



**ICMSA**

**Submission to the**

**Department of Employment**

**Affairs and Social Protection**

**Consultation Process**

**for an Automatic Enrolment**

**Retirement Savings System**

**for Ireland.**

**November 2018**

## **Public Consultation Process for an Automatic Enrolment Retirement Savings System for Ireland**

In this submission, ICMSA will focus on a topic not wholly defined within the consultation process namely the implementation of Farmers as Sole Traders and Farmers as Employers while focusing on the questions posed in the Strawman Consultation. ICMSA represents over 16,000 family farms in Ireland and each may have very different consequences arising from the implementation of an Automatic Enrolment (AE) system.

### **Irish Agriculture Background**

The Agri-food sector continues to play a hugely important part in the growth of the Irish economy with Irish Agri-food and drink exports increasing by 13 percent to approximately €12.6 billion in 2017. It is essential not only for rural Ireland and farm families but also the national economy that changes to the Pension System takes account of the risk to the economic benefit and contribution of Irish agriculture particularly in a post Brexit environment.

The Irish Government and Department of Agriculture, Food and the Marine have ambitious plans for the future of Irish Agriculture as outlined in the Food Wise 2025 Report which sets out a ten-year strategy for the Irish agri-food sector which projects exports to increase to €19 billion coupled with the creation of 23,000 new jobs by 2025 and increasing value added in the agri-food sector to more than €13 billion. It is quite obvious that implementation of the new AE system will cover this time period when Irish Farmers are focusing on the potential effects of a post Brexit trade scenario, climate change and the on-going price volatility that has affected Irish farming since the mid 2000's.

Competitiveness as ever will be a central aspect of Irish farmers ability to export to key foreign markets. The imposition of further costs on farmer employers could damage this competitiveness and therefore ICMSA are asking for this Strawman consultation process to be cognisant of the frailties of an export driven sector of domestic policy no matter how good the intentions of that policy.

### **Central Processing Authority.**

ICMSA would have no issues with the implementation of a CPA and in fact would support it strongly if implemented correctly. The ability of a CPA to reduce costs is something that is overdue in the pension delivery service area and this must be delivered. Ease of use for an employer is essential and must not be burdensome for farmer employers. One cause of concern is the ability of a farmer who may only employ less than one labour unit and this employee is enrolled (automatically or self-enrolled if below the income threshold) to adhere to the paper work and administration burden that is involved.

### **Target Membership**

ICMSA believe that the targets are fair and justified in terms of income. However, from an age perspective, ICMSA feel that the lower age band of 23 could be reduced to when an employer starts works from 18. The higher limit of 60 is appropriate but may have to be adjusted in future if the retirement age continues to increase.

One concern on the €20,000 entry point is the potential for seasonal workers to be auto enrolled on annualised gross yearly income. For instance, some dairy farmers may employ workers in the spring time to help with calving, they may be paying an annualised gross wage more than €20,000 but if they are only employed for three months this will have implications in terms of administration and cost for the employer.

ICMSA feel that those not in the workforce such as home carers should be included in this provision. Many spouses work on farm but are not paid directly and the possibility of an AE pension provision must be looked at in more detail.

### **Sole Traders.**

Many Irish farmers are sole traders and as a result will not be directly affected by this proposed change in pension policy unless they opt in. ICMSA feel there should be separate pension provision for sole traders whereby they have unique and tailored provision. This could take the form of differing tax incentives to adjust to the ongoing volatility with farming business cycles. It is not uncommon for dairy farmers to experience increases and decreases in profit levels of up to 80% from year to year and there needs to be a pension provision to take account of this high level of volatility. There is no doubt that there is not enough self-employed with pension provisions and an AE type scheme directly focused on the self-employed would be very beneficial.

### **Contribution Rates.**

In general, ICMSA has no objections to the proposed level of contributions from the state as it should work as a welcome incentive to keep all employees in the pension system. The proposals must ensure that current employees with pension provisions at present are not disadvantaged under the new system.

ICMSA have concerns over the potential impact of the employer contribution to employee pensions. There are many sole trader farmers who would simply not be able to pay into that type of a system and this is an area that needs significant investigation. The worse possible outcome from the implementation of an AE scheme would be a disincentive to the labour market recruitment in rural areas or perhaps the viability of dairy farms being under threat. Therefore, ICMSA feel that the level of contribution from the state under the current proposal could be varied depending on the size of the employer. For instance, if an employer has less than 5 employees, the government could increase the contribution to €1.50 per €3 subject to the current maximums and percentage criteria.

Other suggestions within the strawman on AE such as opt out, opt and investment are generally acceptable to the ICMSA given that there will always be some criteria that has to be enforced in such schemes. However, once the final decision has been made and implemented there must be a review to some of the key criteria to determine that the system is working as planned.

In conclusion, ICMSA have genuine concerns for Irish farmers arising from these proposals. AE as a system is to be recommended for PAYE workers in general and ICMSA would be supportive of the goals of the scheme and the general criteria applied to this potential scheme. Self-employed must be accommodated under this system to ensure that volatility in their profits does not disadvantage them compared to other citizens of the state. There must also be great care given to those employers who employ less than 5 employees, part time or seasonal workers as to not implement a system that threatens their core viability and in the case of Irish farm Families could put the viability of rural Ireland in jeopardy.