National Farmers Federation

13 October 2022

Committee Secretary
Senate Standing Committee on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

Via emails: community.affairs.sen@aph.gov.au

Dear Chair and Committee Members,

Submission on the Social Services and Other Legislation Amendment (Workforce Incentive) Bill 2022.

The National Farmers Federation **(the NFF)** thanks the Community Affairs Legislation Committee for this opportunity to make a submission on the Social Services and Other Legislation Amendment (Workforce Incentive) Bill 2022 **(the Bill)**.

The NFF was established in 1979 as the national peak body representing farmers and, more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain. Operating as a federation structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

With a forecast $81bn in farmgate output in 2021-22, now is a time of widespread positivity within our membership, with strong commodity prices and widespread rains creating favourable conditions for most farm businesses. Nonetheless, there are a number of complex domestic and global issues which our industry must navigate in partnership with government. One of the most significant of those issues is securing a reliable, committed and capable workforce. Indeed, while agriculture has thrived despite the difficulties of the past two years, the pandemic exposed the risk to our sector of relying on ad hoc workforce solutions which are not tailored to the needs of farms. We suffered massive workers shortages during this period, with the closure of national and international borders preventing labour mobility between early 2020 and late 2021.

- ABS data indicates that — just before borders closed — in February 2020 there were 337,800 people working in Agriculture, Forestry and Fishing, while — just after borders reopened — in February 2022 that figure had fallen to 301,800 people[1] That's roughly 36,000 fewer workers.

[1] Table 4 of *Labour Force, Australia, Detailed.*

- Data published by ABARES[2] indicates that in horticulture there were roughly 11,000 **fewer** people working in the sector from 2019/20 (i.e. before COVID) to 2020/21 (i.e. during peak Covid).

While borders are now open and the pressure may have eased somewhat, there is really no basis to conclude that the situation will be markedly different in the near-to-midterm — especially during peak harvest (end/new year period) when the labour demand is at its greatest. The social and economic shock of COVID is still manifest. Despite the valiant efforts of the Department of Home Affairs and Tourism Australia, migrant workers — who were the cohort most effected by the COVID border closures — are not yet arriving in Australia in great volumes. June 2022 data indicates that there were just 38,495 Working Holiday Makers (**WHMs**) in Australia, less than one-third the number of WHMs who were in the country prior to boarders closing.

But while the problem of securing reliable farm workers was heightened with the 2020/21 border closures, the reality is that the farming sector has long struggled to find suitable and reliable employees in a variety of different roles and at a variety of different skill levels. This is a feature, not just in Australia, but of agriculture industries in all developed nations. The reality is that the demand for farm workers outstrips the appeal of farm work, particularly when it comes to those intensive harvest roles. It can be physically demanding, is often exposed to climate and weather, and requires working with animals, chemicals, and organic matter. It tends to be based in regions with a much smaller lower populations, and simply does not have the social cache other forms of work enjoy in modern Australia. Indeed, our reliance on sources of migrant labour — be it WHMs, PALM workers, skilled migrants, or overseas students — is as much a symptom of the workforce shortage as it is a cure.

The NFF has adopted a number of policies to meet this challenge. Efficient and fit-for-purpose migration programs will always remain a central component of the NFF's labour policy. However, overseas workers cannot be the sole — or even the most significant — answer. We must also look for domestic solutions, ways to encourage and enable Australians and permanent residents to take up farm jobs.

Relaxing the restrictions placed on Australian pensioners working would be one such enabler. Currently, pensioners can only earn up to $480/fortnight — which, for a pensioner earning just $30 an hour, is equivalent to one eight-hour day per week — before their pension is halved, so that their effective marginal tax rate is at least 50% and up to 69% as they earn more. In addition, the current arrangements terminate the worker's right to receive the pension where their income exceeds this (marginal) threshold for more than 12 weeks. Thus, if they work just 1.5 days/week for more than 3 months, they must fight through the jungle of red tape to again proving their eligibility.

[2] Labour Use in Agriculture.

Both of these measures create a strong disincentive to pensioners working. In Australia, of the 2.57 million age pension recipients only 2.9% work. Just 14.2% of those over 65s work. In comparable countries the participation rate of the same cohort — whose working rights are not subject to the same restrictions — is much higher: 24.8% in New Zealand, 35.3% in South Korea, and 25.5% in Japan. If Australia was to match New Zealand's over 65s' participation in the workforce, there would be an additional 445,000 workers in the market. Furthermore, according to a report published by Deloitte in 2012, an increase in the participation of the mature age workers would lead to a significant boost to GDP: a 3% increase in participation would result in $33b, and a 5% increase in participation — to roughly 19.2% which is still much lower than New Zealand's participation rate of 24.8% — would lead to a $47.9 billion.

National Seniors is advocating for pensioners' <u>work</u> income — but not investment income or assets — to be excluded from an assessment of eligibility to receive the pension. The NFF is highly supportive of these reforms. Not only would it give businesses another source of labour, it would also provide government with additional tax revenue. The reform should be particularly meaningful to the farming industry, given that (1) our workforce is already comparatively older than that of the economy at large, and (2) we have traditionally employed a large number of 'grey nomads', especially in harvest roles. Indeed, according to 2016 census data,

- the average age of a farm worker is 49 years, as opposed to the national average of 37 years; and
- the average retirement age of a farm worker is 62 years as opposed to 55 years nationally.

In addition, the median age of people residing in the regions is 41 years, five years older than 36, the median age of people residing in capital cities. Furthermore, access to an underutilised <u>local</u> workforce will ease the pressure which housing shortages place on the regional/agricultural labour market; i.e. a lack of access to accommodation won't affect the capacity of local pensioners, who currently reside within the farming communities, to take up farm jobs.

For these reasons, in principle, we support the Bill and the reforms it proposes. The one-off temporary increase in the work bonus income credit of $4000 will allow pensioners to work more before their pensions are reduced. This increased income credit equates to a $153 increase a fortnight, or just over a half day of work if utilised on a fortnightly basis. When compared to the Social Services Legislation Amendment (Enhancing Pensioner and Veteran Workforce Participation) Bill 2022, which proposed a doubling of the work bonus to $600 a fortnight, the Bill would equate to lifting the work bonus to $453 a fortnight. The one-off lifting of the income credit would however provide greater flexibility to workers and immediate relief for pensioners and is more conducive to participation in seasonal work compared to an accrual model delivered by an increase in the fortnightly work bonus. However, it is lower than the total increase to the work bonus pensioners would receive in the the Social Services Legislation Amendment (Enhancing Pensioner and Veteran Workforce Participation) Bill 2022. The NFF would recommend the committee consider a one off increase to the income credit with the flexibility that it provides, at the level of $7,800, which is the accumulated value of lifting the work bonus to $600 for 12 months. This would see that pensioners benefit from the best aspects of both bills.

The Bill is an improvement on the current arrangements, but is unlikely to result in the participation rates seen overseas (e.g. in New Zealand) where there is no threshold. The income credit still places the onus on aged pensioners to report their income to Centrelink which is a major disincentive for pensioners to return to work. It is therefore unlikely to yield a significant number of additional worker hours or make the grand contribution to the national economy which Deloitte predicted. We would welcome these changes as a clear improvement on the current arrangements. However, we do not think they go far enough. While they will ease the restrictions on work, the NFF would prefer to see those restrictions eliminated altogether.

In short, we support the Bill as a step in the right direction but encourage the Government to go further by adopting the policy advocated by National Seniors and eliminate the threshold entirely. In either case, the legislative impasse regarding any increase in either the work bonus or the income credit is furthering the barriers to pensioners participation in the workforce. An outcome on this matter urgently needs to be resolved to at least provide some kind of relief to pensioners at a time where cost of living pressures are felt acutely.

Yours sincerely

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