Submission of the
National Farmers’ Federation -
2009 Wage Review of the
Australian Fair Pay Commission

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Executive Summary

- The NFF represents the interests of Australian agriculture in all States and Territories, and across all major commodities.

- The significant direct and indirect impacts of the global financial crisis on agriculture and the continuing and arguably more severe effects of drought and other natural disasters have had a particularly negative impact on agriculture.

- The industry continues to show sporadic and patchy recovery, which is significant in a number of instances. More broadly, notwithstanding the state of the global economy and drought, agriculture has seen and is forecast to see continued growth in production and employment.

- The key concerns among agricultural employers relate to their capacity to retain or engage junior or trainee staff in the current conditions. On the whole, drought has worsened and farm employment is likely to be sensitive to the actual or speculative impacts of the economic conditions.

- The minimum wage is one facet of the broad safety net – recent stimulus packages have provided immediate measures, arguably more substantial than any recent wage increase, but the capacity to deliver job vacancies by employers to sustain jobs throughout the economy must be the paramount consideration in the 2009 Wage Review of the AFPC.

- The NFF seeks the AFPC to refrain from increasing the minimum wage in its 2009 Wage Decision, as well as all Pay Scale classifications. Highlighting the particular impacts on agriculture, it specifically seeks that the AFPC refrain from increasing the minimum wage and all agricultural Pay Scales.
Introduction

1. BACKGROUND

1.1. The NFF represents agricultural employers in all States and Territories, and across all major agricultural and horticultural commodities. The NFF has a long and involved history in advocacy relating to industrial relations within the agricultural sector.

1.2. The current State-based member organisations of the NFF are the NSW Farmers’ Association, the Victorian Farmers’ Federation, Agforce Queensland, the Tasmanian Farmers’ and Graziers’ Association, and the Northern Territory Cattlemen’s Association.

1.3. The current commodity-based member organisations of the NFF are the Australian Cane Growers’ Council, Australian Dairy Farmers Limited, the Australian Dried Fruits Association, Cattle Council of Australia, Cotton Australia Limited, Grains Council of Australia, Ricegrowers’ Association of Australia, Sheepmeat Council of Australia and Woolproducers.

1.4. The NFF has a lengthy and involved history of involvement with workplace relations matters representing Australia’s agricultural industry. The NFF has made submissions to the General Wage Reviews of the AFPC in 2006, 2007 and 2008. The NFF will continue to make submissions in relation to minimum wage fixing as the peak representative of workplace matters within the agricultural industry,
once the wage-fixing function passes to FWA. Under the current legislation, the NFF makes these submissions pursuant to s 22 (a) of the *Workplace Relations Act*.

## 2. THE GLOBAL ECONOMY

2.1. The current state of the global economy was instigated by the fall of the subprime mortgage market in August 2007 in the United States. This caused a decline in the value of mortgage related assets. The consequent instability in financial markets in both the United States and by way of flow on internationally has given rise to instability including the widespread re-pricing of risk assets.

2.2. More recently in late 2008, there were consequent bankruptcies and insolvencies, forced mergers and public interventions in the United States, Western Europe and beyond causing a major decline in confidence in the financial sector and markets. ABARE quotes that *as a result, market interest rates have risen, credit markets have virtually frozen, and share market valuations have declined markedly in the OECD economies. The volatility has also spilled over to emerging markets, with borrowing costs rising, share market valuations falling, and capital flows to emerging markets being scaled back.*

2.3. Consequently consumers are more discerning about their purchasing behavior across global markets, with the *Westpac-NFF Commodity Index* showing signs that food and fibre consumption is not immune to

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1 ABARE incorporating NFF Commentary
the world economic downturn. The index fell 4.0% during February, taking the Index to 17.6% below February 2008 levels.

2.4. Agricultural commodity markets, as with all areas of production, increasingly experience the mass exodus of speculative investors following the global financial crisis. Consequent medium term impacts are more clearly emerging, which are more indicative of underlying consumer behavior rather than the volatility of the speculator market that have dominated agricultural markets for the past six months. Notwithstanding that food is an essential item generally less sensitive to income, there is significant variance in the price points available to consumers in this category.

2.5. Consumer confidence in respect of their income security has led to departures from the premium end of the market and towards cheaper staples. Beef production has seen reduced demand for prime cuts of beef in favour of more affordable options such as mince and sausages, or even poultry and pork has contributed to a 9.4% fall in the world price of beef during February.” Westpac Senior Agribusiness Economist Andrew Hanlan has states that [G]lobal economic conditions were particularly difficult late in 2008. That was certainly true for our key beef export markets of Japan and South Korea, with Japan’s economy contracting by 3.3% in the December quarter and South Korea’s by 5.6%. We expect that to be the worst of the downturn in Asia – but equally the downturn is yet to end. The 2009 year will be a challenging environment for Australian exporters. That makes it all the more critical that exporters quickly adjust to shifting consumer spending patterns. Over February 2009, the Westpac-NFF Commodity Index fell 4%. The Index is now 17.6% lower than February 2008.
Commodities suffering falls were beef (-9.4%), wheat (-4.6%), cotton (-1.3%), barley (-3.3%), dairy (-0.5%) and wool (-1%). Only sugar (9.8%) and canola (0.6%) recorded upward price movements.

2.6. The United States and the central banks in other major world economies have also sought to lower interest rates and provide short-term funding to stimulate the credit market, and amongst other things, to stimulate or sustain consumer confidence and spending. ABARE and others clearly opine that the long-term impact of these measures is uncertain, and that markets will remain volatile. There has been, and will continue to be an impact on the global demand for all commodities, with a world-wide recovery heavily contingent on the recovery of the US financial and housing markets.

2.7. ABARE states that the slowdown will be particularly notable in the OECD economies, in particular, as they impact on domestic demand, although Asian economics are less likely to feel the impact of the current and ongoing global conditions. Although exports are likely to drop in major economies, domestic demand – in many cases triggered by public spending, is likely to remain relatively strong.
3. AGRICULTURE AND THE AUSTRALIAN ECONOMY

3.1. Between January and November 2007, national unemployment fell from 4.6% to 4.3%. Growth in employment is estimated at an average of 2.4% per annum, with the January to November 2007 growth reflecting a tapering on the back of long periods of low unemployment and high economic growth. The March announcement that national unemployment had risen to 5.2% strongly indicates an economy-wide increase in unemployment, as opposed to a mere tapering of previous growth to employment.
3.2. Agricultural employment is cited as falling to 346,000 in February 2008, at a rate of 1.6% per annum in the five years to February 2008. Cattle and beef production and horticulture represent the two dominant areas of employment within the industry, at 135,500 and 71,200 respectively. According to Outlook, Agricultural employment is forecast to grow at an average of 1.1% per annum across the five years to 2013, representing approximately 19,700 jobs. Notably, this sector is particularly sensitive to the global economic crisis on competitive world markets, and is considerably labour-intensive. Further, projects must take into account the lag to demonstrated growth associated with the considerable rebuilding of the industry following on from severe drought.

3.3. The strongest growth is anticipated within services to agriculture, grain, beef and cattle, with contraction anticipated in marine and forestry.

Outlook reports that employment in cattle and horticulture dropped by 20,700 and 18,000 respectively, in the five years to 2008. It forecasts in its 2007 and 2008 reports that horticulture will lead the growth in agricultural employment. Horticultural production is especially sensitive to drought, particularly in terms of acute returns to pre-drought demand for labour and skills. Outlook predicts that grain, sheep and beef cattle farming and horticulture will grow by 11,300 and 3,100 respectively in the five years to 2013.

3.4 The NFF has previous highlighted the strong correlation between severe and persistent drought, and levels of employment in agriculture. The pervasive strategies of the NFF to tackle labour and skills shortages, based on the 2008 Labour Shortage Action Plan, highlight a range of additional factors which impact on the size, as well

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as quality of the agricultural workforce. These include remoteness, quality of agricultural education and regional infrastructure.

3.5 The impact of drought can best be analysed by tracking levels of employment since 2000, noting that the most severe drought event in Australian history occurred in 2002 – 2003. Since the beginning of 2008 (subsequent to the above cited Outlook figures and predictions), the number of people employed in agriculture, forestry and fishing had increased by around 18,000 in November 2008. 7% of these are employed in services to agriculture, with less than 7% employed in forestry and fishing. There continues to be heavy growth in services to agriculture, as well as continued growth within on-farm employment in many subsectors, such as horticulture. Conservatively, the NFF estimates that since drafting its 2007 submissions to the AFPC, growth to employment in agriculture peaked at around 17,000 people. This represents growth of over 5%, which is more than double the estimated long-term national trend of 2.4% growth in employment.

3.6 The Labour Force Quarterly, Detailed ABS publication indicates that between November 2008 and February 2009, there was a decrease in agricultural employment. However, from the November 2007 quarter to March 2009, there has still been a net growth in agricultural employment of 10,000. The March 2009 figure clearly provides a snapshot of the industry’s first response to the global economic crisis,

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4 The number of people employed in agriculture, forestry and fishing was 353,500 in November 2007, and 373,800 in November 2008 - 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly, Nov 2008, updated 19 March 2009.

5 DEEWR Monthly Leading Indicator of Employment - January 2009 Release
as well as worsening drought conditions – a resilient industry poised to deliver jobs and production, but like much of the economy, in a volatile state. It suggests strength within the industry, but an immediate response to the current global circumstances.

3.7 The forecasts of 2.4% growth in employment were prepared prior to the global economic turmoil, meaning that the forecasts for growth in employment are likely to be reduced as a result. An important point of analysis is that from November 2007 to March 2009, national unemployment grew from 4.3% to 5.2%, whilst employment in agriculture grew by 3.3% - this incorporates the most recent quarter’s decline as at March 2009.

3.8 By way of analysis, this employment growth took place in a climate of continuing and severe drought, and ongoing downturns in production by many facets of the industry. Further, this period directly followed a relatively moderate wage increase of $10.26 per week, which commenced in October 2007 and continued until October 2008 – whilst some may have perceived it as moderate, many in agriculture felt its impact and considered it high. The 2007 wage decision of the AFPC also allowed farm employers receiving drought assistance to defer paying the increase until the 2008 wage decision. In its 2008 submissions, the NFF reported that an estimated 4,500 (less than 3% of farm employers) opted to defer paying the 2007 increase. This proportion of farm employers is relatively small and most employers saw irrefutable benefit from maintaining above award wages, given labour market conditions. However most employers who did elect to defer, did so in the alternative to terminating staff. The sensitivity to broad economic pressure upon input costs, bearing in mind that for many sectors within agriculture, labour is two thirds of costs to
business, is only further demonstrated by the downturn between November 2008 and February 2009, notwithstanding net employment growth above national forecasts from November 2007 to date.

3.9 The NFF submits that agricultural employment has experienced growth, notwithstanding perceived inhibitors to such growth, predominantly as the result of ongoing strategic work to resolve labour and skills shortages within the industry. Growth in employment is necessarily consequent on attracting new staff to agricultural jobs and careers. The fact that most employees within agriculture earn well above award rates of pay is also a notable attraction of the industry for new staff. The small number who employ at award rates of pay are largely for those experiencing difficulty, who have been able to retain staff as the result of relatively moderate wage increases and the option to defer, rather than terminate some of their employees. The NFF reiterates that the $10.26 increase in 2007 was high for many farmers, regardless of their eligibility to elect to defer that increase.

ABARE ANALYSIS

3.10 A variety of factors have led to a softening in commodity prices since mid-July 2008, including but not limited to the global financial crisis, the softening oil prices. Although ABARE correctly indicates that weather-related constraints have also improved circumstances for some commodities or geographical areas, the NFF strongly submits that for most agricultural commodities, the period of recovery is considerably lengthier than this estimate suggests and many commodities are either increasingly affected by drought, water

6 ABARE incorporating NFF Commentary
resource constraints, or the additional strains on their business associated with the recovery period, in circumstances where conditions have in fact shown improvement.

3.11 The diagrams below indicate that the number of areas which are declared as experiencing the one in twenty year severity to warrant an Exceptional Circumstance declaration has increased, but more notably, has increased in the areas with the largest levels of agricultural production, namely central western New South Wales and throughout Victoria, including the vast tract of north-western Victoria which contributes to over half the nation’s annual horticultural production of between $7 billion and $8 billion, of which over $700 million is exported.
3.12 The removal of export restrictions has also contributed to the easing in agricultural commodity prices. ABARE suggests that low inventory levels, high oil prices, among other factors, are likely to lead to continued price volatility. The NFF submits that shift in demand from exported to domestic products is likely to have a particular effect on agriculture, to the extent of its reliance on export markets. Further, the domestic benefits of global and Australian stimulus packages are likely to leave demand for the essential produce of the agricultural sector unchanged. As elsewhere outlined, export demand for premium products will place increased strain on sectors with a particular reliance on those markets, in particular, the United States and Asia.

3.13 ABARE supports the NFF’s view that food consumption in the OECD economies is relatively insensitive to income changes. However, the premium export markets across Asia are supplied by a large proportion of sectors such as horticulture, and much of agriculture would be particularly sensitive to even minor, further downturns in
those economies. ABARE states that around 35% of Australia’s 2007-08 agricultural exports (excluding to Japan), were to Asia. Exports to the US were 9%, Japan 16% and the European Union 9%. Importantly, the premium and specially-grown exports to Asia, for example, in horticulture, are not always swiftly replaceable with the more traditional varieties of produce. Further, the global financial crisis, despite currently failing to impact on Asia as it has upon the United States and Western Europe, will inevitably have delayed flow on impacts in Asian countries, and in this regard, have a delayed impact on agriculture, on top of the immediate ones.

**Markets for Australian Agricultural Exports, 2007-08**

![Diagram showing export distribution]

3.14 Although ABARE considers the lower value of the Australian dollar may contribute to export earnings, it acknowledges that it can also increase the cost of farm inputs, many of which are imported. ABARE states that *there is considerable uncertainty surrounding the short term outlook for the Australian dollar. This is because movements in the Australian dollar can be markedly influenced by changes in financial market sentiment, leading to strong volatility in the Australian*
exchange rate. At this stage it is too early to make assessments about the impact on commodity export earnings beyond 2008-09. ABARE is closely monitoring the world market developments.

3.15 The NFF submits that cost of labour as a farm input, whether through direct employment in labour intensive industries such as horticulture, or indirectly through services to agriculture, is likely to place further constraints on the volatility ABARE forecasts in respect of commodity exports. Those subsectors of agriculture with a particular reliance on the relatively strong Asian markets are likely to maintain or marginally reduce production with a high degree of sensitivity to the input costs associated with the labour force.

WHEAT AND COURSE GRAINS

3.16 ABARE cites the value of wheat exports at approximately 3 billion dollars. Despite mechanization, grains industries have a particularly heavy reliance on heavy, imported machinery. Coupled with labour input costs and the heavy reliance on export markets for Australian grains producers, the NFF anticipates sensitivity to the price of labour across this commodity, despite sustained demand for wheat globally.

3.17 ABARE cites that increased wheat production, both globally and within Australia, are likely to cause a decline in wheat prices throughout 2009. Although volatile and unpredictable, the lower value of the Australian dollar strengthens its capacity to compete on global markets. However, input costs for imported machinery, labour and transport are particularly likely to represent offsets to any sustained advantage arising from the devaluation of the Australian dollar in the grains sector.
3.18 According to ABARE, Australia exported 3.4 million tonnes of barley worth A$1.2 billion in 2007-08 and 251 000 tonnes of sorghum worth A$76 million. The competitive advantages across export markets, offset by the sensitivities to input costs are relatively consistent with those applying to the production and export of wheat.
WOOL

3.19 ABARE forecasts a significantly detrimental impact on Australian wool production:

*China is the largest buyer of Australian wool, accounting for roughly two-thirds of Australia’s exports of wool. In 2007-08, China imported 304,000 tonnes of raw wool from Australia, worth A$1.75 billion. A large portion of the wool is processed and re-exported as textiles or clothing to developed country markets such as the United States and the European Union. Waning consumer sentiment in OECD countries as a result of the global financial crisis has the potential to affect retail demand for these products. This would translate into a softening of demand for raw wool, putting downward pressure on wool prices.*

3.20 Wool production is arguably one of the most labour-intensive form of agriculture as shearing is not and cannot be mechanized. Given the impact on demand by the United States for processed wool from Asia, this subsector of the industry is likely to be among the hardest hit, with export earnings are forecast to fall by 12.8 per cent to $2.4 billion. Given the reliance on export earnings and labour-intensive nature of this subsector, a forecast decline in those earnings is strongly correlated to possible declines in production in many regions.

**Principal markets for Australian wool exports**
BEEF

3.21 ABARE states:

Around two-thirds of Australian beef is exported. As a result, exchange rates and the demand for beef in export markets can have a large impact on the domestic beef industry. Any fall in the demand for Australian beef in export markets as a result of the global financial crisis would put downward pressure on domestic sale yard prices.

Although ABARE also forecasts some mitigation of the impacts on beef production by the decline in value of the Australian dollar, this is speculative given the volatility of international exchange rates, and again, offset by input costs and the specific issues associated with rebuilding herds after prolonged drought periods and indeed, amidst ongoing and severe drought.

3.22 Whilst likely to remain relatively stable in the United States, ABARE indicates that the demand for Australian beef in Japan and Korea is expected to ease this year and into the next year, predominantly due to increased competition from the United States, than from global economic conditions. However, slower income growth in these two countries could also lead to a move toward lower value cuts.

3.23 ABARE identifies that the 400% increase in demand for beef in other emerging markets, including the Russian Federation, Indonesia and China are vulnerable to the slowing or cessation of income growth in these developing countries.
DAIRY

3.24 Generally, New Zealand’s dairy production has triggered a fall in prices which once again, has been mitigated by the depreciation of the Australian dollar. Dairy is particularly sensitive to movements in input costs, not only by virtue of its reliance of imported infrastructure, but its sensitivity to increases to the price of labour, whether through wage-fixing decisions or on account of other factors.
PRINCIPAL MARKETS FOR AUSTRALIAN CHEESE EXPORTS

SHEEP MEAT

3.25 ABARE reports that in 2007-08, Australia produced 435 000 tonnes of lamb and 258 000 tonnes of mutton, and exported 4.1 million live sheep. Because the demand for lamb and mutton in Australia is relatively insensitive to income changes (and strongest within the domestic economy), saleyard prices are expected to respond more to the forecast decline in lamb and mutton production in 2008-09, which is expected to place upward pressure on prices.
PRINCIPAL MARKETS FOR AUSTRALIAN SHEEP MEAT EXPORTS

PRINCIPAL MARKETS FOR AUSTRALIAN WINE EXPORTS

3.26 Grapes as a commodity contributed to two-thirds of total Australian wine sales in 2007-08, falling by around 12% from the preceding year according to ABARE, reflecting both reduced wine production and a fall in the demand for Australian wine. The strength of the dollar has been attributed to the decline. Further, increased competition globally, along with the significant decline in demand in the United States, have further impacted on production. The net effect of the depreciation of the Australian dollar as against these factors is still likely to see a decline in production through 2009-10.
COTTON

3.27 Cotton is particularly sensitive to a decline in income, and has suffered a particularly severe impact as a result of the global financial crisis. ABARE cites the world cotton indicator price at around US61 cents a pound in October 2008, compared with US78 cents a pound one month prior.

SUGAR

3.28 Conversely the world demand for sugar is largely insensitive to global changes to income growth. The predominant result of the global economic climate at present is a reduction in oil prices, potentially reducing the demand for sugar cane for ethanol production.

3.29 The world sugar indicator price was around US13.0 cents a pound on 13 October 2008, compared with the year to date average of US14.2 cents a pound. In Australian dollar terms, the world sugar indicator price is at its highest level this year. Whilst marginal, the net effect is that sugar will nominally gain in terms of production and prices.
3.30 The aggregate position as the agricultural industry, like the national and global economies, it especially vulnerable in the current economic climate. Unlike many industries however, many sectors as agriculture poised for considerable growth in the coming five years. For instance, the likely increase in reliance on domestic markets establishes important opportunities in particular, for beef and livestock production, quarter culture and grain production.

3.31 A leading constraint to much of this growth, notwithstanding national and global economic conditions, will require restraint on the input costs of production. The recent drought conditions have seen those who are able, invest heavily in new technologies, infrastructure and other measures to achieve long-term, sustainable agricultural production in the likely event that drought continues, or indeed it is exacerbated in the future.

3.32 Conversely, the NFF is acutely aware that many have to curtail their spending on a wide scale, many to the extent where potential growth
is not realised. The cost of acquiring water continues to reach new and unprecedented heights, and clearly in terms of input costs this is not only essential to the immediate season all financial year, other vital measure to both preserve and expand production into the future. However there are many within agriculture for whom even the slightest movement to margins instigate a decision to reduce and in some cases abandon the industry.

3.33 Despite the volatility and major impact of the global economic crisis on the agricultural industry, there are clearly many positive prospects for the industry. For instance, the latest ANZ Regional and Rural Quarterly forecasts that output from the agricultural sector will rise in 2009, after some region-specific improvements in conditions following two consecutive years of drought. ANZ Regional Commercial and Agribusiness, Mark Hand has stated that recent figures for Australia’s economy highlighted prospects for considerable growth within agriculture, as some regions recover from improved seasonal conditions. The NFF highlights that wage constraint and the option to defer, improved investment in efficiency of infrastructure and other shifts within the industry towards modern farming have been major drivers in the current and ongoing capacity for potential growth in the industry.

3.34 Specifically, the NFF identifies the potential for an increase in domestic demand (with the caveat that product-switching will give rise to varying implications within the domestic market), the vital role of Australian agriculture in resolving global food shortages, future export markets and the widespread modernisation of Australian farming. These are that a few such prospects which will poise our
industry to emerge from the many challenges, at national level and a
global one.

4. IMPACT OF THE 2008 WAGE DECISION

4.1 The 2008 Wage Decision of the Australian Fair Pay Commission of $21.66 per week to both the minimum wage and all Pay Scales a considerable ramifications for agricultural employers. In particular, the few farm employers who relied on the deferral granted in the 2007 Wage Decision were required to implement increases. The NFF foreshadowed that this would be the case, and indeed has always advanced arguments in relation to deferring minimum wage increases with the knowledge that they are at temporary measure. It was the quantum of the 2008 Wage Decision, coupled with the comparatively moderate, although high for many, 2007 Wage Decision which placed considerable strain on those who had been carefully identified as having good prospects at short-term difficulties, not the least of which relate to ongoing input costs including labour.

4.2 The criteria the NFF advanced in terms of eligibility for the option to defer were first and foremost based on hardship, with a particular focus on small farm businesses on the threshold of decisions in relation to staff levels and staff hours. As outlined in our analysis of the impact of the 2007 Wage Decision in the NFF’s 2008 Submission to the AFPC, the option to defer resulted in a very limited and targeted number of farmers being eligible for the deferral – statistics and survey feedback clearly showed that the measure had saved jobs. The reason for this was that it targeted those farmers who were the hardest hit by the conditions, and had also demonstrated sound
prospects of long-term sustainability. It did not impact on the significant number of farm employers paying above award rates of pay, in particular, in the skilled and managerial roles constituting over two thirds of the industry’s occupations.

4.3 Just as this allowed the minimal number of the most devastated farm employers to maintain levels of employment (although many terminated in any event at the time), rather than terminate employees during the current drought event, The NFF believes that broader wage constraint is even more crucial now, at both a national and industry level. In fact, subsequent to the NFF’s 2007 submissions to the AFPC, the CSIRO sustainable yields audit has stated that “the low run off in the southern most parts of the MDB has an average recurrence interval of over 300 years”.

4.4 The NFF previously reported that approximately 38 per cent of those eligible adopted to defer the increase. Although the sample size is notably small, extrapolating from the total estimated to be eligible of 13,000, this suggests that up to 4,940 (with margin for error both ways) adopted to defer the increase. However, the most important feedback from the surveys were the comments of farm employers, in the NFF’s view.

4.5 Most farmers entitled to constrain wages did not elect to do so, stating:

“My employees are valuable assets to my business and the increase in rate was deserved and I am happy to pay it.”

7 Citation: CSIRO (2008). Water availability in the Murray-Darling Basin.
“No everyone is doing it tough, people we employ also have land and family. Shearers probably wouldn’t shear for any less. Hard enough to get them as it is.”

“We had to pay increase. No choice.”

“Thought it was the right thing to do for my very loyal employees.”

Notwithstanding eligibility many stated they had reduced staff numbers:

“Increased rates for seasonal workers, as we had to let our farm worker go due to drought and we made savings this way.”

“Had employed our son as an apprentice – Put off due to drought but if things were different would pay extra as wage very low for hours worked.”

“There are many alternative places of employment. If we do not pay competitive rates we lose our employees. In Canada for example casual rates are less than $10 per hour. Here they are $17. Internationally we compete on similar markets with our fruit, although at different times of the year.”
“We pay our employees well above award rates. We expect and receive loyalty and good performance. They are happy and so are we. I accept that this may not work at all farm operations.”

“I feel that everybody has the right to a fair and equitable rate of pay. If I wouldn’t work for that wage I will not ask an employee to work for that amount either. Shearing in particular is a case in point. With shearers becoming increasingly hard to get and with nobody taking up the work, we need to encourage people into the industry, looking for savings in other areas.”

4.6 The important message this delivered in reflection of this kind of wage constraint is that where viable prospects for growth exist, it is not in the interests of industry to constrain wages unless necessary, but conversely, the drought across agriculture, and now the global economic conditions, establish a likely and significant inverse relationship between employment and minimum wages, in particular, because of the reliance of a targeted number of the hardest hit small businesses on minimum wages, typically for a temporary period.

4.7 On the other hand, notwithstanding the global financial crisis, the drought, and increasingly expensive water supply related input costs, employment in agriculture has continued to grow. The NFF submits that a great deal of that growth is attributable to the relatively moderate increase in 2007, and in the case of those of the most extreme margins, the option to defer the increase.
4.8 Following the immediate commencement of that decision, the table below indicates that between November 2007 and November 2008, 20,300 additional people were employed in agriculture, forestry and fisheries category of the Australian Bureau of Statistics. The categories of services to agriculture, forestry and fishing is steadily accounted for approximately 15% in the category of Agriculture, Forestry and Fishing, generated by the Australian Bureau of Statistics. The worsening drought conditions since 2007 and in particular the global financial crisis, are the significant contributors to a sudden downturn in employment in the November 2008 to February 2009 quarter, of 1.1% on the previous quarter. However, this is also the first quarter following the requirement that all farmers who deferred the 2007 federal minimum wage and classification increase were required to pay both the 2007 and 2008 increases, representing an immediate increase of $31.92 a week for employees on the minimum wage. Given the high representation of small businesses within agriculture, the impact of this cannot be discounted. The key submission by the NFF in this regard is that the sector is especially sensitive to small, let alone large increases, given the current prevailing economic conditions generally, as well as the more industry-specific drought crisis. Minerals and mining also experienced only its second (but of the two, most significant) downturn in net employment in the most recent quarter, falling by 2,400 or 1.4%, compared to 1.1% within agriculture.

4.9 More specifically services to agriculture dominate an increasing portion of the 15%, reflective of an increase in independent contracting within the industry. They also reflect a response within, as an industry to the increasing and changing needs of the agricultural industry as it faces many global issues at the coalface, not the least of
which is climate variability, and water resource scarcity. For instance, *Lessening the impacts from agriculture* demonstrates a specific yet crucial example of the importance of increasing engagement with those employed in the category of services to agriculture:

Project scientists have begun to quantify water and nitrogen inputs to determine appropriate levels to maintain current yields. Already modeling of these inputs, using a water and nitrogen management model developed through past ACIAR research, has determined that application rates can be significantly reduced. This will help increase available income as less is spent on, as well as reducing excess nitrogen that either leaches into soils as nitrate or forms nitrous oxide.

Working with local farmers, project scientists have also begun to develop an idea of the barriers to adopting water-saving techniques. These, together with economic parameters and nitrogen dynamics, have been incorporated into a conceptual model for water and nitrogen management. The modeling has demonstrated that water use, like nitrogen, can also be reduced without harming yield potential.

4.10 Similarly, farm infrastructure with greater efficiency can reduce water use without reducing yield, in some cases increased water use improves yield, for example, in Almond production. It is important to differentiate between the infrastructure itself and use of that infrastructure (or available water for rain fed systems).

4.11 A significant amount of the capacity to continue growth in employment opportunities within the industry, arises from medium to large farm businesses with the capacity to buffer themselves from these impacts for a greater period of time. Indeed, the severity of the current drought is often contemplated purely on a measure of rainfall.

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8 ABS Year Book Australia 2008
The reality is that the duration of the drought has been just as significant part of its severity.

4.12 Many agricultural businesses taking such measures are still contemplating significant reductions, and in some cases departure from the industry. However, their capacity to invest in interim period is seen in at the very least sustain a marginal profitability. A key component in that investment has been the retention of their valuable labour and skills.

EMPLOYMENT IN AGRICULTURE, FORESTRY AND FISHING, 2001-2008

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<td>Feb-2006</td>
<td>352.6</td>
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<td>Aug-2001</td>
<td>443.6</td>
<td>May-2006</td>
<td>353.4</td>
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9 ABS Labour Force Quarterly, Detailed – Spreadsheet by industry. The February 2009 quarter, released 19 March 2009, shows an anomalous drop in the number employed to 357,300.
November 2001 448.7  August 2006 356.2
February 2002  443.0  November 2006 357.5
May 2002  425.0  February 2007 358.0
August 2002  401.3  May 2007 359.2
November 2002  382.4  August 2007 355.7
February 2003  375.5  November 2007 353.5
May 2003  378.5  February 2008 355.9
August 2003  379.5  May 2008 362.7
November 2003  376.0  August 2008 370.0
February 2004  371.2  November 2008 373.8
May 2004  365.0
August 2004  361.6
November 2004  363.0
February 2005  365.8
May 2005  365.0
August 2005  360.1
November 2005  354.8

4.13 Observation of this growth in employment and agriculture certainly reflects new members of the workforce pursuing employment and careers within the industry for the first time. A significant number would also be those returning to an industry which in many geographical locations, and perhaps in certain commodities is demonstrating longer term prospects – and certainly new an interesting challenges in terms of career paths. On the other hand, it is essential to note the invaluable importance of staff retention in what
appears as an overall net increase in employment in agriculture, without noting the importance of retention in such figures.

4.14 The ABS Year Book Australia 2008\textsuperscript{10} states that agriculture was the industry in which there was the least change the employment, citing the four categories of change as including a change in hours of work, promotion, transfer or changing occupation. The ABS category of Agriculture, Forestry and Fisheries experienced a 17\% change in the nature of one of the four categories constituting a change to employment. Overwhelmingly, associate professionals, trade workers and farm managers represent the greatest numbers employed in agriculture. The ABS reporting on changes to work arrangements notes that 32\% of the workforce experienced one such change. It also notes that of the four categories of change, promotion was the strongest among associate professionals representing 19\% of all change to employment arrangements across the workforce. These broad figures are supportive of the notion that a fund manager is not readily acquired through transferable skills from other industries, but rather, must move through the ranks – it is reflective of the way in which many farmers train their own children in the ways of the business – but is also reflective of the path others entering the industry, indeed like many other occupations must undertake.

\textsuperscript{10} Chapter 8, p240
The above table indicates that over 210,000 people employed in the agricultural industry are employed at the level of a trade worker or above. Those working in trade level positions, and certainly those appointed as farm managers, are frequently played well in excess of not only award and Pay Scale rates of pay, but a rate of pay higher than the average Australian individual income. They have drawn competencies and having travelled their agricultural career paths significantly enough to be both expert, of diverse in their contributions as employees. Whilst at the extreme end, certain farmers may contract option and consequently, reduce the number of staff as a result of the multitude of crises in the broad sense, as well as those unique to the agricultural industry. However, there is also a likelihood that many might seek to rely more heavily on experience staff, whether by further increasing their income and potentially workload, at the cost of entry-level jobs. It was these jobs which were
most protected by even the marginal concession granted to farm employers through the deferral option in the 2007 Wage Decision.

4.16 The *Farmstaff 2008* publication by Holmes Sackett, as well as *Outlook for Australian Agriculture*, published by Skillsinfo, continue to strongly identify the significant impact of the ageing workforce in the agricultural sector. This is an additional factor contributing to the strong likelihood of widespread opportunity for careers in agriculture in the future. In the present climate, this is a curious anomaly. The growth of 20,300 in the category of Agriculture, Forestry and Fishing throughout 2008, despite drought and the early stages of global economic downturn is in stark contrast to recent unemployment figures indicating that 47,100 more people were unemployed in February than in January. ACCI cites this as the largest monthly increase in unemployment in a decade, and cautions that the figures suggested a faster and steeper rise in unemployment than the forecasts of 7% by mid 2010.

4.17 The impact of the 2008 Wage Decision is in some ways difficult to analyse in terms of the formal statistics presently available. By way of observation, by far the most significant increases to employment in agriculture took place in the two quarters centred between the commencement and cessation dates of the 2007 wage decision, including the option to defer the increase.

4.18 In February 2009, Prime Minister Kevin Rudd called upon Australians to acknowledge the importance of constraining wage expectations. The NFF supports this call, in particular from the unique perspective of agriculture. In doing so, the NFF again reiterates importance of differentiating minimum wage is from actual market rates of pay. A
significant proportion of those employed in agriculture at trade workers or farm managers. At the trade level, very few wool producers would report successfully engaging a shearer by merely paying the award rates of pay. Farm managers frequently earn in excess of $100,000 per annum taking into account entire salary packaging. The ABS statistics on changes to employment arrangements further strengthen the argument that these classes of worker are usually untouched by movements of the minimum wage, and in many cases are entirely unaffected by the decision. In particular the NFF reiterates that of the 32% of the workforce who experienced one of the categories of change contemplated by the labour force research 19% was accounted for by promotions to associate professionals.

4.19 In investigating the impact of the 2008 Wage Decision, and indeed the likely impact of the 2009 Wage Decision, the most crucial analysis must take place in respect of those likely to be embarking on their first, or a fresh career path. Entry level work provides opportunity, sustains and grows industry and is fertile ground to training and human resource development. It is also the most likely kind of work to which minimum wages apply. The drought conditions underpinning the decision to grant the option for eligible drought affected farmers to defer the 2007 Wage Decision made a significant difference, albeit for a small, targeted number of farmer employers in determining their capacity to ultimately retain staff who would otherwise have lost their employment. That drought has certainly not abated since that time but rather, has continued to manifest itself throughout the agricultural industry. Adding to this even a slight impact on the global financial circumstances at present, farm employment is exponentially jeopardised at the present time.
4.20 The growth in overall agricultural employment should rightfully be correlated to the moderate increase of the 2007 Wage Decision, coupled with a strong history of retaining staff within the industry, the potential for growth and the importance of sourcing new labour at the entry level of the workforce. The final quarter in which this increase of 20,300 took place saw a steep reduction in the level of that increase, and followed the announcement of the 2008 Wage Decision. The NFF will endeavour to monitor server and better statistical information and analyses when and as they are to hand, ahead of the 2009 Wage Decision.
Minimum Wages

5. THE FEDERAL MINIMUM WAGE

5.1 The Act arguably best defines the nature of the federal minimum wage in s 23, which articulates the parameters for minimum wage fixing:

The objective of the AFPC in performing its wage-setting function is to promote the economic prosperity of the people of Australia having regard to the following:

(a) the capacity for the unemployed and low paid to obtain and remain in employment;

(b) employment and competitiveness across the economy;

(c) providing a safety net for the low paid;

(d) providing minimum wages for junior employees, employees to whom training arrangements apply and employees with disabilities that ensure those employees are competitive in the labour market.

5.2 Subsections (a) and (b) are arguably facets, albeit not the only components are ensured a safety net for the low paid. The NFF hs made submissions that the state of agriculture, whilst facing both global concerns in addition to unique issues to the industry, is resilient and has the capacity to provide the important opportunities specifically referred to in these subsections. Subsection (a) speaks of
the capacity of the low paid to obtain and remaining work – the NFF submits that this is inextricably linked to the capacity of employers to maintain viable roles, in particular at the junior level. The survey material provided to assist the AFPC in relation to the 2008 Wage Decision indicated that of approximately 14,000 farmers eligible to defer the increase at all looked and then in the 2007 Wage Decision, less than a third chose to exercise that option. Overwhelmingly, farm employers indicated the importance of their human resources, most frequently referencing those at the trade level or above, such as farm managers. Out of the respondents indicated they did exercise the option to defer the increase, the vast majority quite clearly stated that his marching orders that increase was, they would have reduced employment hours for many staff or indeed terminated employees. As indicated earlier in this submission, a likely response in middle sized farm businesses might be to increase pay rates and/or the workloads of mid-level or senior employees at the expense, at least in the short term, of retaining them engaging junior or general staff. The NFF submits that such staff are exactly those envisaged by s 22 (a) and (b) of the Act.

5.3 The unequivocal intention of these parameters is to secure the well being of employees and employers through economic strength. Arguably, the merit of this approach has never been more crucial in view of global economic conditions.
5.4 The ILO treats the function of minimum wage fixation similarly:\(^{11}\):

**Article 3**

The elements to be taken into consideration in determining the level of minimum wages shall, so far as possible and appropriate in relation to national practice and conditions, include--

(a) the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups;

(b) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.

5.5 Modern wage fixing has steadily progressed away from an adversarial process in favour of a broader, more inclusive approach reflected by the consultative approach of the AFPC in its wage reviews, which has been embraced in the frameworks underpinning FWA’s conduct of the

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\(^{11}\) C131 Minimum Wage Fixing Convention, 1970
process. The conduct of reviews itself has assumed an increasingly balanced approach focusing on mutual wellbeing, rather than consideration weighted by notions of competing interests. Whilst not binding on the AFPC, the *Fair Work Bill* establishes the minimum wages objective as follows:

\[(1)\text{ FWA must establish and maintain a safety net of fair minimum wages, taking into account:}\]
\[(a)\text{ the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth; and}\]
\[(b)\text{ promoting social inclusion through increased workforce participation; and}\]
\[(c)\text{ relative living standards and the needs of the low paid; and}\]
\[(d)\text{ the principle of equal remuneration for work of equal or comparable value; and}\]
\[(e)\text{ providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability.}\]

This is the *minimum wages objective*.

5.6 With regard to both the current legislation, international standards and a clear direction in terms of the Federal Government’s reforms, we see a clear intention that the capacity to work is a core element of the greatest societal safety net for the low paid. Quite arguably the consistency in terms of strengthening this core element into modern wage fixing principles builds upon long-standing advocacy before the AIRC which at times sought to pit the benefit of the individual against that of the economy or business, as if the benefits were mutually exclusive. The most notable message emanating from the survey responses received by the NFF in relation to whether farm employers opted to defer the 2007 increase, was that rural Australia see the drought in terms of its effect on the entire community not just farmers. This is only further supported by agricultural employment
experiencing the least change in working conditions. *FarmStaff 2006* and *FarmStaff 2008* both support the assertion of ongoing staff retention within the industry.

### 6. ANALYSIS OF BROAD SAFETY NET POLICY

6.1 Subsections (c) and (d) of the Act invite the AFPC to contemplate broader safety net measures as they interact with the minimum wage fixing function. This is consistent with Article 3 (a) of the ILO convention on minimum wages, which states that the fixation of minimum wages must contemplate Social Security benefits. The recent economic stimulus package announced by the Federal government contains a raft of such important benefits in response to the global economic crisis. In these submissions the NFF seeks to contemplate these benefits in the context of how they interact with the minimum wage level, rather than to explore or comment on the package as a whole. In recent months, a large number of pensioners have received important additional funds to assist with the cost of living, and other essential costs, widely regarded as fundamental to any notion of a safety net. More recently those earning up to $100,000 per annum became eligible on a tiered basis, for a payment of $900. Even in cases where income earners have an effective marginal tax rate which is low, is payment is higher than any recent wage increase. Further, it goes beyond simply assisting minimum wage earners by recognising the difficulties facing middle Australia. Although similar grants have been awarded to around 15% of farmers who are drought-affected, this is unlikely to significantly change their position as it is absorbed into pre-existing debt, higher input costs (for
example feed and shipping costs and the vast increases to the price attaching to water access.

6.2 In addition to these once of payments, the 2009 Australian budget includes $46.7 billion of personal income tax cuts over four years. This includes increasing the 30 per cent threshold from $30,001 to $34,001 and increasing the low income tax offset from $750 to $1,200; $4.4 billion for an Education Tax Refund for children’s education; the Child Care Tax Rebate will be increased from 30 to 50 per cent and paid quarterly at a cost of $1.6 billion. These measures have a broad target range, but certainly focus strongly on the low paid and unemployment, through investment in education and training. The focus on working families is also overwhelmingly clear in the 2009 Australian Budget, the Economic Security Strategy and this years additional economic stimulus package.

6.3 These measures stem from the two stimulus-driven strategies of the Federal Government, the $10.4 billion Economic Security Strategy announced in late 2008, which also included significant increases to benefits such as the First Home Buyers Grant and grants of up to $1,000 for approximately four million children.

6.4 The second component of the broad policy announced by Government was the $42 billion economic stimulus package, which initially proposed $12.7 billion for immediate one-off payments to working Australians targeting families with school-age children, students and single income families among others, $14.7 billion of investment in school infrastructure and maintenance the acceleration of funding for trade training centres, $6.6 billion of funding for national, public and community housing by about 20,000, $3.9 billion to provide free
insulation to 2.7 million homes and solar hot water rebates, $890 million to conduct critical repairs to regional roads, to install railway boom gates and for regional and local government infrastructure, and $2.7 billion small and general business tax break to provide deductions for some equipment purchases before the end of June 2009. The measures of both strategies overwhelmingly target the immediate and critical needs of the low paid and indeed unemployed.

6.5 The NFF launched a discussion paper in 2008 to explore the potential to develop its Pastoral Partnerships Project, drawing on a host of different institutions organisations industry representatives and specialists to improve the capacity of these people participate in industry which in many instances has a large range of opportunities not just for employment, but long-term career paths. The medium to large farm employers within the industry have particular capacity to engage and train staff notwithstanding the current economic conditions. Smaller farmers require staff and can certainly offer similar opportunities, however, in the current climate are extremely sensitive to wage increases in making the decision to retain or engage staff, particularly at junior and trainee levels.

6.6 In March 2009, the Federal government announced the Employer Broker programme aimed at improving participation in a similar way, through targeting specifically vulnerable jobseekers, as well as industries with the most notable shortfalls of labour and skills. Treasurer Wayne Swan highlighted the broadly important measures of investment and policy focus of re-engaging staff out of work in his address to the London School of Economics in March 2009, stating that “[F]or those people who, through no fault of their own, are unable to gain or retain work during the economic slowdown, the Government is investing in a range of measures to help them improve their skills.”
6.7 The NFF submits that the broad safety net has never been stronger in terms of the nature and quantum of assistance being targeted towards the low paid, unemployed and working families, at a time when Australia's minimum wage is almost the highest across OECD countries and indeed the world, with regard to purchasing power parity. The relative focus on the role of business is a worthy analysis to conduct, in particular in the context of minimum wage fixing. Notwithstanding the spectrum of thought on strategies at a global, national and industry level to combat current conditions, there is broad consensus that promoting jobs and stimulating employment as one of, if not the pillar of sustenance and recovery from the crisis, and indeed in the case of agriculture, the severe drought.

7. 2009 WAGE DECISION

7.1 The NFF submits that Australian agriculture and rural communities are exponentially sensitive to job losses, and refers to the positive advantages of wage constraint for the industry in the 2007 Wage Decision. Since then, sporadic reports of improved conditions have been limited. In many cases, water allocations have been drastically reduced throughout 2008 as a longer-term consequence of the recent drought. In this regard, conditions in many regions and sectors of agriculture are considerably worse than in 2007.

7.2 There is great potential for ongoing opportunities, not just in terms of immediate employment, but long term career paths. The NFF has driven strong policy initiatives in recent years to attract more Australians as trainees and to develop skilled and professional Australian workers within the industry. The industry has
demonstrated that it retains its staff, and for good reason – it sees the value and importance of the agricultural workforce. Conversely, it has invested in better training, on farm or formally, for those willing to recognise the tangible value of such opportunity.

7.3 The global economic crisis will continue to impact on the world economy, that of Australia and indeed agriculture. Whether the direct consequences of financial meltdown impact on farm employers, or whether they are cautious and restrained in observing the consequent volatility, the NFF submits that the 2009 Wage Decision must have particular regard to the job losses, in particular, for entry level (and typically, the low paid) employees, which will occur within the sector.

7.4 Where domestic demand for Australian agricultural produce is sustained or increased, this will in the medium term, possibly lead to better prices of essential items for which demand is relatively insensitive, notwithstanding financial circumstances. Coupled with the benefit of the stimulus package, and the offer of opportunities to work in agriculture, the NFF is concerned that the 2009 increase will negatively counter these measures of safety net and fundamental assistance to those envisaged by section 22 of the Act. This is strongly influenced by changes in the product consumption mix particularly likely to alter among the low paid, for example, in dairy consumption (such as high-end cheese) and beef, where premium cuts will be substituted with more staple meat products.

7.5 Given the strong reliance on exports within the agricultural industry, the increase in global protectionist measures, whether in the short or long term, is likely to have a particularly negative impact on agricultural production, particularly in the dairy industry.
7.6 The nature of modern agriculture has seen many small, family-owned farms progress and develop into medium-sized corporate operations. Notwithstanding this, the significant majority remain small businesses with an average of around two to three employees. Whether simply on account of implementation, or driven by the substance of current legislative reforms in the area of workplace relations, there are widespread concerns that deregulation of workplace arrangements will give rise to costs predominantly borne by small businesses, not the least number of which lie in the agricultural industry. Suffice to say that the moderate amendments sought by numerous Members of Parliament and Senators to the *Fair Work Bill* have identified this critical concern. The NFF seeks to alert the AFPC of these pressures, likely to prevail in particular on agriculture, without entertaining broad debate on those reforms.

7.7 In the current economic climate, where jobs-driven recovery is the focus of considerable investment in training and the re-entry of redundant workers to the workforce, it is essential to note that the capacity of employers to create jobs is the fundamental precondition of such policy response – in particular, those likely to reduce staff numbers or cease business altogether. Similarly, the global and Australian policy measures seek to ensure temporary but significant assistance, arguably more substantive in tangible terms than any annual wage increase in recent years, will not provide a solution to the crisis unless the capacity of employers to retain and expand their workforces assumes a paramount focus. For this reason, the current legislation, ILO standards, and proposed reforms all explore the capacity of the low paid to obtain or remain in work as a paramount consideration in wage setting principles – this implicitly involves
ensuring that businesses can deliver those jobs, rather than reduce positions available.

7.8 The agricultural industry continues to demonstrate resilience and growth, if not prospects for growth. The drought conditions are demonstrably worse, with regard to the length, as well as severity of the drought. Recovery has been confined to a sparse number of regions and even in those cases, does not represent a sound base to assert a medium-long term emergence from drought. This has been exacerbated by the global financial crisis across the economy, and as it has impacted upon agriculture specifically. Throughout the global economic turmoil, major flooding has impacted upon the sector in 2009 and indeed recent years, and the February 2009 bushfires have taken a significant toll on many Australians, in particular, regional Australia and farming families.

7.9 The NFF seeks the AFPC to refrain from granting any increase to the Standard Federal Minimum wage in its 2009 Wage Decision. Agriculture as an industry has had a longstanding and unique interrelationship with the rest of the national economy. The impact of any increase across all industries nationally will have a significant impact on levels of employment. In making this submission, the NFF has broad regard to market confidence and the volatile climate, as much as it contemplates the dollar impacts on employers. Both of these may impact on decisions to engage new staff, or to retaining existing workers.

7.10 The NFF’s paramount submission to the AFPC is that agriculture, and the existing and future jobs it has the potential to sustain and deliver, does not have the capacity to pay any increase without consequences
on the low paid or unemployed. In this regard, the NFF seeks the AFPC to refrain from increasing agricultural pay scales whatsoever, in its 2009 Wage Decision.