Pacific Region Seasonal Contract Labour

A JOINT SUBMISSION

to the

Senate Employment, Workplace Relations and Education Committee

by

Horticulture Australia Limited/ Horticulture Australia Council

March 2006

Abbreviations used in this Submission

DIMA Department of Immigration and Multicultural Affairs

HAC Horticulture Australia Council

HAL Horticulture Australia Limited

NFF National Farmers' Federation

NZ New Zealand

PNG Papua New Guinea

Table of Contents

FIGURES/TABLES/BOXES

Executive Summary

- There is a **severe and growing labour shortage** in the Australian agricultural sector.

- **Nowhere is this shortage more acute than in the Australian horticultural industry.**

- Our horticultural industry needs access to effective, timely labour sources, especially at harvest-time. There are many cases of produce left in the field because there was no-one to harvest it. **The loss of markets — domestic or export — is a serious consequence.**

- In the longer term, **ready access to labour will drive investment decisions** and lack of it will inhibit those decisions.

- Mechanisation of horticultural processes has made progress in some crops suited to it but will never be the answer for other crops.

- Present sources of harvest labour include:
    - *family or local part-timers*
        - these numbers are declining
    - *itinerant workers*
        - these numbers are also falling
    - *backpackers, vacationing students and "grey nomads"*
        - these are seen as effective and efficient but will never fully meet the demand
    - *Work for the Dole*
        - are generally regarded unfavourably by growers.

- **The shortfall is unlikely to be met from these sources.** The industry must have access to additional seasonal labour.

- Many observers have commended a seasonal worker scheme based on temporary supply of labour from the Asia- Pacific regions. Their support has been based in some cases on issues beyond the horticultural industry's labour shortage problem.

- Many countries have schemes to bring in temporary workers to meet seasonal needs. **The Australian horticultural industry is very interested in exploring the implications of such a scheme.**

- Seasonal immigration schemes raise complex practical, policy and economic issues, both for Australia and the sending countries.

- Any scheme would have to be **based on these principles:**
    - Rules to be drawn up jointly by Government and industry;

- A pilot program to start with;
- Award wages to be paid;
- Careful attention to a range of human resource management issues — training, welfare of workers (including cultural matters), after-hours support, accommodation and OHS;
- Workers eligible to return each year; and
- Regulatory simplicity and efficiency.

- **Unless the shortfall in seasonal workers is effectively addressed, our industry will not realize its full potential. Production will plateau and export opportunities remain unrealized. Investment will not reach its full potential.**

- **We might actually take this a little further. If we do not have an environment that encourages ongoing investment then we will begin to lag behind productivity improvements made in other countries and existing export and domestic markets will be further eroded. We risk getting on a downward spiral that would be very difficult to get off.**

1. Introduction

1.1 This submission

This submission is made jointly by Horticulture Australia Limited (HAL) and the Horticulture Australia Council (HAC) to the Senate Committee on Employment, Workplace Relations and Education, in respect of its enquiry into Pacific region seasonal contract labour.

1.2 Roles and functions of HAL and HAC

1.2.1 Horticulture Australia Limited

HAL is a key strategic marketing and research partner to the Australian Horticulture sector.

HAL is owned by industry (producer representative bodies). These industry members elect the board of HAL at the annual general meeting. A full list of HAL members is at Attachment 1.

HAL works in partnership with individual horticultural industries on strategic planning and developing and managing programs that address the needs of the industry, now and into the future. HAL also brings the expertise and experience it has gained in working across all industry programs to benefit individual industries. Capturing the synergies between industry programs delivers time and cost savings and aids in the application of best practice.

Through HAL, horticultural industries are able to access matching Australian Government funding for all R&D activities.

At Attachment 2 is HAL's Corporate Brochure, which will give the Committee a good idea of the range of our activities. HAL's Strategic Plan may be accessed at www.horticulture.com.au

1.2.2 Horticulture Australia Council

Horticulture Australia Council is the peak industry body for the horticultural industry. HAC's 18 Member organizations are the peak grower associations for the various commodity groups, representing over 95% of horticultural production. The mission of HAC is to strive for the advancement and prosperity of Australian horticulture by providing structure and resources to deal with issues of common interest, and representing horticulture with a powerful and unified voice.

Current HAC issues include: the Horticulture Code of Conduct; food labeling; trade issues (eg Free Trade Agreements, market access, biosecurity); labour and skills (including harvest trails, DIMIA visa arrangements); exotic disease/pest management; management of land tenure in an environment of urban encroachment ('Right to

Farm'); Natural Resource Management (including sustainable water management); and market dominance of the supermarket chains.

At Attachment 3 is a list of HAC members. Attachment 4 gives further information about HAC's operations.

1.3 Reason for this submission

On 16 December 2005, the Committee's Secretary wrote to industry, asking that we provide a submission to the Committee:

> "Your submission will be important to the examination of several matters pertaining to our terms of reference. One matter likely to be pursued is whether assurance of a reliable contracted labour supply would have an effect on access to additional investment funds in the horticulture and related industries. As a peak industry body, you will be aware of other issues which the committee should be aware of, even though they relate only indirectly to our terms of reference."

HAL and HAC, and our affiliates, are pleased to have this opportunity to assist the Committee in its enquiry. The shortages of labour which bedevil our industry, especially at harvest-time, is high on our list of industry headaches. **If we cannot harvest our crops, on time and in prime condition, we have nothing to sell.**

The viability of our industry depends on many basic things, among them:

- soil and water
- pest and weed control
- good husbandry.

But, like any business, we need the basic resources of capital and labour. With enough capital, the various sectors of our industry can pursue mechanization — but only up to a point. As well, some crops are more labour-intensive than others. In the end, however, every horticultural enterprise needs some workers.

And, at harvest time, more than during other seasons.[1]

[1] Although many tree or vine crops and the like need pruning, and perhaps budding — usually winter tasks but nonetheless labour intensive.

1.4 Rural and regional labour shortages

Late last year, the National Farmers' Federation (NFF) wrote:

> "It is recognised by NFF that there is a national shortage of workers to undertake agricultural employment and this shortage will constrain Australian farmer's ability to achieve their productive potential.
>
> Prior to the onset of drought in late 2002, labour shortages were already being felt in the many sectors of the agriculture industry. The impacts of drought and the resultant loss of 100,000 jobs in the industry over an 18-month period from late 2002 to early 2004 is understood to have resulted in many agricultural employees leaving the industry permanently and also leaving regional Australia to work in larger towns or cities.
>
> According to recent ABS statistics, only 30,000 of those jobs lost during the drought have been recovered and the industry across Australia is calling out for workers.
>
> From the limited statistics and stories received by NFF, the shortages are not confined to one area or a particular skill set, rather it is an overarching problem that is exacerbated by the general labour shortages that exist across regional Australia and the entire economy."[2]

For these reasons, the NFF resolved on an Action Plan "to strategically define the NFF's work to combat labour shortages in the agriculture industry."[3]

[2] NFF, *Labour Shortage Action Plan,* 21 September 2005, p.7.
[3] Ibid.

The sector within Australian agriculture which is the most labour intensive is horticulture. Therefore HAL and HAC continue to work closely with the NFF in addressing this serious, industry-wide issue.

As the NFF's paper notes, "there is no simple solution". The paper continues:

> "It is clear that a broad national holistic approach is needed … through national policy development, facilitation and co-ordination".[4]

The paper canvasses a number of approaches and we will discuss many of them below. The idea that workers could visit Australia temporarily — from the Pacific region — is one option. Although it is the only one within the Committee's terms of reference, we see this option as **only one among several** and perhaps not even the first line of preference. By themselves, imported seasonal workers will be unlikely to offer a total "solution" to this industry's labour shortages. Other approaches will doubtless have to include:

- the endless quest for greater efficiency in horticultural operations, including mechanizing processes in ways or to a degree that have so far eluded us;
- drawing more heavily on traditional domestic or holidayer sources of labour, and/or utilising them more effectively, including through skills development[5]; or
- finding ways to make horticultural work more attractive to the existing available workforce.

In this latter context, we submit that it is simplistic to suggest that improvements in pay and conditions will solve the problem. The Australian agricultural industry in general — and horticulture in particular — must operate between the rock of international price competition, and the hard place of labour shortages.

1.5 Mechanisation and robotics — an alternative to labour hire?

Some horticultural crops are susceptible to harvesting by machine but some will never be. Those fruits and vegetables which must have gentle and discerning handling are unlikely ever to be harvested other than by people. Berryfruit, most stone fruits and citrus, vegetable crops such as asparagus and brassicas (broccoli, cauliflower, cabbages) remain labour intensive. Indeed, despite the ingenuity of investors, it will perhaps be a long time before these kinds of crops can be harvested by machine.

On the other hand, many crops can be machine harvested. These include wine-grapes, potatoes, olives and nuts. Some leading-edge examples of new mechanizations include:

[4] Ibid.
[5] The Agrifood Industry Skills Council (AFISC) is well placed to support any industry initiative(s) in this respect.

- a newly developed trellising and integrated dried vine fruits production system, where cordons are cut and the grapes dry on the trellis, being harvested mechanically when dry[6];
- a method for harvesting lettuce in a pre-cut form, straight from the growing plant.

The industry is constantly seeking opportunities to improve the efficiency of our operations and all opportunities where mechanization may lead to increased efficiencies will be explored.

1.6 Farm management

We are well aware that bringing in workers from overseas requires much more effort than just putting a few hundred workers on a plane and essentially leaving them to get on with the job when they arrive. The available literature from various parts of the world makes it very clear that, to be effective, such people will need the benefit of the full range of human resource management skills. Then there are all the "after hours" issues — social, religious and a range of relationships issues. And these may perhaps be exacerbated by language difficulties.

We recognize, therefore, that **any scheme would need careful planning and management**. Government and industry would need to be in clear agreement on a host of practical matters.

For all these reasons, we see a need for:

- initially, clear agreement between government and industry about the principles of the scheme;
- a joint government-industry implementation group to develop practical arrangements;
- clear understandings between the receiving and sending country about the status, rights and obligations of its citizens; and
- all agreements and arrangements trialled in a pilot program.[7]

It is also essential that the Immigration authorities ensure that the scheme that is devised has qualities of regulatory simplicity.

[6] The Australian Dried Fruits Association (ADFA) in its *Dried Grape Reduction Manual* says this of "trellis drying":

> "It is becoming increasingly difficult to recruit casual harvest labour. The amount of reliable, experienced harvest labour will continue to decrease as more people become less willing to work long hours in hot and dusty conditions. It is also likely that those who are willing to pick will want to be well paid. Trellis drying reduces reliance on harvest labour and also lessens associated paperwork. The amount of physically demanding work is also reduced with trellis drying and mechanized handling systems."

[7] Sunraysia horticulturalists have reached "in principle" agreement with people in China for such an initial trial. However, it cannot be progressed without a change in immigration policy to allow entry to the visiting workers (designated under current guidelines as 'unskilled').

We understand that, in its submission, the NFF will deal more completely with the above issues as they relate to the Committee's terms of reference, paras (c), (d) and (e). In the following sections we will deal more particularly with paras (a) — the nature and extent of labour shortages — and (b) — current availability of domestic labour.

2. Size, value and scope of the Australian horticulture industry

2.1 Production and trade

The horticulture industry makes a major contribution to the Australian economy with extensive economic linkages in both rural and urban areas. The industry with 17,273 enterprises has been one of the fastest growing in the agricultural sector over the past decade.

Horticulture has been a growth sector of the Australian economy for the past ten years. The gross value of horticulture production has grown at an average annual rate of 6.6 per cent (DAFF 2005).[8] The industry makes a substantial direct and indirect contribution to gross domestic product. In 2003-04, the horticultural sector directly contributed $4.3 billion to Australian GDP (see Table 1). The indirect contributions to the economy through the horticulture input sector and the horticulture output sectors raised the contribution of the industry to GDP to over $6 billion in 2003-04.

There are major opportunities within the horticulture sector for expansion into new crops, the supply of niche markets both here and overseas and in value adding activities. These opportunities have been thrown up by changing consumer tastes and the emergence of new affluent markets in the Asia Pacific region, However, Australia is not the only supplier to these markets and competition from producers in China, Chile and South Africa is intense.

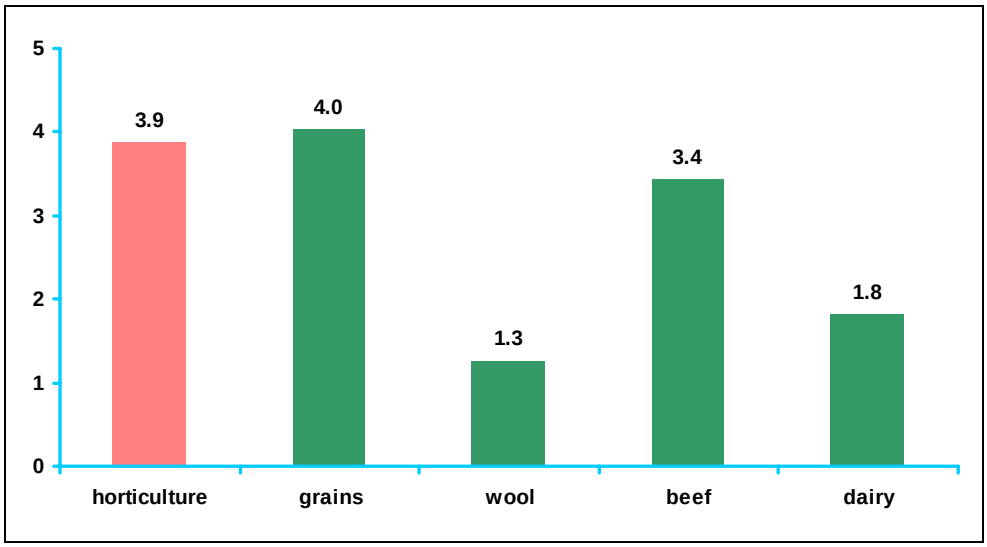
Table 1: Annual Contribution of the Horticulture Economy to GDP ($ million)

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Total Horticulture Sector	3,167	3,227	3,997	4,852	3,483	4,346
Total Horticulture-Input Sector	926	942	1,155	1,395	1,018	1,264
Total Horticulture-Output Sector	1,951	2,033	2,263	2,710	2,337	2,745
Total Horticulture Economy	**6,044**	**6,202**	**7,415**	**8,957**	**6,838**	**8,355**

The horticultural sector is the second largest sector within Australian agriculture, with its contribution being slightly smaller than the contribution of the grains industry, but well above the combined average contributions of the wool and dairy industries (see Figure 1).

[8] DAFF (2005b) Horticulture Fact Sheet www.daff.gov.au.

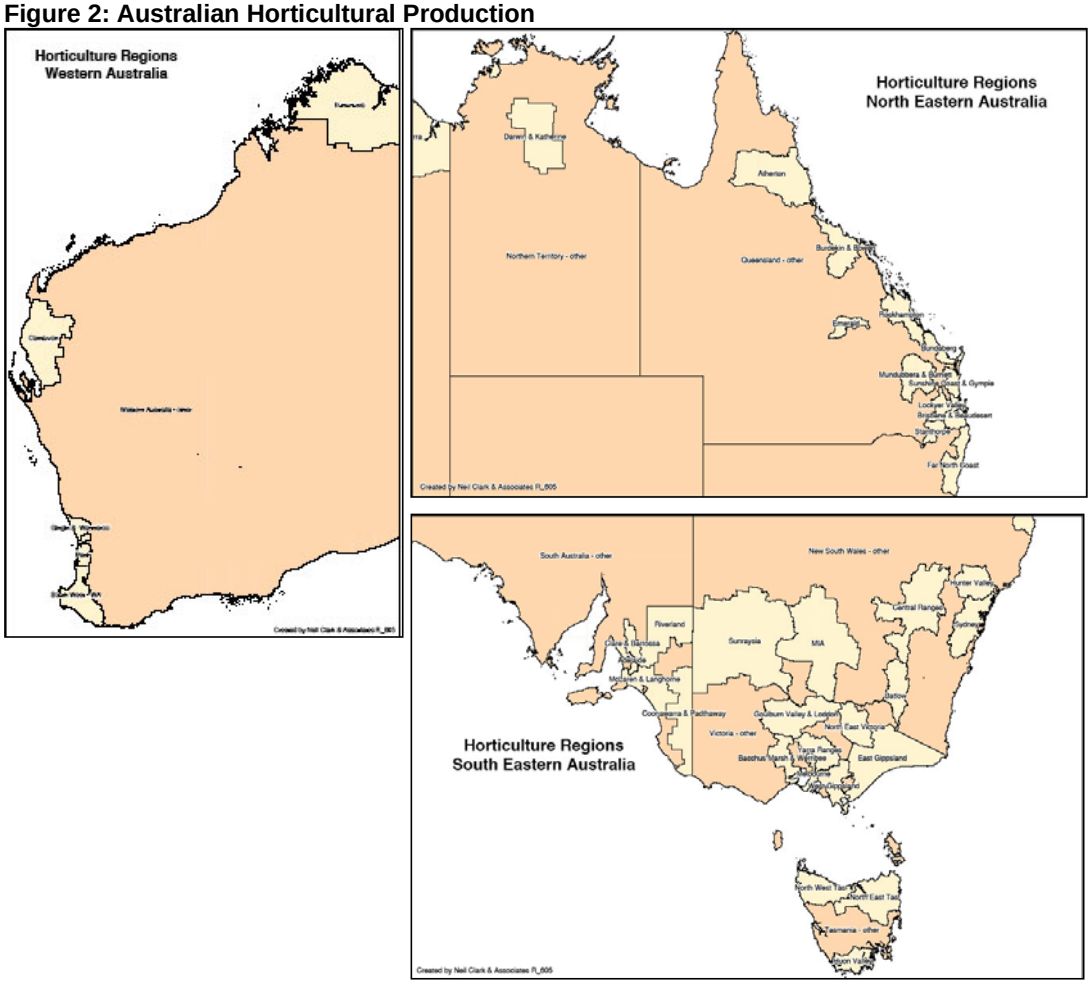
Figure 1: Direct Contribution to GDP by Agricultural Sectors ($ billion per annum)



Source: IOF Model (Econtech 2005).
Note: Estimates are average annual contribution each year from 1998-99 to 2003-04.

Over the past six years the horticulture sector has employed on average approximately 108,000 people annually, equating to 1.1% of national employment. This accounts for 25 percent of employment in the agriculture sector. Horticultural production is undertaken in all States and Territories (Figure 2) making a significant contribution to regional economies.

Figure 2: Australian Horticultural Production



The industry is a major exporter. Exports of fresh (that is, minimally transformed) horticulture products have generally increased over the past decade, reaching $800 million in 2004-05 following drought induced declines in 2002-03 and 2003-04.

Processed horticultural exports were valued at $387 million in 2004-05, down somewhat on earlier years. The value of major fresh and processed horticultural exports for the past five financial years is presented in the tables below.

Table 2: Fresh Australian Horticulture Exports

Commodity	2000-01	2001-02	2002-03	2003-04	2004-05
	($m)	($m)	($m)	($m)	($m)
Oranges	150	153	146	107	118
Macadamias	78	110	88	106	146
Grapes	72	136	96	85	109
Mandarins	37	40	49	43	41
Carrots	40	49	48	39	37
Cut flowers/nursery	36	44	40	31	36
Potatoes (incl. seed)	14	19	24	27	26
Onions	19	28	25	24	21
Asparagus	43	40	34	22	27
Apples	46	34	41	20	17
Almonds	7	20	13	18	29
Melons (incl. watermelon)	18	20	17	15	16
Cauliflowers	30	28	24	13	6
Plums	25	22	26	13	16
Pears	24	20	23	12	12
Nectarines	16	27	23	12	15
Broccoli	14	15	13	10	9
Other	114	124	125	104	119
Total	783	929	855	701	800

Source: ABS, International Trade, electronic data service cat. No. 5465.0, Canberra.

Horticultural produce is also imported into Australia including during off-seasons or periods of domestic shortage. Although imports have been increasing, a wide range of fresh produce is prohibited from entering Australia due to quarantine restrictions.

Processed horticultural imports into Australia have risen since 2000-2001. The following tables provides the value of the major fresh (minimally transformed) and processed horticultural imports for 2004-05 for the past five financial years.

Table 3: Processed Australian Horticulture Exports

Commodity	2000-01	2001-02	2002-03	2003-04	2004-05
	($m)	($m)	($m)	($m)	($m)
Sultanas	15	12	15	12	14
Pears (prepared or preserved)	30	28	29	23	17
Peaches	20	19	31	18	9
Fruit salad	20	20	23	17	16
Orange juice	22	17	17	14	18
Grape juice	12	13	12	13	12
Apple juice	13	10	12	11	9
Jams, jellies, spreads, etc.	10	10	10	14	16
Tomato sauces	11	18	12	9	10
Broad and horse beans	91	88	66	56	37
Dried, shelled peas	92	133	37	52	33
Potatoes	7	10	13	22	13
Other	171	191	190	173	183
Total	514	569	467	434	387

Source: ABS, International Trade, electronic data service cat. No. 5465.0, Canberra.

Table 4: Fresh horticultural imports

Commodity	2000-01	2001-02	2002-03	2003-04	2004-05
Import	($m)	($m)	($m)	($m)	($m)
Avocados	11	18	19	22	24
Kiwifruit	29	25	26	29	34
Oranges	17	17	12	14	15
Cherries	6	7	10	15	11
Garlic	8	7	6	6	6
Grapes	0	0	4	5	19
Asparagus	3	2	3	4	4
Cashew nuts	47	45	55	59	78
Walnuts	18	18	16	15	21
Hazelnuts	10	13	9	13	20
Pistachios	6	5	5	6	8
Cut flowers/nursery	32	32	37	34	38
Other [(1)]	60	67	73	89	84
Total	247	256	275	311	362

Source: ABS, International Trade, electronic data service cat. No. 5465.0, Canberra.

NA – No information available.

(1) Other includes other vegetables, fruit and nuts such as tomatoes, mushrooms, onions, pineapples, various berries and stonefruit, brazil nuts and almonds.

Table 5: Processed horticultural imports

Commodity	2000-01	2001-02	2002-03	2003-04	2004-05
Import	($m)	($m)	($m)	($m)	($m)
Orange juice	38	40	61	41	55
Apple juice	26	25	30	26	40
Jams, jellies, marmalades,	23	30	30	32	38
Dried apricots	14	15	17	17	19
Dried sultana grapes	23	21	19	26	19
Frozen sweet corn	13	12	13	16	14
Potatoes	20	13	16	21	24
Shelled beans	20	28	28	31	35
Olives (incl. black and green)	14	17	21	23	23
Tomatoes	22	25	31	33	30
Asparagus	10	12	12	11	10
Frozen peas	15	15	18	19	18
Other (1)	436	479	507	510	539
Total	674	732	803	806	864

Source: ABS, International Trade, electronic data service cat. No. 5465.0, Canberra.

(1) Other includes nuts and other fruit and vegetable products such as preserved or prepared apricots, cherries, mushrooms, cucumbers and peas, canned pineapple, and fruit and vegetable juices.

The industry is geographically diverse, allowing it to produce a wide range of temperate and tropical vegetable and fruit crops. The major growing areas for horticulture in Australia include the Goulburn Valley of Victoria; the Murrumbidgee Irrigation Area of New South Wales; the Sunraysia district of Victoria/NSW; the Riverland region of South Australia; northern Tasmania; southwest Western Australia and the coastal strip of both northern New South Wales and Queensland. Nursery production generally occurs close to capital cities. A sizeable amount of horticultural produce in the southern states is directed to processing while Queensland vegetables typically supply the southern states during the cooler June to October period.

Banana, pineapple, mandarin, avocado, mango and fresh tomato production is concentrated in Queensland; stonefruit, oranges and grapes in New South Wales, Victoria and South Australia; processing potatoes in Tasmania; fresh pears, canning fruit and processing tomatoes in Victoria; and apples and fresh vegetables in all states.

Australia has a sizeable tropical horticultural industry including large irrigation schemes in the Ord River in Western Australia and the Burdekin River in Queensland. Bananas, mangoes, avocados, papaya, lychees, cucurbits (rockmelons, watermelons, pumpkins) together with tropical nursery plants and vegetables are important industries. There is also a growing “rare and exotic” fruit industry producing fruits such as rambutans, durians, tamarillos, carambolas, jackfruit and mangosteens.

Australian horticulture is a labour intensive, seasonal industry characterised by small-scale family farms that are increasingly becoming medium to large operations. Australia’s horticulture industry has long enjoyed a domestic and international reputation for quality, primarily because of high standards in all stages of the supply chain.

Box 1: Snapshot of the Bowen/Gumlu/Whitsunday Area

- Main crops
  - tomatoes }
  - capsicums, chillies }
  - beans } April-November harvest
  - corn }
  - rockmelons }
  - bananas November-December harvest
  - mangoes All year harvest
- Produces 43% of Queensland's tomatoes
- 17% of Bowen residents employed in horticulture
- Employment in horticulture has grown 86% 1991-2002
- Value of production
  - 1993 - $69.050m
  - 2001 - $141.310m
  - 10% of production is exported.
- Labour issues:
  - Labour availability and cost seen as major issues for the region. Major supply issues in main winter/spring harvest period. Also during November and December.
  - Majority of field workers either contract workers of Asian descent (but Australian citizenship) or overseas holiday makers. There is a limited pool of local labour available.
  - There are examples of farmers not being to access enough workers to harvest crops.
  - Packing shed labour is generally a mixture of local labour and overseas holiday makers, but generally not limiting in terms of availability.
  - Limited technical development in on-farm activities seen as major issue for the future.
  - Region generally regarded as a 'target' for labour compliance agencies.

Source: Growcom: "Economic Contribution of Horticulture Industries to the Queensland and Australian Economies", November 2004.

2.2 Employment

The horticulture industry is highly labour intensive and is a major employer of labour in both the fresh and processed markets. The labour intensity of the industry reflects the limited scope (due to available technology and the cost of capital) for mechanisation of harvesting and other activities, at least in some sectors of the industry. For example, despite a great deal of research effort, no effective or efficient means of harvesting or thinning citrus has yet been found. Likewise, the wine-grape industry is highly mechanised but table grapes hardly at all.

As noted earlier in this submission, there is considerable uncertainty as to the number of persons employed in the horticultural industry. Estimates of employment vary widely, from between 75,000 and 175,000 workers. There is little reliable data collected by governments on the sector's workforce.

The development of better statistics about employment in the industry is being afforded strong priority by the industry since labour is a major input into the production process. A survey conducted for HAL and Growcom in Queensland indicated that labour comprised between 15 and 55 per cent of the total costs of production (with an

average per survey respondent of 30 per cent of total production costs), the highest single value input into the industry.[9]

The following summarises some of the estimates of the size of the horticultural labour force that have been published in the past few years:

- HAL estimates that, in 2005 17,273 enterprises in horticulture employed a total of 64,000 people, which corresponds to 20 per cent of the total employment in agriculture. However, these figures probably understate the total labour requirement of the industry as they relate only to full time employees and do not include full time equivalents of casual or seasonal labour. The figures imply an average permanent workforce of 3.7 workers per enterprise. Growcom survey data for Queensland indicate a much higher average employment rate of 5.45 permanent employees per enterprise.

- In 1999, the Department of Employment, Workplace Relations and Small Business estimated that there were between 55,000 and 65,000 full time equivalent positions in the horticulture industry. Given the short term nature of employment of many workers, however, the total number of people who would have been employed to make up this number of FTE's would be considerably higher.

- Brebners' Workabout Australia (2002) through a survey of major recruitment agencies across Australia estimated the number of seasonal positions available at 175,000. This is an understatement of demand for labour as it does not include seasonal workers sourced outside of recruitment agencies and does not include full time employment.

The diversity and fragmentation of the industry (both according to crop and region), the seasonal nature of production and employment and the high reliance on itinerant and backpacker labour complicates the estimation of the size of the labour force. There is also a number of predominantly seasonal workers who do not have a right to work or who disguise their employment for immigration, taxation and welfare benefit reasons.

While there is uncertainty about employment numbers in the industry, there is good evidence that employment has grown strongly over the past fifteen years and will in all likelihood continue to grow. Between 1991 and 2001, there was a large increase in the number of persons employed in the sector. The number of workers rose by over 40 percent while the number of farm business units fell by 10 percent[10]. This indicates a large increase in the average employment per farm business. Of these workers, 60 percent were wage and salary workers and 20 percent were self employed workers (AFI 2005).

[9] Growcom/HAL (2005), Horticultural Labour Situation Statement, report prepared by CDI Pinnacle Management.
[10] Cited from HAL document, need reference.

3. Labour shortages in the horticulture industry

The inadequacies of national data on industry employment requirements and the absence of aggregated vacancy data mean that it is difficult to systematically document the labour shortage issues in rural Australia. This includes the timing and regional pattern of shortages. As a result, it is difficult to assess the extent of the increase in labour supply (from seasonal immigration of labour and other sources) that might be required to meet growers' needs. It is therefore difficult to develop an effective policy response to the seasonal labour shortage. A survey of the industry will shortly be undertaken to provide information about labour and skills issues; including the nature, extent and causes of the seasonal labour shortage.

The same lack of precise estimates of the magnitudes of labour shortages applies throughout the economy, particularly in regional and remote areas. However, government and businesses acknowledge the severity of the problem, particularly in relation to skilled workers. Both Commonwealth and State governments have placed a high priority on the labour shortage issue and have introduced a number of measures to address the problem. In the case of horticulture, labour supply constraints have been eased somewhat by the introduction of stronger incentives for backpackers from overseas to seek seasonal employment.[11] However, substantial shortages remain, in particular for seasonal workers.

[11] The attraction of farm work for backpackers would improve significantly if income tax rates imposed on backpackers, 29 percent, were equalized with that paid by Australian seasonal workers, 13 percent.

Box 2: Innovative solutions in NZ

New Zealand growers face the same labour shortages as Australian farmers. Two innovative approaches to solving the problem serve only to illustrate its significance for the industry:

- A recent article in the *New Zealand Herald* reported that

  "Prisoners have been recruited to pick fruit for between 20c and 60c an hour to help plug a desperate labour shortage on two Hawkes Bay orchards. Unions representing fruit-pickers and prison officers have condemned the move because of the low pay rate and lack of training for the prisoners. But orchardists welcomed the move, which comes right at the peak of seasonal demand for labour.

- "The more hands we can have the better," said Hawkes Bay Fruitgrowers Association executive officer Diane Vesty. At this time of year the district's fruit-growers need about 15,000 workers, about seven times more than in the rest of the year.
-
- Corrections Association president Beven Hanlon, a prison officer at Hawkes Bay Prison, said 20 prisoners started work on Saturday for a contractor supplying labour to orchards in Meeanee and Haumoana. "They are hoping to get up to 60," he said.
-
- The Corrections Department said the contractor paid the department normal contract rates for the prisoners' labour, and the department paid the prisoners "a small incentive allowance which ranges from 20c to 60c an hour"."

- The NZ onion crop is hand-trimmed in the field, a practice not available to Australian growers because labour is not available. In NZ, Pacific Islanders may lawfully visit NZ each year to perform this task. It gives NZ onions a competitive advantage over Australian produce.

Seasonal, and even permanent, labour shortages have afflicted the horticulture industry for some time. The Report of the National Harvest Trail Working Group of June 2000 highlighted the extent of the problem almost six years ago.

According to the Report, growers, harvest offices and Job Network providers indicated that they could not obtain sufficient labour to bring in the harvest and to undertake other seasonal horticultural activities at critical times. The Report cites a number of newspaper headlines from 1999 and 2000 that highlighted the difficulty growers had in finding sufficient seasonal workers.

Box 3: Headlines

"Heat worsens picker crisis" – Herald-Sun, 11 February 2000
"Growers in wet weather jam" – The Age, 3 January 2000
"Riverland desperate for more workers" – The Advertiser, 1 July 1999
"Growers back overseas pickers" – Courier-Mail, 10 June 1999
"Raid sends illegal fruit pickers packing" – Courier-Mail, 24 February 1999

Source: Harvesting Australia, Report of the National Harvest Trail Working Group, June 2000, page 5.

Submissions to the Harvest Committee raised concerns about the availability of local labour, the difficulty of sourcing other domestic labour and the growing dependence on backpackers. To illustrate the extent of the problem, the Queensland Fruit and Vegetable Growers (QFVG) estimated farm losses due to the difficulty in finding sufficient casual workers at $90 million, representing between 10 per cent and 20 per cent of the GVP in that State.[12] Most grower submissions to the Committee reported experiencing some shortages of labour. Equally as important, there was widespread general uncertainty among growers that workers would be available in the numbers and at the times required. Concerns were also expressed as to the productivity of the workforce.

For a number of reasons, the labour shortage situation may well have intensified since that time. Factors contributing to the shortage include:

- Competition for available labour from other sectors of the economy, such as the mining, tourism and restaurant industries that have experienced strong growth over the past five years;

- The impact of the drought which resulted in many locals re-locating to larger towns and cities in search of employment, adding to the long trend of rural de-population; and

- Growth in the horticultural sector over the past five years that has resulted in strong growth in demand for available labour supplies.

Recent experience from the media and industry reports indicate the extent of the problem. The following provides anecdotal evidence of the problems faced by growers in obtaining labour and the costs imposed by labour shortages. These examples are taken from Mares (2005):[13]

- In 2002 Queensland farmer Ian Nielsen was unable to harvest 30 per cent of his 80 hectare asparagus crop because he could not secure enough workers to do the picking. As a result 150 tonnes of asparagus worth around $1 million dollars was left in the fields. Most of the asparagus had been destined for export to Japan. Nielsen employs up to 150 casual workers during the asparagus harvest but securing labour is his 'biggest and most difficult challenge'. He told a Senate committee that the situation was so bad that many of his farming colleagues had given up growing asparagus and switched to 'crops such as peanuts, which can be mechanically harvested'.

- The Queensland Fruit and Vegetable Growers Association (now called Growcom) estimates that due to labour shortages its members lose up to 10

[12] If it were appropriate to extrapolate the lower QFVC estimate of the percentage loss of GVP due to labour shortages to the whole country, this suggests lost national GVP of in excess of $700 million a year. However, such an extrapolation would be difficult to make since the extent of the problem is likely to differ significantly across Australia.

[13] Peter Mares (2005), Seasonal migrant labour: a boon for Australian country towns?

per cent of their crops – produce estimated to be worth $90 million (cited in EDC, 2004, p.44).

- In Victoria, Nigel Garrard, the head of SPC-Ardmona, says that for the last three years production at his Shepparton cannery has been lower than it might have been because 'fruit has been left on the trees because there aren't enough people to pick it' (Colman and Korporaal, 2005), while a Yarra Valley berry grower says labour shortages in 2004 forced him to 'drop' 6 tonnes of raspberries from his vines. A leading Australian fruit exporter says the lack of a reliable supply of seasonal labour significantly inhibits industry growth in the Murray Valley irrigation region and limits export income.

Box 4: Australian Apple and Pear Industry

Apples and pears are grown in most States for both the domestic and export markets.

Australian pome fruit producers face many challenges in seeking to make a reasonable living. Skin blemished — but perfectly good — fruit is only fit for processing into juice. Juice concentrate from China can be imported at a price well below the cost of harvesting Australian fruit, not to speak of other costs of production.

It is thus essential to the survival of the industry that as much as possible of the apples and pears produced are, and remain, unblemished. This in turn depends in large part on the skill and quality of harvest workers.

The pome fruit industry thus puts a high premium on securing efficient, well-trained harvest workers. It has a clear preference for workers who return to the same tasks, year after year. A ready and increasingly experienced seasonal workforce from overseas will help to meet this critical need. The workers can return each year. This source would prove in the longer term to be more reliable, efficient and effective than the once-only backpackers. The "grey nomads" and itinerant workers will also remain useful resources of trained and experienced harvest workers.

Growers from the Goulburn Valley (Victoria) (representing 70% of Australia pear production and 30% of apple production) comment as follows:

> "The availability of labour is an ongoing issue for this industry. At peak times there is insufficient labour and these periods run into weeks and months in the Goulburn Valley industry. Notably around Xmas/ New year with apricot harvest, then again with pear and peach crops from late January to mid March, picking up again into mid April and throughout May.
>
> The pear crop alone of 140,000 tonnes needs at least 2,000 pickers per week for 6 to 8 weeks. As 50% of the current workforce consists of backpackers there is no guarantee that they will stay for the duration of a harvest, and few do. So the turnover is high: 15,000 pickers are required throughout the season.
>
> Against this background there is a desperate need to secure a reliable source of harvest labour in the current climate, but more particularly as the industry expands future production. Labour shortages are currently a major issue in consideration of future expansion opportunities.
>
> Labour shortages are solved by not picking fruit at optimum maturity, or by not picking fruit at all. Mostly fruit is removed but the cost to quality is high, and today's markets do not have room for less than premium quality product. It is essential that fruit is removed at optimum maturity for short and long term storage. It is essential to get fruit off trees to minimise distortion of shape, increased fruit marking from limb rub and pear russet build up.

Box 4: continued

These are typical examples of the problems associated with keeping fruit on trees longer than necessary and most of the problem can be attributed to drawn out labour due to lack of peak time availability. For field crops such as fresh tomatoes with daily maturity peaking throughout the same 5 months as the fruit industry there are similar ongoing pressures for labour.

Several of the larger orchard operations provide training for their harvest labour staff as a requirement of OH&S and QA programs. These range from video viewing to practical lessons and observation by gangers with each group of pickers. Written and diagrammatic material is supplied to the pickers, again for public liability and training reasons. It is also important that pickers handle equipment and fruit correctly to minimise adverse impacts on fruit quality.

An organised program such as a seasonal worker program would build in training to ensure that employees are not disadvantaged and are aware of the limitations to their equipment or their own abilities. A guest worker program has a greater opportunity to ensure the success of such a program. At the same time it will give the employer added confidence in assisting the employee ,knowing that they are available to remain with the employer for a specified period of time and potentially to return again the following year.

The bonus of a guest worker scheme is that an employee has the opportunity to return one or two years hence. That employee is therefore becoming trained in orchard operations and given the opportunity to return, does not have a need to over-stay their visa and technically become an illegal immigrant. There is every incentive for them to meet the work demands, return home as designated with a substantial financial bonus to utilise in their home country, and still return the following year.

Orchard harvest work is not easy and is becoming increasingly less attractive to the Australian population. While the government is looking to return people on welfare benefits to the work force, the work is mostly inappropriate for people used to welfare benefits. In addition, fruit growers cannot afford to 'carry' people who do not pick reasonable quantities of fruit, the pay is at piece rate and is not an issue, but the person is using resources, often including accommodation, that can be better placed with someone prepared to pick their share to ensure that the crop is harvested.

Smaller operators may not have the same need for guest worker teams, but have the ability to provide appropriate training to smaller numbers of employees as required."

The labour supply situation has resulted in a number of proposals for immigrant seasonal labour schemes in the past three years. Examples include:[14]

- Proposals to bring in workers from Papua New Guinea to pick asparagus;
- Extending the working visa scheme to Papua New Guinea;
- Importing workers from East Timor to pick mangos in the Northern Territory;

[14] Peter Mares (2005), Seasonal migrant labour: a boon for Australian country towns?

- The NFF proposed a new visa for temporary workers to the Immigration Minister;

- The ACTU has been involved in a proposal to bring workers from Fiji to Shepparton; and

- The Sunraysia Mallee Economic Development Board (SMEDB) has signed a Memorandum of Understanding with the Dali International Co-operative Company of Yunnan Province in China, with the ultimate aim of bringing up to 10,000 Chinese workers each year to work in the Murray Valley.[15]

4. Sources of seasonal labour and causes of the shortage

The labour shortage problem stems from a variety of labour demand and supply issues. In addition to shortages, the seasonal horticultural labour force has a number of quality problems that are related to these supply and demand issues and which impact on the overall productivity of the industry. In considering options for alleviating the shortage, both numbers and labour quality are important.

4.1 Sources of seasonal labour

The horticultural workforce is drawn from a number of sources and each source has some characteristics (see Growcom/HAL 2005):

- **Australian locals in horticultural regions** are workers who reside on a permanent or semi-permanent basis in the region where they are employed. Locals might also include family labour. This source of labour has shrunk considerably over time as family members have sought employment off farm, including outside the region. An impact of the recent drought was a sharp rise in rural unemployment. As a result a large number of persons left rural areas in search of work. This category of workers is likely to be relatively experienced in harvesting work and accustomed to working in a farm environment. Many of these workers may return over a number of years.

- **Working holiday makers or backpackers** are employees who have a permanent place of residence other than Australia. These workers have become increasingly important to the horticulture industry and have tended to replace other labour sources in recent years. These workers are likely to have little experience in harvesting and farm work and many are unlikely to repeat the experience. High turnover means that the time involved in inducting these workers tends to be relatively high and growers do not benefit from accumulated experience of the workers.

[15] The Chinese company already sends some 5000 seasonal workers abroad each year to pick apples in Japan.

- **Full time or seasonal itinerant workers** that can be further divided into two groupings which include:

    - Non-local Australians less than 55 years of age who do not normally reside in the area in which they are employed and / or have no permanent home. This group works for only limited periods as they are retired or are touring or they may follow the seasons seeking employment on a whole-of-year basis but in different locations. They may also be employed in the industry on a year round basis, but in various locations.

    - Non-local Australians more than 55 years old ("grey nomads"). Most of these workers are retired and either are workers who follow the seasons on a full time basis working or seek employment on an irregular basis as they tour the country. Again, these people may have little experience in harvest work, and may not return the following year.

- **Workers who are Australian students** for at least a major portion of a year. They are generally senior secondary or tertiary students who gain employment during holiday periods. These students include both Australian and foreign students.

A University of Queensland survey completed in 2003 identified the various characteristics and spatial behaviour of employees in horticulture. These are summarised in Table 6.

The seasonal labour force consists of both documented and undocumented workers. The documented workforce includes the categories of workers outlined above. The agricultural sector is a leading employer of undocumented labour, drawing (not necessarily knowingly) on tax evaders, unauthorized residents, overseas students exceeding permitted hours of work, Australians working while on benefits and foreign visitors working without authorisation.

Labour shortage crises have forced many growers to take whatever labour they can get, sometimes with few questions asked. However, growers face significant risks in employing undocumented labour.[16] Raids by the immigration authorities can result in severe financial penalties through loss of harvest and fines. Undocumented labour faces the risks of being paid well below rates paid to documented workers.[17]

[16] N Maclellan and P Mares (2005), Labour mobility in the Pacific: creating seasonal work programs in Australia. Paper for conference on "Globalisation, Governance and the Pacific Islands" Australian National University, 25 - 27 October.

[17] Although one would expect the incidence of exploitation to be minimized in a climate of strong competition for scarce supplies of labour, either legal or illegal.

Table 6: Description of Different Classes of Employees in Horticulture, 2003

	Nature of Employment	Characteristics	Spatial Behaviour
Permanent Itinerants	o Permanently engaged in the seasonal labour force	o Greatest proportion of seasonal labour force in most areas, but decreasing in recent years o More males o Involved in all tasks, esp. picking, packing, thinning and pruning o Broad age structure, most mid-20's to 40's o Some couples travel and work together o Large proportion overseas-born	o Potential locations span all areas o Travel a variety of distances o Travel established circuits but may change locations o Length of stay generally spans entire season o Engaged in labour force many years
Retirees	o Employed sporadically either part-time or full-time in the seasonal labour force to supplement their income while seeing Australia	o Increasing proportion of total labour force in recent years o Equal number of males and females o Mostly picking and packing o Most aged 40's to 50's, some early 60's o Many couples and convoys travelling and working together	o Large variety of locations o Travel long distances o May return to a location o Length of stay often spans entire season o Engaged in labour force for a few months to a few years
Working Holidaymakers	o Spend short periods engaged in seasonal work employed under the WHM scheme to supplement their income and enrich their travel experience	o Increasing proportion of total seasonal labour force in recent years o Relatively equal number of males and females o Mostly picking and packing o Aged 18-30, most early 20's o Many small groups of friends or couples travelling and working together	o Distinct pool of potential locations attractive to tourists o Prepared to travel long distances but spend most time on the Eastern seaboard o Most visit Sydney and Cairns o Mostly northbound circuits o Length of stay only spans 4-12 weeks

Australian Working Holidaymakers	o Employed sporadically either part-time or full-time in the seasonal labour force to supplement their income while seeing Australia	o Small proportion of total seasonal labour force o Equal number of males and females o Mostly picking and packing o Most aged 20's – 30's o Some small groups of friends or couples travelling and working together	o Large variety of locations o Travel long distances o Length of stay varies from a few weeks to entire season o Engaged in labour force from a few months to a few years
Students	o Travel to harvest locations during vacation from tertiary studies; includes both Australian students and overseas exchange students	o Small proportion of total seasonal labour force o Equal number of males and females o Mostly picking and packing o Most aged in 20's o Some small groups of friends travel to growing location and work together	o Large variety of locations, generally within the same state as usual place of residence o Usually only visit a single location o Length of stay spans available vacation time o Usually only one or two stints in work force

Source: Queensland's Fruit and Vegetable Industry: The Seasonal Labour Force, University of Queensland, 2003

4.2 Demand for seasonal labour

A number of demand side factors have contributed to the labour shortage situation and these factors may continue to operate into the future.

Despite the challenges facing it, the horticulture industry has experienced strong growth over the past decade. According to Mares (2005), throughout the 1990s growth in the Sunraysia region significantly outstripped the national average (4.3 percent per annum versus 3.0 percent per annum) with the value of agricultural production rising 55 percent between 1997 and 2001. Similar growth has been experienced in the Central Murray region. Other regions have also experienced strong growth.

Demand for seasonal labour is also affected by the degree to which cropping operations can be, or have been, mechanised. For example, in the Sunraysia Region, wine-grape growers, whose harvesting is largely done by machine, do not face the acute labour shortage problems that dried fruit or table grape producers do.

4.3 Supply of seasonal labour

Seasonal work in horticulture is relatively low paid in spite of the physical difficulty of the work and the working environment. This is because of the limited skills involved in most seasonal work. Part of the reason for the labour shortages lie in the unattractiveness of the work to most Australians. Growcom/HAL (2005) surveyed the growers about the perceptions of seasonal work held by Australians. These results are presented in the box below.

Box 5: Perceptions of seasonal work in horticulture

- Low wage rates: Horticulture is a minimum award industry and so if wages are a driving force to 'attractiveness' for work, horticulture does not rank highly. Growers cannot afford increased wage rates as the returns available do not allow this to occur, particularly given that labour costs are such a high proportion of the total costs of production. A number of sectors have a high proportion of contract labour where rates paid are well in excess of award rates. The ability to earn 'high' rates in horticulture is not well known outside of the industry and is an area which should be worked on by horticultural agencies.

- Security of Employment: Significant components of horticulture are seasonal, in addition to being subject to high variability in terms of labour demand within a season or from one season to the next. This presents an image of low security of employment which is important to those workers who have families and / or significant borrowings. A number of financial institutions have lending policies that do not 'support' workers in horticulture.

- Poor Image: Horticulture has a comparatively low social acceptability in comparison with other industries. The industry is not seen as 'trendy', particularly amongst younger generations.

- Lack of Career Paths: The perception is that horticulture provides limited opportunities for career advancement for those who wish to develop careers within an industry.

- Tough Working Conditions: Workers comparatively work in tough conditions in that it is outdoor work or in non-air-conditioned packing sheds.

- Physically Demanding: Horticulture is a physically demanding industry and so is not suited to many.

- Location: The majority of horticultural businesses are located well outside major metropolitan centres. This presents issues associated with access to transport, accommodation and services.

- Poor Recognition of Skills Development: The Award does not provide incentives for workers to undergo additional training and skills development.

- Hours of Work: Horticulture is frequently a 7 day a week industry, often with days exceeding the 'normal 9 to 5'. This does not suit many workers.

Traditionally, the supply of labour to the industry has come from persons not engaged in permanent work of a full time or casual, but non-seasonal, nature. Domestic supplies of such workers, such as itinerant workers, family members (including spouses of growers) and locals have dried up. Moreover strong economic growth has reduced unemployment levels throughout Australia to relatively low levels.

The horticultural industry is competing for labour with other sectors of the Australian economy. Strong economic growth over the past decade has resulted in strong growth in demand for labour throughout the economy. In recent years there has been a growing shortage of skills, despite the existence of a relatively large pool of unemployed persons.

Labour market shortages generally alleviate shortages through market mechanisms. An excess demand for labour results in bidding up of pay and conditions, resulting in increased supply of labour to the industry, drawn from other sectors of the economy. However, the ability of an industry to increase wages and improve the attractiveness of working conditions depends on its ability to pass these costs on to consumers. Here the industry faces a constraint because it is competing against growers throughout the world, both in domestic and export markets. Growers are price takers and therefore, without higher prices, their ability to increase worker remuneration is constrained.

There are a number of supply side theories as to the causes of labour shortages. One is that unemployment and other welfare benefits erode incentives to work. There is also a view that many of the longer termed unemployed are poorly motivated and want to protect their ongoing benefit status. A high effective marginal tax rate (through the loss of CentreLink benefits) acts as a disincentive for unemployed or part-employed workers to take up short-term jobs, especially where there is a need to travel to regiomal/remote areas.

A traditional source of labour supply in the form of students and teachers over the summer vacation may also have been eroded because of rising income and alternative employment opportunities closer to home. Higher real incomes mean that persons place a higher value on leisure time, reducing the desire to supplement income during holiday periods. Moreover, the growth of the services sector, especially tourism and restaurants, has offered a range of employment opportunities that are more suited to students than fruit picking.

Another source of farm labour — family members — has also fallen off. Falling farm family sizes and the increased attraction of off farm work in urban areas has caused a decline in this form of work. The general decline in rural populations has also reduced the available labour force.

4.4 Possible solutions

Higher wages and improved working conditions would partly address the labour shortage issue. However, this would also make Australian producers less competitive against foreign producers on world markets and in domestic markets. Australian

exporters compete against growers in countries like South Africa, China and Chile, where labour costs are much lower. Growers on domestic markets are competing with imports and therefore cannot pass on cost increases to consumers. There are also concerns that the emergence of a supermarket duopoly has further restricted margins in the industry.

There is a limit to what can be paid. However, when faced with a severe labour shortage and the prospect of substantial crops losses, some producers have incentives to pay above the award wage in exchange for a reliable and productive labour force. In any case, higher wages and improved working conditions would only appeal to a limited group in the economy who are available to work for relatively short periods, are highly mobile and willing to accept greater job insecurity.

It should also be noted that the horticulture industry is competing for labour with other sectors of the Australian economy. Demand for labour in many regional and remote areas has been very strong in recent years and many industries are reporting difficulty in recruiting both skilled and semi-skilled workers. Even many industries/professions offering competitive salaries/conditions are finding it difficult to attract workers to regional/remote areas (eg teachers, doctors, public sector employees, health professionals).

Other solutions could focus on increasing the supply of labour from existing and untapped domestic sources. The labour shortage has been addressed through schemes such as the Harvest Trail and the Working Holiday Visa that have focussed on the provision of information about working opportunities. This has induced an increase in the supply of non-traditional workers such as the “grey nomads” and backpackers.

While the supply of such workers will increase into the future, with an ageing population and projected growth in tourism, these sources are unlikely to meet the needs of the industry in terms of both number and quality of workers.

There are difficulties with both types of workers in terms of their lack of experience with farm work and the amount of time they are willing to devote to work. The priority of backpackers and many of the grey nomads lie with their travel plans. Moreover, many work only for short periods, satisfying only immediate cash needs and do not gain productivity benefits from work experience. High turnover rates also induce high training costs and low returns from training.

Another potential source of labour is from the long term unemployed. However, as noted, there are strong disincentives in terms of loss of benefits for unemployed workers to take on seasonal work. Some of these disincentives could be addressed through changes to the eligibility criteria. For example, if a person works in a casual seasonal job for a couple of weeks and then cannot find employment, government benefits do not become accessible after 10 weeks of unemployment. This is a strong disincentive to accept casual short-term work in the first place.

Work for the dole schemes have been suggested in some circles but these schemes are generally regarded unfavourably by growers. There are concerns that unwilling workers have no financial incentives to work hard, will engage in 'go slow' practices, treat crops poorly, and even damage machinery.

Box 6: Working for the Dole

Most growers who are assigned Work for the Dole workers have generally found them to be unacceptable. In Sunraysia, one grower who was recently assigned such an employee had the greatest difficulty getting him to perform any useful work and was sacked within a few hours. He returned that night to the farm property and set alight the grower's shed. It and the contents (several days' harvest) and much valuable machinery and equipment were lost.

The industry is full of anecdotes of this kind.

Indigenous communities provide another potential source of seasonal workers for the industry. For example, a pilot project to bring young indigenous workers from Cape York to pick fruit in Victoria and South Australia has proved successful and is now being expanded. Further efforts to develop such schemes would produce major benefits to indigenous communities and to growers.[18]

Mechanisation is another option that could drive productivity gains and decrease the demand for labour. Whether this is possible will depend on the industry, technical feasibility and level of investment required. As technological innovation and significant capital investment is required to substitute away from labour in the production process, mechanization could be considered only a longer term option to deal with labour constraints.

There are a number of labour management practices that could also address the shortage problem through more efficient utilisation of the available labour. These include:

- Labour pooling between growers. This technique is more widely adopted in the USA than in Australia. In the US, growers often contract a labour hire company which has close ties with a limited number of employers, who work together to organise harvesting schedules, so that employers involved are able to maximise the use of the workers controlled by the labour hire company. This would benefit smaller growers who do not necessarily need workers for 30-40

[18] This source of labour is unlikely to represent significant resources to growers. In a major article in *The Australian* of 22 February 2006, Ms Shirley McPherson, Chair of the Indigenous Land Council, points out that:

> "It is incongruous that a major indigenous corporation, with strategically placed land holdings, the capacity to pay good wages and an active policy of training, supporting and hiring indigenous workers, is sometimes forced to rely on overseas backpackers for its workforce.
> The ILC board feels so strongly about the way in which indigenous people, particularly young people, can choose welfare or CDEP over wages that it asked me to bring these concerns to the attention of Indigenous Affairs Minister Mal Brough."

hours per week in that it would allow then to use workers as they need them while avoiding losing workers as they cannot supply enough work.

- Growers could better match their requirements with the work requirements of workers. For example, growers who only need a few days a week labour should focus on workers who only wish to work a few days at a time rather than a worker who seeks continuous work.

- Improved communication and planning for matching crop production cycles and labour needs cycles.

- The provision by growers of improved knowledge about work expectations provide by growers to workers. This involves the use of effective induction programs that help to maximise the productivity of the available labour and reduce total labour needs.

- There may also be some scope for improvements in the way in which labour is managed during the harvesting process.

- According to Growcom/HAL (2005) in some regions, particularly amongst ethnic groups (Vietnamese and Turkish), growers are contracting individuals or labour hire agencies to source and provide initial training of workers before they are employed on farm. This 'vetting' of workers gives confidence to the grower that the individual wishes to work, has a basic appreciation of the conditions that they can expect and have at least a basic understanding of the job requirements. The added benefit to a grower is that they have to spend less time being responsible for labour recruitment. The downside is that growers bear the additional expense of having to pay commissions or fees to labour hire agencies.

5. Implications of a temporary immigration scheme

5.1 Management and policy issues

This section examines the implications of a scheme to bring in seasonal labour from Pacific Islands from the perspective of growers and of the existing domestic seasonal workforce.

A number of concerns have been raised in the community about seasonal immigration or guest worker programs. These concerns include:

- Community antipathy towards 'cheap foreign labour' and concerns with the risks that foreign 'guest' workers would be exploited.

- Immigration policy concerns. Temporary immigration of 'unskilled' workers does not fit with Australia's immigration policies that are focused on skilled and

permanent immigration. This policy position is based on a long held view that skilled permanent immigration best serves Australia's economic and social interests. There is also concern that temporary immigrants will have incentives to become illegal immigrants imposing substantial enforcement and administrative costs on the Government and undermining the effectiveness of Australia's overall immigration policies. Security and health risks are considerations that would need to be taken into account.

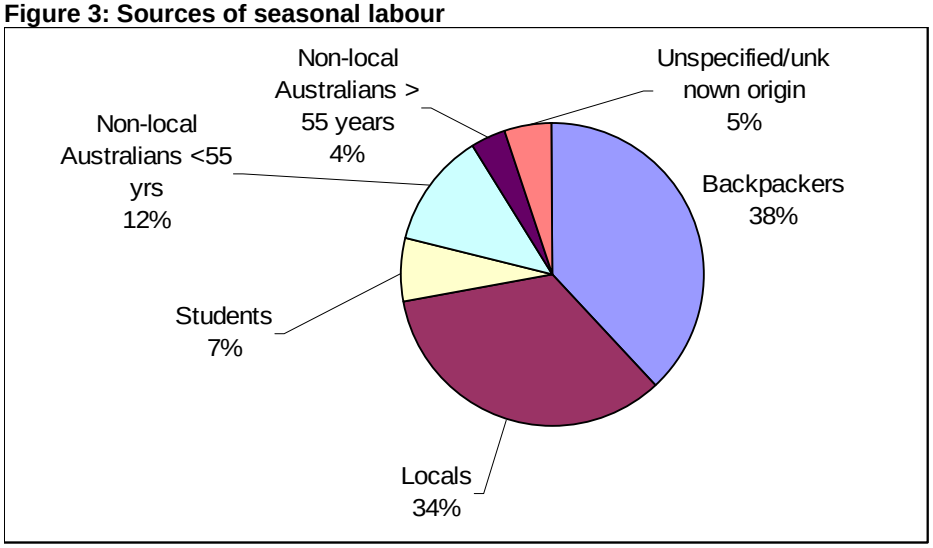
- Concerns on the part of workers and unions that temporary immigration schemes run the risk of undermining establish pay and working conditions.

- Related to this concern is the concern that foreign workers will crowd out employment of local workers while there is still a high level of unemployment and limited work opportunities for indigenous Australians.

The concern with taking jobs from Australians is not a realistic one in the current climate. Backpackers, most of whom are foreign workers, are already the major source of seasonal labour in the horticulture industry.

The Growcom/HAL (2005) surveyed Queensland growers about their sourcing of seasonal labour. The results of the survey indicated that backpackers accounted for 38 percent of the seasonal labour force, followed in importance by local workers who accounted for 34 percent of the workforce. Australian workers therefore constitute at most 62 percent of the seasonal workforce.

Figure 3: Sources of seasonal labour



Even with backpackers filling over a third of the positions, there remains a severe shortage of labour. The supply of seasonal employment opportunities to Australian workers far exceeds the demand for seasonal work by Australians. As noted earlier, the long term unemployed are not attracted to seasonal farm work (otherwise more would take up the vacancies) and, while expected to grow, the "grey nomads" account for only a small percentage of the labour supply. The supply of local labour is

expected to continue to decline as younger workers seek permanent employment opportunities elsewhere.

If there were a downturn in labour demand in the economy generally and with a decline in the availability of seasonal work (for example because of labour substitution or a decline in horticultural production), the prospect of crowding out Australian workers would increase. However, protections can be built into the scheme to protect the interests of domestic workers. For example, under the Canadian scheme, before growers can bring in overseas workers, they are required to demonstrate that they cannot fill the positions with domestic workers.

The threat to existing pay and conditions is likely to be less under a regulated seasonal worker scheme. Such schemes would normally stipulate that workers are paid the award rates and are subject to the same working conditions as Australian workers. The scheme would involve a monitoring and enforcement program with a set of penalties in place for breaches of the rules. Foreign workers would therefore cost at least as much as Australian workers. In fact, they are likely to be a more expensive source of labour, because of on-costs such as transport, accommodation and training.

Under the Canadian scheme, growers are expected to pay up front costs such as airfares, visas, land transport and to provide accommodation free of charge. The scheme allows only for partial recovery of these costs from workers. If a worker is employed for a few months only, these costs can add considerably to the costs of employing a foreign worker compared to Australian workers or backpackers. There will also be further costs associated with foreign workers that may not be associated with domestic workers or backpackers.

The potential for cultural, health and other problems and sensitivity to accusations of mistreatment would suggest that the administrative costs of the scheme will be relatively high. There would also be relatively high recruitment and regulatory costs in the Pacific countries — part of which would undoubtedly be met from Australian overseas aid funds. In these days of cost recovery, the Government could possibly seek to recover costs from employers and to a lesser extent from the foreign workers. To avoid the risks of perceived problems arising, the authorities may impose standards that are higher than those currently accepted by seasonal workers in terms of accommodation, health, transport and recreational facilities. Many Australian workers have their own transport and accommodation (they either live locally or have caravans) and many are not fussy and take what they get. The need to provide foreign workers with transportation is an additional cost that might not be borne in the case of Australian workers and backpackers.

Further costs could be in the form of harder or more complex management issues arising from cultural and language barriers and from interactions of the workers with the rest of the community. While these interactions can be positive or negative, growers would be required to address a wider range of issues than they currently address.

For the above reasons, it is likely that the full costs of employing foreign temporary workers would far exceed the costs of employing local workers and therefore there is little prospect of Australians losing jobs as a result or of working conditions and pay rates being undermined. Growers would tend to take foreign workers as a last resort.

If anything, the entry of a higher cost foreign workforce could see bidding up of rates for Australian workers. Faced with a prospect of paying, say 20 percent higher for a foreign worker, growers may be prepared to pay more for other labour sources. If the labour market is operating reasonably efficiently, an equalization of pay rates across labour sources could be expected to occur.

A benefit of the temporary immigration scheme is that it would undermine a market in undocumented workers. The current desperation for workers at harvest times provides strong incentives to employ undocumented workers, even though the risk of disruption from immigration raids and the resultant financial penalties are high. By increasing the supply of labour, the use of undocumented workers would be expected to fall.

The concerns with the inconsistency of a seasonal immigration scheme involving 'unskilled' labour need to be briefly addressed. Immigration policy has focused on the permanent migration of skilled labour to address skill shortages in the Australian economy. This program tends to take workers from the higher skill categories of the Australian Standard Classification of Occupations (from professionals and the skilled trades). This does not necessarily match the actual demands for labour in the Australian economy and in rural areas. Here, there are shortages of workers with different skills to the professions and the trades. The benefits to the economy of importing labour, either temporarily or permanently, do not strictly depend on the skills or qualifications of the individuals. The benefits are likely to be maximized through programs that match supply and demand for the range of skills. For example, there is little benefit to Australia and the individuals involved if a highly skilled worker enters the economy only to find work driving a taxi because there is a surplus of those skills.

There is a concern that temporary workers have incentives to overstay their visas and that this scheme could provide a backdoor migration strategy. However, the experience overseas, especially in Canada, is that overstay rates are very low. Part of the reason for this is that workers can look forward to future work under the scheme. Also, the scheme can be designed to maximize incentives to return (for example through holding part of the money in trust or through tax incentives) and recruitment can focus on individuals or groups with a high propensity to return (for example those with family, businesses or land back home).

5.2 Regional economic benefits

The various studies of temporary agricultural worker schemes, such as the Canadian scheme, indicate that there may be significant regional benefits derived from the spending of temporary migrants in the regions in which they are employed. Immigrants fill shortages in labour that if not addressed in the longer term could see a sharp

contraction in the size of the horticulture sector and de-population of the region. This would involve adverse flow on effects for regional businesses and communities.

Immigrant workers could both provide the labour necessary for horticultural enterprises to be viable and contribute to local business revenues. Often they are less mobile than Australian workers and are therefore reliant on local retail outlets. Overseas studies have pointed to significant regional employment multipliers associated with immigrant work schemes.

5.3 The availability of workers from the Pacific

There are two ways in which to view a temporary work scheme. One as trade in services whereby labour flows across international boundaries to match supply and demand. This is a trade approach. The other approach is to view temporary work schemes as also meeting economic development objectives.

The World Bank, the Asian Development Bank and AusAid have all recently published reports supporting the concept of temporary work schemes to encourage economic development in the Pacific. The idea is that these countries will benefit from repatriation of wages by temporary immigrants and the application of skills and capital acquired when the worker returns. Many Pacific Island Governments have called on the Australian Government to allow the temporary entry of less skilled workers who are currently underutilised in their home countries to fill unskilled vacancies in Australia.

The issue of whether temporary migration schemes are pro-development is not beyond dispute, and in any case is outside of the scope of this submission. However, it should be noted that a scheme that is based on development objectives in addition to labour supply objectives would be more complex and costly to administer.

The Pacific Island economies, even including the larger economies of Papua New Guinea and Fiji, do not have large commercial agricultural sectors or large agricultural workforces (in the sense of wage workers). Most agricultural activity is directed to subsistence or part time farming of land upon which a person or group has some traditional claim. Apart from a relatively small number of larger commercial operations, there is little demand for wage labour. Where farmers require additional labour, this is normally provided by neighbours and family members.

Commercial farming operations in the Pacific, despite high unemployment, often have problems themselves in recruiting suitable labour and poor harvesting methods and post harvest handling is a serious problem in Pacific island agriculture. The problem is that in rural areas, labour is in relatively tight supply because most households are themselves engaged in small scale subsistence and semi-commercial farming ventures.

The productivity of a temporary workforce from the Pacific is an important issue to growers who are not only seeking increased supplies of labour, but also increased predictability and increased productivity. Unemployment or under-employment in the

Pacific tends to be concentrated among the youth, particularly those in urban areas. A portion of these individuals have no suitable skills, aptitude or interest in agricultural work. For example in Tonga, a large number of allotments are not farmed despite their availability at zero or little rent. A development approach to the scheme may focus on recruiting workers on the grounds of greatest social need rather than suitability for the work. The result may be little better than the experience of employing long term unemployed Australian workers.

Another problem with temporary immigration schemes is that the rewards to the ticket holders are very large while the number of tickets would be limited. Weekly wages in the horticulture sector are around ten times higher, at least, than wages typically available in the Pacific Islands. In fact, horticultural wages are many times higher than civil service and professional salaries paid in these countries. If the scheme is not carefully administered, there is the risk that positions are reserved for friends and those willing to pay the most. The resultant labour force might therefore include many of the highly, but inappropriately skilled. This would impose a substantial cost on the Pacific Island economies as these more highly skilled workers are very scarce.

What limited experience there has been with temporary immigration (for example the Chinese farm labour etc) suggests that confining the scheme to the Pacific may not best serve the interests of growers, the Australian economies and the individual migrants.

5.4 Implications for investment in horticulture

The Australian horticulture industry has grown strongly over the past 15 years and there is substantial potential for large investment in the industry. However, growers are reluctant to invest if they perceive that labour shortages will continue to be a problem. Investments in horticulture involve large fixed or sunk costs. The risks of not being able to harvest crops substantially raises investor risk. The result is an increase in the hurdle rate of return and substantially reduced investment.

These issues are illustrated in the following two investment examples.

Investment Example 1 — Citrus

Table 7 summarises a cash flow budget for Washington navels planted in the Sunraysia region. The example is sourced from the Productivity Commission (2002), Citrus Growing and Processing, Report no. 20, AusInfo, Canberra (page 235). The Commission sourced the data from the New South Wales Department of Primary Industry. At full yields, harvesting costs account for 63 percent of total variable costs.

Table 7

Years	Unit	0	1	2	3	4	5	6	7	8	9	10 to 20
Theoretical yield (b)		0	0	0	1	6	16	18	26	31	35	35
Price	$/t	550	550	550	550	550	550	550	550	550	550	550
Total income	$/ha	0	0	0	523	3,135	8,360	9,405	13,585	16,198	18,288	18,288
Site preparation©	$/ha	9,009										
Planting	$/ha		5,803									
Irrigation (d)	$/ha	116	303	350	396	396	443	443	490	537	583	583
Herbicide	$/ha	0	66	66	66	129	129	129	129	129	129	129
Fertiliser	$/ha	0	152	152	152	382	382	382	411	411	411	411
Fungicides	$/ha	0	0	0	0	3	3	3	3	3	3	3
Insecticides	$/ha	0	53	53	53	192	192	192	260	260	260	260
Crop manage-ment sprays (e)	$/ha	0	0	0	0	0	0	0	488	488	488	488
Pruning	$/ha	0	133	133	133	665	665	665	1,382	1,382	1,382	1,382
Crop manage-ment (f)	$/ha	0	0	0	0	290	290	290	290	290	290	290
Tractor (g)	$/ha	0	809	809	815	588	649	662	784	815	839	839
Contract harvesting	$/ha	0	0	0	225	1,350	3,600	4,050	5,850	6,975	7,875	7,875
Harvesting levies	$/ha	0	0	0	6	35	92	104	150	178	201	201
Cartage	$/ha	0	0	0	4	21	56	63	91	109	123	123
Total cost	$/ha	9,125	7,319	1,563	1,850	4,051	6,501	6,983	10,328	11,577	12,584	12,584
Net cash flow	$/ha	-9,125	-7,319	-1,563	-1,328	-916	1,859	2,422	3,257	4,621	5,704	5,704
Harvest cost as percent of variable cost		0%	0%	0%	12%	33%	55%	58%	57%	60%	63%	63%

We can analyse the impact of labour supply uncertainty by placing a probability distribution of yields. The unavailability of labour at appropriate harvest times and/or inexperienced labour will impact on yields, harvest costs or fruit quality (and therefore prices paid). It is assumed that the impact can be measured solely in terms of a lower yield. Suppose that the probability of having the appropriate harvest labour force is 50 percent and that there is a 20 percent probability of a 5 percent shortfall, a 15 percent probability of a 10 percent shortfall and so on. The impact on the profitability of the orchard is illustrated in table 2.

Column 1 contains the distribution of outcomes in terms of percentage reductions in yields. Column 2 contains the probabilities associated with these outcomes. Column 3 shows the discounted present value of net cash returns under each of the outcomes, assuming a discount rate of 7 percent. Column 4 shows the internal rate of return to the project.

The results indicate the profound impact that uncertainty about labour supplies can have on a project. In a certain environment, this is an attractive investment. With no uncertainty concerning future harvest labour availability, the project has an internal rate of return of 15 percent and an NPV of $19,700 per hectare. However, as the degree of uncertainty rises, the attractiveness of the project falls. For example, if there is a 10 percent shortage of labour, on average each year, the NPV of the project more than halves and the rate of return falls from 15 percent to 11 percent.

Columns 5 and 6 show the probability weighted NPV's and rates of return respectively. The sum of these columns gives the result that can be expected given our characterisation of uncertainty. That is, a farmer could expect the NPV to be $13,934 per hectare and a rate of return of 13 percent. Labour supply uncertainty therefore, in this example, contributes to a loss over the life of the orchard with a present value of \$5,778 per hectare.

Table 8: Impact of uncertainty of labour supplies

Yield (t/ha)	Prob	NPV ($ per ha)	Irr (%)	NPV ($ per Ha)	Irr (%)
(1)	(2)	(3)	(4)	(5)	(6)
0%	50%	19,712	15%	9,856	7%
-5%	20%	13,934	13%	2,787	3%
-10%	15%	8,156	11%	1,223	2%
-15%	10%	2,378	8%	238	1%
-20%	5%	-3,400	5%	-170	0%
	100%			13,934	13%

Investment Example 2 — Tomatoes

The following example is based on gross margin analysis from the New South Wales Department of Primary Industry (http://www.agric.nsw.gov.au/reader/vegbud). It relates to a hectare of tomato plantings for the fresh market. The gross margin analysis is summarised in Table 9. It indicates that based on an assumed yield of 5,000 half cartons per hectare, a gross margin of $5,446 per hectare is earned. This constitutes a return of 14 percent of variable cost outlays.

Again, we assume the same probability distribution of labour availability. The impact of labour shortages is summarised in Table 10. A ten percent labour shortage is assumed to reduce yields by 10 percent. In this case, the gross margin falls to $3,711 per hectare and the rate of return falls to 10 percent. Given the uncertainty associated with labour shortages, as assumed in this example, the farmer can expect to earn $4,578 per hectare in the uncertain environment. This means that uncertainty contributes to an expected loss of $867 per hectare or reduces the rate of return by 2 percent.

Table 9: Gross margin analysis fresh tomatoes (per hectare)

			Units	Quantity	Unit cost	Amount
INCOME:						
			cartons/ha	5,000.00	9.00	45,000.00
VARIABLE COSTS:						
Transplants			plants/ha	10,000.00	0.10	1,000.00
Small equipment including labour, fuel, oil, etc						
	2	Cultivate	hours/ha	2.50	24.50	122.50
	1	Lister	hours/ha	2.00	24.50	49.00
	1	Drill Fertiliser	hours/ha	2.00	24.50	49.00
	1	Bedform	hours/ha	0.50	24.50	12.25
	1	Incorporate herbicide	hours/ha	2.00	24.50	49.00
	1	Transplanting	hours/ha	7.00	24.50	171.50
	4	Boomspray	hours/ha	0.50	24.50	49.00
Plastic mulch & trellis						
	1	Plastic mulch	meters/ha	5,500.00	0.15	825.00
	1	Lay mulch	hours/ha	3.00	24.50	73.50
	2	Lay mulch - extra labour	hours/ha	3.00	14.00	84.00
	1	Trellis materials		1.00	5,400.00	5,400.00
	2	Erect trellis labour		20.00	14.50	580.00
Irrigation						
	1	Water	ml/ha	6.00	17.36	104.16
	1	Pumping	ml/ha	6.00	30.00	180.00
Fertiliser						
	1	Single Super	kg/ha	24.00	0.24	5.76
	1	Starter	kg/ha	46.00	0.45	20.70
	1	Soluble	kg/ha	1,200.00	0.74	888.00
Pest control						
	1	Insecticide	litres/ha	0.70	14.90	10.43
	2	Insecticide	litres/ha	2.00	14.45	57.80
	4	Insecticide	litres/ha	0.50	46.00	92.00
	4	Fungicide	kg/ha	3.00	3.00	36.00
	3	Fungicide	kg/ha	2.50	7.45	55.88
	4	Fungicide	kg/ha	2.00	8.30	66.40
	2	Fungicide	litres/ha	3.20	22.15	141.76
Weed Control						
	2	Pre-emergent (furrows)	litres/ha	2.00	6.50	26.00
	1	Chipping weeds	hours/ha	5.00	14.50	72.50
Casual labour						
	2	Pruning & tying	hours/ha	20.00	14.50	580.00
	3	Transplanting	hours/ha	7.00	14.50	304.50
Aerial spraying						
	2	Applications	1/ha	1.00	12.00	24.00
Harvesting						
	1	Contract harvest	cartons/ha	5,000.00	1.20	6,000.00
	1	Bin pick up	hours/ha	20.00	24.50	490.00
	14	Bin hire	bins/ha	111.00	0.16	248.64
Handling						
	1	Wash, grade and pack	cartons/ha	5,000.00	1.20	6,000.00
	1	Cartons	cartons/ha	5,000.00	1.40	7,000.00

1 Cooling	cartons/ha	5,000.00	0.05	250.00
Freight				
1	cartons/ha	5,000.00	0.60	3,000.00
Levy	$/tonne	50	0.7	35.00
Agents commission	percent	1.00	12%	5,400.00
Total Variable Costs				39,554.28
Gross margin				5,445.73

Source: New South Wales Department of Primary Industry

Table 10: Impact of seasonal labour shortages on tomato gross margins

Yield loss (%)	Prob	Gross margin ($ per ha)	Return (%)	Gross margin ($ per Ha)	Return (%)
0%	50%	$5,446	14%	$2,723	7%
-5%	20%	$4,578	12%	$916	2%
-10%	15%	$3,711	10%	$557	2%
-15%	10%	$2,843	8%	$284	1%
-20%	5%	$1,976	6%	$99	0%
				$4,578	12%

Source: CRA International estimates

6. Conclusions and recommendations

In this submission, we have shown that the severe, and growing, shortage of seasonal labour will **hold back the horticultural industry.**

There are plenty of possible investors in large-scale, innovative and export-oriented horticultural enterprises. But they will **not go ahead with planned investment until they can be satisfied that the necessary labour is available, or can be imported.**

This industry therefore believes that **it is time for the Government to review its immigration policies.** For too long, the emphasis has been on "skilled" workers only. The assumption has apparently been that extra "unskilled" workers are not needed when quite the reverse is the case. In reality, harvest workers are not "unskilled" anyway but rather "semi-skilled"; certainly the work is not analogous to that of a process-worker on an assembly line.

Our **recommendations** to this Committee are that:

- it find as set out above; and
- that it recommend that the Government review its immigration policy to enable the horticulture industry to have access to appropriate sources of seasonal labour (that are readily available from, for example, Asia-Pacific countries).

We **further recommend** that the proposed scheme:

- be discussed and agreed on in outline between Government, industry and unions;
- be introduced and trialled as a pilot scheme in the first instance;
- if successful, allow workers who are found satisfactory to return in following seasons;
- include provision for HR management of imported workers, including attention to their training; social, cultural and religious needs; OHS; transport and accommodation; and
- be introduced initially with a partnered communities arrangement.

Attachment 1: HAL Members

A class members*

Apple and Pear Australia Ltd.
Almond Board of Australia
Avocados Australia Limited
Australian Citrus Growers Inc.
Australian Custard Apple Growers' Association
Australian Dried Fruits Association Inc.
Australian Lychee Growers Association
Australian Macadamia Society Ltd.
Australian Mango Industry Association Ltd.
Australian Mushroom Growers' Association Ltd
Australian Nashi Growers' Association Ltd.
Australian Onion Industry Association
Australian Papaya Industry Association Ltd.
Australian Passionfruit Industry Association Inc.
Australian Table Grape Association Inc.
Australian Vegetable and Potato Growers' Federation Inc.
Cherry Growers of Australia Inc.
Chestnut Growers of Australia Ltd.
Nursery and Garden Industry Australia
Persimmon Industry Association Inc.
Potato Processing Association of Australia
Strawberries Australia Inc.
Summerfruit Australia Ltd.

B class members*

Australian Asparagus Council
Australian Banana Growers Council Inc.
Australian Garlic Industry Association Inc.
Australian Nut Industry Council Ltd.
Australian Processing Tomato Industry Council
Australian Rubus Growers Association Inc.
Australian Sugar Plum Industry Association
Australian Walnut Industry Association
Canned Fruits Industry Council of Australia
Growcom
Pistachio Growers Association of Australia Inc.
Tasmanian Pyrethrum Growers Commodity Group

Classes of membership

The membership of the Company is subject to the following classes:

(a) An **"A" Class Member** shall be:

(i) an Industry Representative Body who contributes Levy funds to the Company;
(ii) a Prescribed Industry Body; and
(iii) a body which, by its constitution, prohibits the distribution of profits or any assets, whether on winding-up or otherwise, to any individual member.

(b) A **"B" Class Member** shall be:

(i) an Industry Representative Body;
(ii) a body which either:

(A) collects or arranges for its members to pay, whether directly or indirectly, voluntary levies or contributions which are paid (whether in whole or in part) to the Company to fund Research and Development and Marketing activities; or
(B) is nominated to be a Member by a person or persons who participate in the Industry making voluntary levies or contributions which are paid (whether in whole or in part) to the Company to fund Research and Development and Marketing activities;
(iii) a body which, by its constitution, prohibits the distribution of profits or any assets, whether on winding-up or otherwise, to any individual member; and
(iv) a body which is not a member of another “A” or “B” Class Member unless the body is an existing Member or is approved for admission as a Member by the Members voting at a meeting of Members.

Attachment 2: HAL's Corporate brochure

Available at: http://www.horticulture.com.au/register/register.asp?req=brochure

Attachment 3: HAC Members

Apple & Pear Australia Ltd
Avocados Australia Ltd
Australian Banana Growers' Council
Australian Citrus Growers Inc.
Australian Custard Apple Growers Association Inc.
Australian Dried Fruits Association'
Australian Mango Industry Association Ltd
Australian Mushroom Growers Association Ltd
Australian Nut Industry Council
Australian Passionfruit Industry Association Inc.
AUSVEG
Cherry Growers of Australia Inc.
Growcom
NSW Farmers' Association
Nursery &Garden Industry Australia Ltd
Pineapple Growers
Strawberries Australia
Summerfruit Australia Ltd

Attachment 4: HAC Operations

Horticulture Australia Council (HAC) represents 95% of the Australian horticulture industry - an industry with more than 20,000 growers employing 130,000 people and a farm gate value of $6.5 billion. It has sixteen grower association members.

HAC was formed in June 2000 to effectively deal with the increasing number of critical issues that are threatening and challenging the livelihood of horticultural industry stakeholders. HAC's intention is to speak with one clear, strong voice in order to better promote the worth and importance of the horticultural industry both in Australia and overseas.

HAC's Mission:

To strive for the advancement and prosperity of Australian horticulture by:

- providing structure and resources to deal with issues of common interest
- representing horticulture with a powerful and unified voice