be analysed and publically debated.

Meanwhile, the Ontario government must take into consideration the concerns and recommendations of the farm sector. Other than the cost implications noted above, OFA offers the following considerations:

> **OFA recommends the Ontario government work with other provinces in seeking and securing amendments to the CPP and other pension reform that will address its concerns with the pension shortfall.**

Aside from the direct cost impacts on farm employment and farm margins, OFA would prefer to see a simple change to CPP to address the pension concerns of the Ontario government. An existing, effective and familiar administration of CPP will make the pension change more palatable for our family farm businesses.

> **ORPP should be designed to closely mimic the CPP in terms of administrative requirements with some exceptions.**

ORPP must allow for exemptions to mandatory employer and employee participation of non-resident employees.

A large number of Ontario farm employees (estimated to be 20,000) are off-shore workers, employed through the Seasonal Agricultural Worker Program (SWAP). The wages and working conditions for these employees are established between the federal government and the government of the workers' country of citizenship. These workers are eligible for CPP benefits as both they and their employers contribute per the CPP rules.

However, as noted in the ORPP *Key Design Questions* paper of December, 2014, a key feature of the ORPP is that the requirement of equal contributions of employers and employees "would help boost individuals' retirement savings, which in turn, provides benefits to the broader Ontario economy."

This key feature is not respected with regards off-shore workers. The employer contributions would leave the country when the off-shore worker retires. It is difficult to argue that Ontario's pension concerns and goals should extend to non-citizens.

ORPP must be accompanied by federal legislative changes that will enable:

- **Opportunity for self-employed workers in Ontario to opt-in if they elect to do so.**
- **Self-employed Ontario farmers (sole proprietorships, partnerships and corporation owner-operators) to be able to use private retirement savings plan funds for investment in land and other farm assets.**

Some farmers may elect to participate in the ORPP program based on their own financial planning direction and choices.

As noted above, self-employed farm families typically view reinvestment in their business as a form of retirement planning. Increasingly, farmers are competing with institutional investors, using pension funds to purchase farmland. Access to own capital from RRSPs would provide Ontario farmers with additional opportunity to expand their businesses and efficiencies which, in turn, ultimately provides for their retirement.

OFA
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