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**EMP Inquiry
Submission No. 65**

**Submission to the
House of Representatives Standing
Committee on Employment &
Workplace Relations Inquiry into
Increasing participation in paid work**

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1. Introduction

The National Farmers' Federation (NFF) welcomes the opportunity to comment on the Inquiry into increasing participation in paid work.

Numerous studies identify the labour shortages in agriculture from casual work to trade qualified and skill shortages in industries serving farmers. The answers to resolving the shortages are broad and are interlinked with many aspects of impediments to regional development.

NFF seeks in this submission to highlight where shortages are being experienced, and measures that have been suggested to minimise the labour shortages.

There is no doubt that there are opportunities to increase the level of participation in paid work in Australia, given the labour shortages experienced by many industries, including agriculture. It is, however, prudent to consider the cause of that problem and identify solutions for regional Australia that may well be different to the solutions identified for urban areas. This approach was recommended in the recent Regional Business Action Plan (*Regional Business: A Plan for Action, Regional Business Development Analysis Panel, June 2003, the overview is attachment A*).

NFF will focus on the first component of the terms of reference of this Inquiry being *"measures that can be implemented to increase the level of participation in paid work in Australia"*.

2. Farming in Australia

- Farming is a vital part of Australia's economy and society.
- There are approximately 150,000 farming businesses throughout Australia, around 98% of those businesses would be defined, pursuant to turnover figures, as small businesses (less than \$10 million in turnover) or around 92% are micro businesses (less than \$1 million in turnover)¹
- Agriculture makes up around 3% of Australia's GDP.
- Agriculture provided around 20 per cent (\$30bn) of our goods and services exports in 2001-02 (estimated 17% or \$27bn in the current drought year)².
- Agriculture is one of the largest employers in Australia, providing around 320,000 direct jobs – a level that has increased by 20,000 or 6.58% between 1996 and 2000³. According to the ABS, the average employment in agriculture and services to agriculture in the year 2000 is 409,200, or 107.34% of the 1995 number. Agriculture provided over 380,000 jobs in 2001-02.⁴
- Many rural communities depend upon agriculture for their prosperity. Agriculture contributes more than 30 per cent of employment in 66 per cent of small non-coastal towns⁵.

¹ According to ATO Figures

2. ABARE, *Australian Commodities*, table 5 and 27. Exports are greater than value added, because export value includes value added in non-agricultural industries.

³ Source: ABS, *Agriculture (Cat no 7113.0)*, table 1.4

4. ABARE, *Australian Commodities*, table 10.

5 Agriculture contributes more than half of total employment in 28 per cent of small non-coastal towns. Source: ABARE, *Country Australia*, p38

- Farmers are vital custodians of the land, with agricultural activities covering 60% of the Australian landmass⁶.
- Agricultural productivity increased by 3.3 per cent per year between 1988 and 2000, well above the average of 1.2 per cent and the second highest in the market sector (after communications)⁷.
- Agriculture also represents a significant input into many other industries, particularly the food processing industry, which had a turnover of \$51.2 bn and an added value of \$14.2 bn in 1999-2000. Food processing is the largest industry subdivision of total manufacturing, both by value added and by employment. It also provides over \$11 bn of exports⁸.
- ABS characterises the agricultural industry as such:

“The structure and characteristics of agricultural businesses can be quite different to those in other industries. Agricultural businesses tend to be dominated by owner operated family businesses, engage few regular employees; and show greater income volatility over time than businesses in other industries.”⁹

⁶ Source: ABS, *Agriculture (Cat no 7113.0)*, table 5.1

⁷ Source: OECD, *Economic Surveys – Australia 2000-01*, p82

⁸ Source: ABS, *Manufacturing Industry, Australia, (Cat no 8221.0)*

⁹ ABS, *Small Business in Australia, Cat No 1321.0, 2001*, p79

3. Farm Labour Issues

A vital component to any successful business is labour. Shortage of labour, lack of skilled labour and problems arising from adjusting from one industry into another are all factors that are raised as concerns for farmers. NFF submits that there are two key areas of labour that need to be highlighted those being:

1. Farm labour shortages including skilled labour for farming businesses
2. Skilled labour shortages for businesses servicing farmers

Farm Labour Shortages

NFF Members consistently advise that many farmers have difficulties in obtaining labour including skilled labour. This problem seems to be exacerbated by the fact that many jobs on farms are of a casual nature and only available during peak times such as harvest. Labour shortages impacts on effective productivity of the business. This limits the potential for growth and reduces the positive multiplier effect to other businesses in the region.

A number of studies have been undertaken to consider some of the factors as to why regional Australia is faced with labour shortages. Studies include the *Harvesting Australia Report 2000 (attachment B)*, the recent RBA Research Discussion Paper, *Labour Market Adjustment in Regional Australia (attachment C)* and *Skill Needs for the Rural Industry (attachment D)* and *Estimating Farm Labour Trends in Australia (attachment E)*.

An interesting paper was presented in October 2002, entitled '*Estimating Farm Labour Trends in Australia*' by Garnett and Lewis (*attachment E*). The research indicates ongoing growth of employment in agriculture in the last decade with the only negative impact being the consequences of drought (p4). The paper concentrates on the 'exceptionally strong' growth in employment of wage and salary earners since the 1990s (p5). The paper raises some interesting (p12) conclusions including the following:

- "An increase in wages leads to a drop in the demand for labour and a rise in supply".
- "There has been a general increase in demand for labour".
- "Populations decline in rural communities cannot be due to falling employment, but must be due to such factors as declining private and public amenities and services".

There are existing examples of where for example, government is working proactively in assisting farmers with labour shortages. The Commonwealth Government funds harvest labour services where a region, if experiencing labour difficulties, can establish a service that seeks potential employees to work during the harvest and pruning seasons, thereby reducing the work required of businesses in seeking labour at very busy times. In 2003, the Commonwealth Government has supplemented these services with the Harvest Trail Information Service as a national database of all work available in harvest areas that is accessible to potential employees. The Information Service incorporates many of the recommendations from the *Harvesting Australia Report* and is commended by NFF.

Shortage of casual labour is of a particular problem for farmers during peak working times as a labour intensive industry. For example, the horticultural industry experiences labour shortages for harvest (refer to *Harvesting Australia Report*). In many circumstances workers will be itinerants or working holidaymakers who require, in most cases, access to transport and accommodation. While transport creates its own difficulties it is cheap but suitable accommodation that proves to be the particular problem.

NFF is currently working with the Department of Employment and Workplace Relations to identify how shortages could be overcome.

Skill Shortages for services to Farmers

There is no doubt that there is a general lack of skilled workers in regional areas that would otherwise provide support to farmers through a variety of services including accountants, lawyers, financial and business advisors. While incentives are an important component to attract people to regional areas, we need to ensure that such measures do not create an artificial demand that will not be sustainable in the long term. That is why supporting existing business and emerging industries is so important as the other infrastructure should naturally build around industry development.

Another opportunity to resolve skill shortages is again utilising the experiences gained by recently retired people that may be interested in retiring to regional areas to work part-time or on a consulting basis. Alternatively they could be encouraged to work for a short period of time on a time-share basis. Can we maximise the experiences of the baby boom era to the advantage of regional Australia?

Reasons for Labour Shortages

Remoteness is a key contributor to labour shortages. It is interesting that labour shortages are a constant complaint within the farming industry while there is still unemployment in Australia particularly youth unemployment.

The remoteness of working on a farming property, particularly when it is a substantial distance away from the nearest town, will always be a factor that deters potential new recruits to the farming sector, however, the benefits of working in the industry, even for a short period, should outweigh those concerns.

Accessibility to the right person for the job is also an issue that is affected by remoteness. Small businesses located in rural areas do not have the same resource base to access employees nor do they have the competitive support mechanisms in respect to recruitment agencies that are significant in the cities.

Remoteness also comes into play when considering access to training for both the employer and employee.

Training is a significant component to address skill shortages in the farming industry but training opportunities are limited due to the remoteness of the business. While the employer and employee may be interested in increasing the skills of the employee to the benefit of the individual and the business, access to training support may limit that opportunity. Flexibility of training and increased access to training support is important. The New Apprenticeship System has created more flexibility in training but further flexibilities and access to training support in rural areas needs to be given particular consideration to the benefit of both the employee and employer.

The reduction of services and amenities in rural communities due to their remoteness is also a factor in deterring people from working in rural Australia.

The perception of working in the farming industry may also be an issue that relates to the labour shortages being experienced by many farming small businesses. Do potential new recruits understand the skill involved in working machinery or the detailed scientific approaches taken to pursuing farming businesses along with business development and marketing that is required in such a competitive industry both domestically and internationally?

An issue that needs to be addressed and requires the assistance of Government is how do we attract more people to work in the farming sector? Are there people in the cities that would consider working if the concerns of remoteness and what is required to work in the industry are removed? Do they need assistance in assimilating into a country environment?

Conclusion

There are a vast array of reasons why farmers are experiencing job shortages. Due to the drought, these shortages are currently confined to certain agricultural commodities that were less impacted than others. However, as drought hopefully recedes the labour shortage problem will become more acute.

Industry and many regional areas recognised the problem and are pursuing options particularly at a local level. NFF is also working at a national level particularly with DSWR to implement programs to facilitate the shortages. Nevertheless, there are still more options available that could be explored within the parameters of this inquiry.