

5. Adjustment of estimates to take account of expected "lower-than-average" participation experience among self-employed farmers

(a) *General*

Under the Old-Age, Survivors and Disability Insurance system of the United States, coverage was extended to self-employed farmers in 1954. A report on the participation experience during the early years of this coverage was given in the May, 1962, issue of the Social Security Bulletin published by the U.S. Department of Health, Education, and Welfare. As respects extent of participation, the essence of this report was that the number of farmers reporting self-employed income for OASDI purposes was about 50% of the total number of farms in the first full year of coverage and that such proportion increased gradually to about 60% in the fourth year of coverage.

Although the conditions for participation of self-employed farmers under the U.S. programme over the period covered in the report mentioned in the preceding paragraph were somewhat different than those proposed for the Canada Pension Plan, it seemed reasonable to assume that early experience under the Canada Pension Plan will not be unlike the corresponding experience under the U.S. programme. Consequently, since no special account was taken of probable "lower-than-average" participation of self-employed farmers in the development of the participation rates, it was considered that some adjustment should be made in contributory self-employed earnings and in benefits based thereon.

For the long-range estimates that show relationships between contribution income and benefit outgo in specific years, proportionate inflation of contribution income and benefit outgo has no effect on the validity of the results. Thus, when the Plan is in a fairly mature stage, any over-estimation of participation among self-employed farmers would have little effect on the estimated percentages of contributory earnings required to provide benefits and expenses of administration. Also, for many past years the proportions of farmers in relation to the labour force and to all self-employed workers have been steadily decreasing and it is not unlikely that this trend will continue into the future. In such event, the significance of this group will decline from the standpoint of the financial estimates. Again, it is to be expected that the relative number of small farms will decrease in future years. If such a decrease should occur, the proportion of self-employed farmers participating in the Plan will likely show a corresponding increase so that there will be less need for adjustment. For the above reasons, it was considered that no adjustments were necessary for the long-range estimates.

For female workers, the group having mainly self-employed earnings is only about 5% of the female labour force and self-employed females in agriculture constitute only about 10% of all female self-employed workers. Thus, for the short term as well as the long term, it was considered that the proportion of female earnings arising from self-employment in agriculture would be so small that no adjustment in the estimates would be necessary.

It follows from the above remarks that special adjustments were considered to be necessary only for the short-term estimates in respect of contributions and benefits that depend on self-employed earnings of male workers.

(b) *Manner and extent of adjustments*

As noted in section 4 above, it was assumed that, for male workers, contributory salary and wages would be equal to 80% of total contributory earnings determined without taking account of any over-statement arising from "lower-than-average" participation among self-employed farmers. Unadjusted contributory self-employed earnings would therefore be equal to 20% of unadjusted total contributory earnings.