



**National  
Farmers  
Federation**

## **Annual Wage Review 2019/20**

### **Submission to the Fair Work Commission**

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27 March 2020

# NFF Member Organisations





The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

# Statistics on Australian Agriculture

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Australian agriculture makes an important contribution to Australia's social, economic and environmental fabric.

## **Social >**

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There are approximately 85,000 farm businesses in Australia, 99 per cent of which are wholly Australian owned and operated.

## **Economic >**

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In 2018-19, the agricultural sector, at farm-gate, contributed 1.9 per cent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2018-19 is estimated to have reached \$62.2 billion.

## **Workplace >**

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The agriculture, forestry and fishing sector employs approximately 318,600 people, including full time (239,100) and part time employees (79,500).

Seasonal conditions affect the sector's capacity to employ. Permanent employment is the main form of employment in the sector, but more than 26 per cent of the employed workforce is casual.

## **Environmental >**

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Australian farmers are environmental stewards, owning, managing and caring for 51 per cent of Australia's land mass. Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 7.4 million hectares of agricultural land set aside by Australian farmers purely for conservation/protection purposes.

In 1989, the National Farmers' Federation together with the Australian Conservation Foundation was pivotal in ensuring that the emerging Landcare movement became a national programme with bipartisan support.

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## Executive Summary

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The NFF wholly supports the principle that every working Australian should have the opportunity to earn a fair and liveable minimum wage.

Farming employs approximately 228,372 Australians<sup>1</sup>, all of whom depend on their employment in the sector in part, or entirely, for their income. The agriculture sector also provides the vast majority of Australia's domestically consumed food and fibre<sup>2</sup>, and so it is therefore doubly imperative that minimum wages strike a balance between supporting this workforce and what is financially sustainable for businesses.

Australian farms currently face serious adverse conditions that threaten productivity and business sustainability. These include uncertain market conditions, faltering economic growth, and an unprecedented series of social and environmental crises. Specific events that have had an impact on the sector include the ongoing drought<sup>3</sup>, the catastrophic Summer bushfires<sup>4</sup>, and the currently unfolding COVID-19 pandemic<sup>5</sup>. These factors have contributed to an environment of deep uncertainty and created additional and compounding financial pressures that have left many farm businesses highly vulnerable to further disruption.

It is also important to note the fact that workforce costs make up a very significant proportion of total expenditure for agricultural businesses. This is particularly true for horticultural producers, for whom labour expenses account for up to 70% of production costs<sup>6</sup>.

In this submission to the 2019/20 Wage Review, the NFF calls for the current minimum wage level to be maintained in order to minimise the financial pressure on agricultural businesses. This will provide affected farms with some time and capacity to recover from recent adversity and protect the productivity and viability of the agricultural sector.

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<sup>1</sup> ABARES, *Snapshot of Australia's Agricultural Workforce* - <https://www.agriculture.gov.au/abares/publications/insights/snapshot-of-australias-agricultural-workforce>

<sup>2</sup> Department of Agriculture, *Food* - <https://www.agriculture.gov.au/ag-farm-food/food>

<sup>3</sup> ABARES, *Agricultural Overview – September 2019* - <https://www.agriculture.gov.au/abares/research-topics/agricultural-commodities/sep-2019/agriculture-overview>

<sup>4</sup> ABC News, 'Farmers recount heartbreaking toll of bushfire livestock losses' - <https://www.abc.net.au/news/2020-01-07/farmers-recount-heartbreaking-toll-of-bushfire-livestock-losses/11844696>

<sup>5</sup> NFF, 'Farm sector braces for coronavirus impact' - <https://nff.org.au/media-release/farm-sector-braces-for-coronavirus-impact/>

<sup>6</sup> CSIRO Data61, *The Future of Australia's Agricultural Workforce* - <https://data61.csiro.au/en/Our-Research/Our-Work/Future-Cities/Planning-sustainable-infrastructure/Future-of-Australias-agricultural-workforce>, p18

## Minimum Wages Framework

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Our vision for Australian agriculture is to become a \$100 billion industry by 2030. The sector is a source of strength in the Australian economy, positioned to capitalise on growing global demand for safe, high quality food and fibre over coming decades. To achieve our vision, the sector needs regulatory and public policy conditions that foster growth and productivity; innovation and ambition. This includes a fair and competitive minimum wage. The NFF recognises that minimum wages are an important element of a free and fair society. Australian minimum wages are very high by international standards<sup>7</sup>, but so too is our standard of living, the cost of which increases steadily each year with very few exceptions.<sup>8</sup> The long-term challenge before us is to preserve fairness for both employers and employees while encouraging job creation and sustainable growth. In the short-term, we must seek to shield agricultural businesses from further, potentially damaging financial pressures that could potentially frustrate efforts to maintain domestic production of food and fibre during a time of crisis.

We recognize that the national minimum wage is a central financial support mechanism for working families. In addition to tax relief, childcare subsidies, and other welfare mechanisms<sup>9</sup>, the minimum wage helps to guarantee financial security for those who need it most. Most employees are covered by modern awards, supplementing the National Employment Standards. The wages of entry level employees are set at the national minimum wage in many modern awards, with other employees paid higher wages according to their level of responsibility, skill and experience. The *Fair Work Act 2009* provides that enterprise agreements can never offer wage levels that are lower than those set by modern awards.<sup>10</sup>

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<sup>7</sup> OECD, *Unit labour costs and labour productivity (employment based), Total economy*.  
<https://stats.oecd.org/Index.aspx?DataSetCode=RMW>

<sup>8</sup> Australian Bureau of Statistics, *6467.0 - Selected Living Cost Indexes Australia*, Dec 2018.  
<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6467.0>

<sup>9</sup> Services Australia, 1 Feb 2019 - <https://www.servicesaustralia.gov.au/>

<sup>10</sup> Fair Work Act 2009, s.206

A complex web of support mechanisms means that changes to the minimum wage are only one part of the approach to social equity in Australia. Professor John Freebairn, the Ritchie Chair in Economics at the University of Melbourne, has commented that:

*“Modern Australia with its progressive income tax and social security systems has more direct and effective instruments to address society equity objectives than the minimum wage instrument.”<sup>11</sup>*

This is not to say that the minimum wage is not a significant instrument in the pursuit of social equity objectives, but it is only one tool amongst many. It also has greater potential to place an immediate burden on vulnerable businesses, with limited scope to be applied discriminately.

There are clear economic advantages to increased employment participation. Specific benefits include heightened productivity, reduced strain upon the social welfare system, a stimulated local economy and a wider market for primary producers<sup>12</sup>. We submit that current levels of youth unemployment and underemployment are still too high, although there are positive signs that this is changing.<sup>13</sup> Encouraging job creation should be at the centre of any consideration of minimum wage levels. The needs and circumstances of those who find it more difficult to gain employment (e.g. young people preparing to enter the workforce, older workers and people with disabilities) should therefore be prioritised so as to improve these groups’ access to viable work.

Once again, these considerations must be balanced against the need for a fair and livable minimum wage that accounts for relevant indicators of economic vitality, as well as more immediate matters of national interest.

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<sup>11</sup> Freebairn J, *Evaluating Reforms of Workplace Relations* (submission to the Productivity Commission inquiry into the workplace relations framework), 3 Feb 2015.

<sup>12</sup> Coombs HC, *From Curtin to Keating: The 1945 and 1994 White papers on Employment, A Better Environment for Human and Economic Diversity?*, 1994. <https://openresearch-repository.anu.edu.au/bitstream/1885/47102/3/FromCurtintoKeating2.pdf>

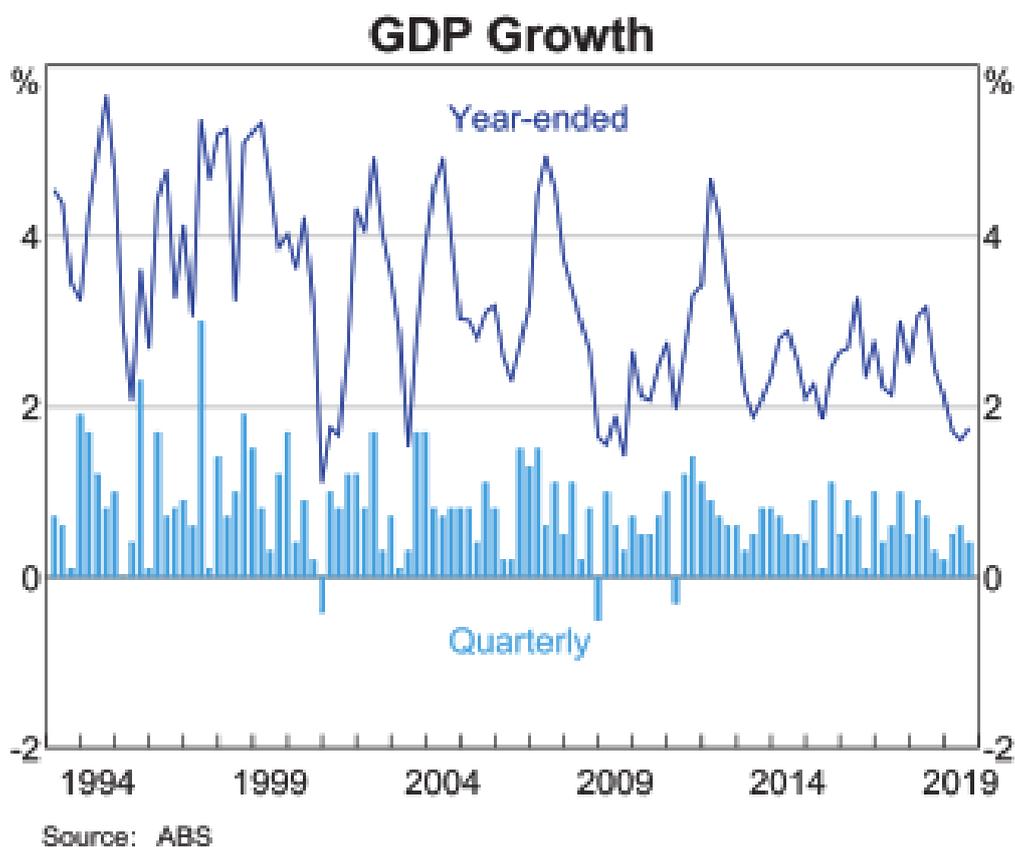
<sup>13</sup> Australian Bureau of Statistics, *Cat 6202 - Labour Force, Australia*, May 2018, [http://www.ausstats.abs.gov.au/ausstats/meisubs.nsf/0/4A6AF94624BEB836CA2582AB0016949D/\\$File/62020\\_may\\_2018.pdf](http://www.ausstats.abs.gov.au/ausstats/meisubs.nsf/0/4A6AF94624BEB836CA2582AB0016949D/$File/62020_may_2018.pdf)

## Economic Outlook

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In considering the broader economic outlook for Australia, it is important to consider both the long-term outlook for Australia's economic prospects (based on the latest reliable figures) as well as the economic impact of more immediate, acute factors – particularly the projected impact of the COVID-19 novel coronavirus pandemic<sup>14</sup>.

The most recent quarterly assessment by the RBA indicated low-to-moderate growth in GDP over the September and December quarters<sup>15</sup>.



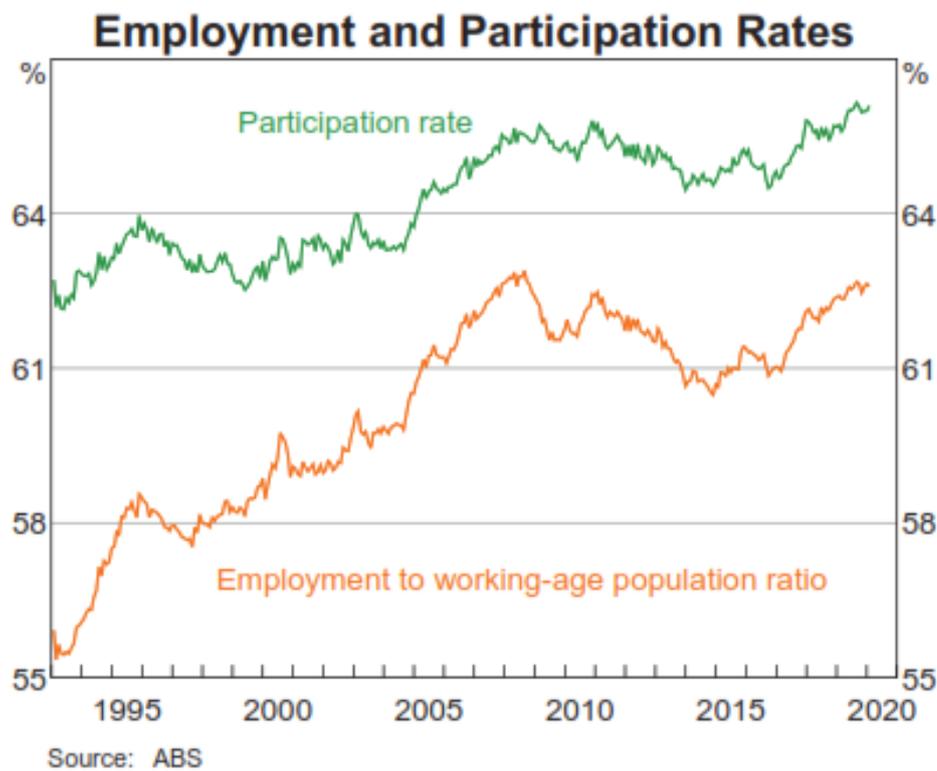
RBA, *The Australian Economy and Financial Markets- Chart Pack March 2020* - <https://www.rba.gov.au/chart-pack/>

<sup>14</sup> Note that the broader, significant effect on agriculture of the COVID-19 novel coronavirus pandemic, in addition to the impact of other recent events, are considered under the heading 'Key Pressures on the Agriculture Sector'

<sup>15</sup> Reserve Bank of Australia, *Statement on Monetary Policy – February 2020* - <https://www.rba.gov.au/publications/smp/2020/feb/pdf/statement-on-monetary-policy-2020-02.pdf>, p72

This was balanced against optimistic projections for stronger growth over the next two years<sup>16</sup>. Estimations were for 2.75% over 2020 and 3% over 2021<sup>17</sup>.

Employment rates have continued to increase at 2.1% over 2019, although the December quarter saw an increase of just 0.3% leaving unemployment at 5.1% by the end of that month<sup>18</sup>.



RBA, *The Australian Economy and Financial Markets- Chart Pack March 2020* - <https://www.rba.gov.au/chart-pack/>

Unemployment was projected to continue to decline before reaching around 4.75% in 2021<sup>19</sup>.

Household income had grown, albeit weakly, with lingering uncertainty for future growth<sup>20</sup>.

CPI inflation saw a moderate rise of 1.8<sup>21</sup>.

<sup>16</sup> Reserve Bank of Australia, *Statement on Monetary Policy – February 2020* - <https://www.rba.gov.au/publications/smp/2020/feb/pdf/statement-on-monetary-policy-2020-02.pdf>, p72.

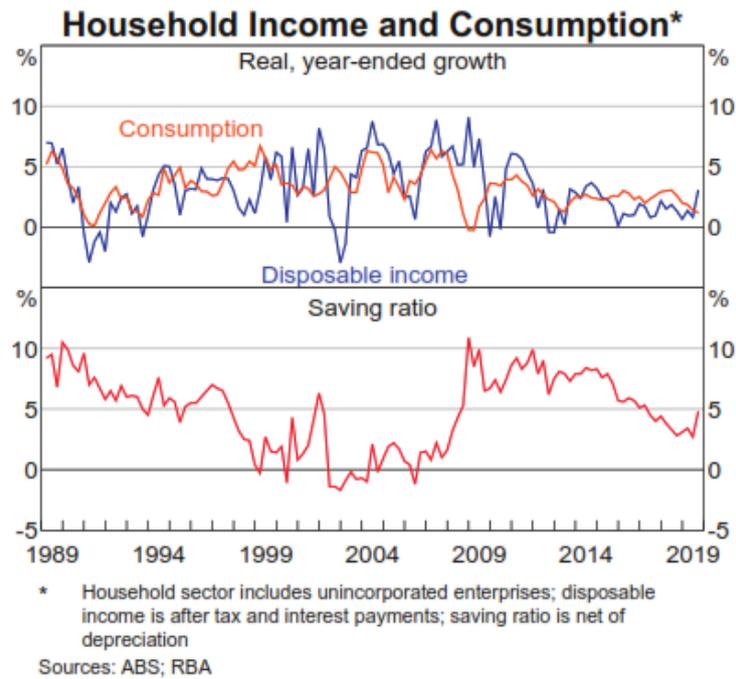
<sup>17</sup> Ibid.

<sup>18</sup> Ibid., p32

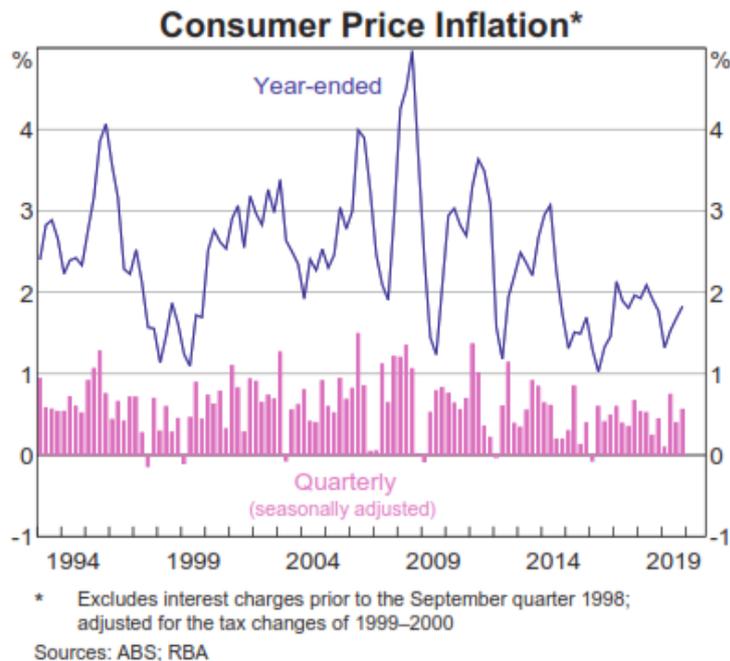
<sup>19</sup> Ibid., p2

<sup>20</sup> Ibid., p27

<sup>21</sup> Ibid., p2

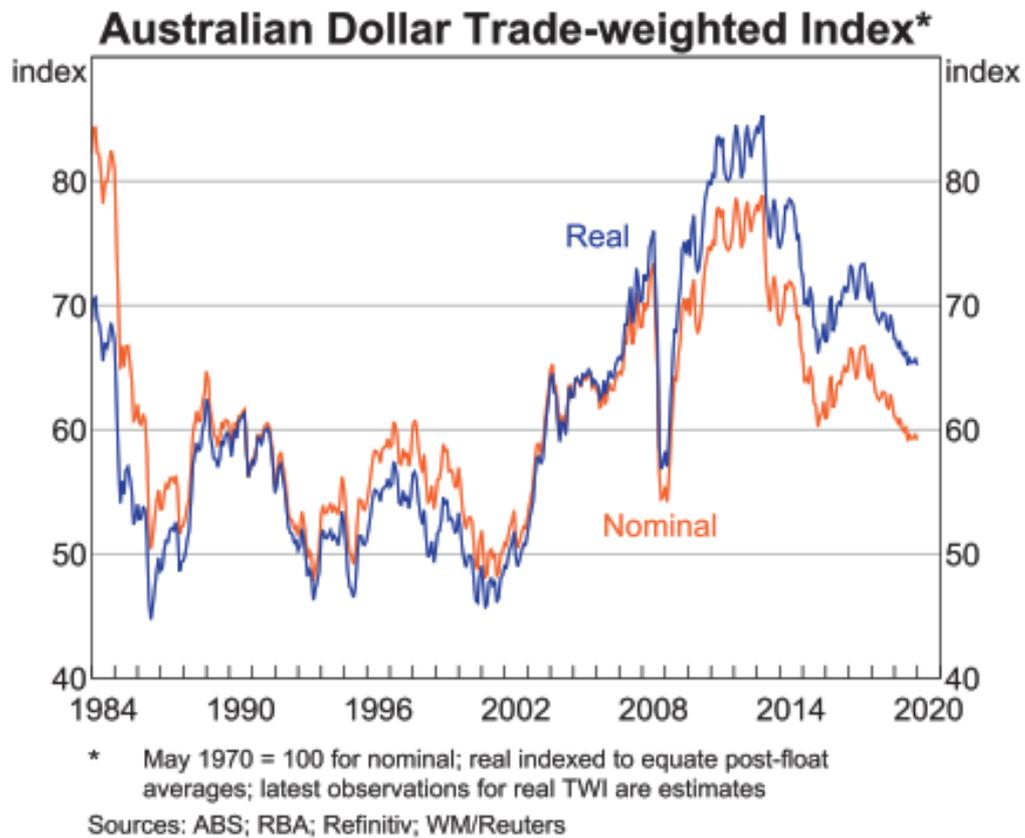


RBA, *The Australian Economy and Financial Markets- Chart Pack March 2020* - <https://www.rba.gov.au/chart-pack/>



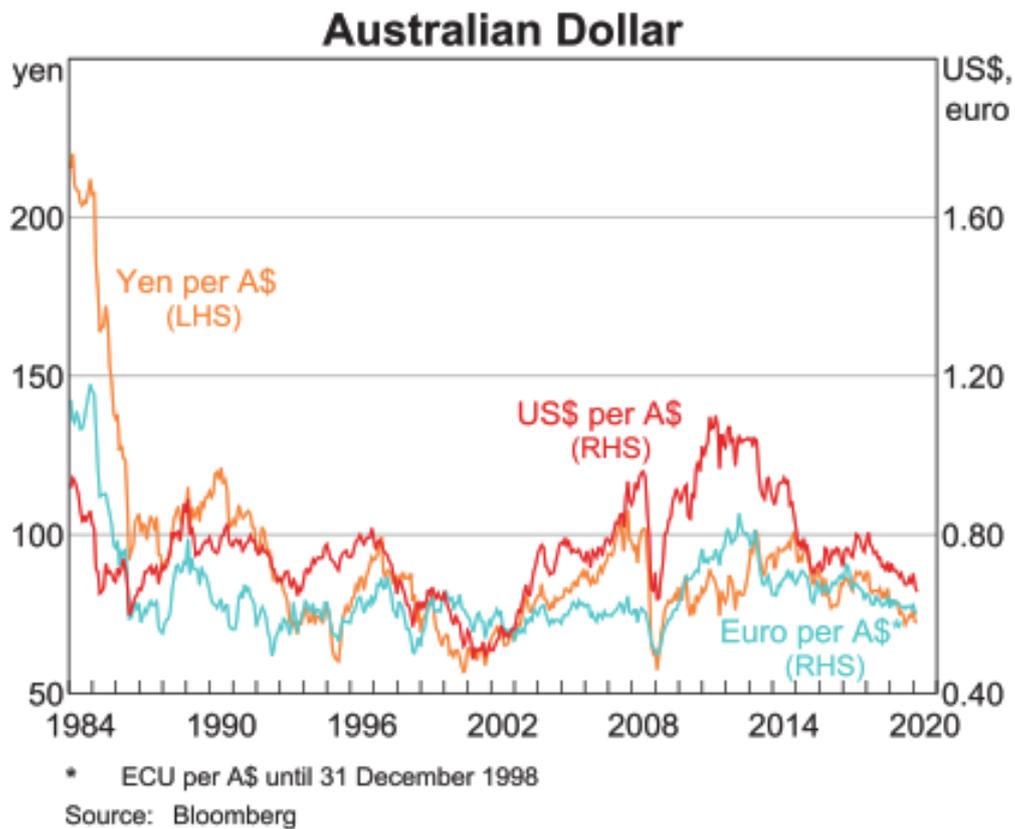
RBA, *The Australian Economy and Financial Markets- Chart Pack March 2020* - <https://www.rba.gov.au/chart-pack/>

The Australian dollar has continued to depreciate, having fallen by 6% on a trade-weighted basis since 2018, arriving at its lowest level since 2009 by February 2020<sup>22</sup>.



RBA, *The Australian Economy and Financial Markets- Chart Pack March 2020* - <https://www.rba.gov.au/chart-pack/>

<sup>22</sup> Reserve Bank of Australia, *Statement on Monetary Policy – February 2020* - <https://www.rba.gov.au/publications/smp/2020/feb/pdf/statement-on-monetary-policy-2020-02.pdf>, p53



RBA, *The Australian Economy and Financial Markets- Chart Pack March 2020* - <https://www.rba.gov.au/chart-pack/>

Terms of trade reflected a slight increase, with expectations of a decrease in the near-term due to lower commodity prices reflecting the early impact of the COVID-19 outbreak<sup>23</sup>.

<sup>23</sup> Reserve Bank of Australia, *Statement on Monetary Policy – February 2020* - <https://www.rba.gov.au/publications/smp/2020/feb/pdf/statement-on-monetary-policy-2020-02.pdf>, 53



RBA, *The Australian Economy and Financial Markets- Chart Pack March 2020* - <https://www.rba.gov.au/chart-pack/>

The figures above reflect the latest analysis by the RBA *prior* to COVID-19 being deemed a pandemic and prior to the arrival of a more sophisticated understanding of the viruses' full impact on world economies. This impact, in addition to that of other significant recent events, will be considered in detail below.

## Key Pressures on the Agricultural Sector

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In our submission to the wage review last year, the NFF considered environmental factors that threatened to disrupt productivity and inflict financial harm on agricultural businesses. This included the impact of ongoing drought, floods, and bushfires.

The adverse influence of these factors continues to affect the sector, with the 2019-20 Summer bushfires standing out as a particularly visible recent example. A number of producers were severely affected by local damage and disruption from smoke and fire – particularly in the case of livestock producers within heavily impacted areas<sup>24</sup>.



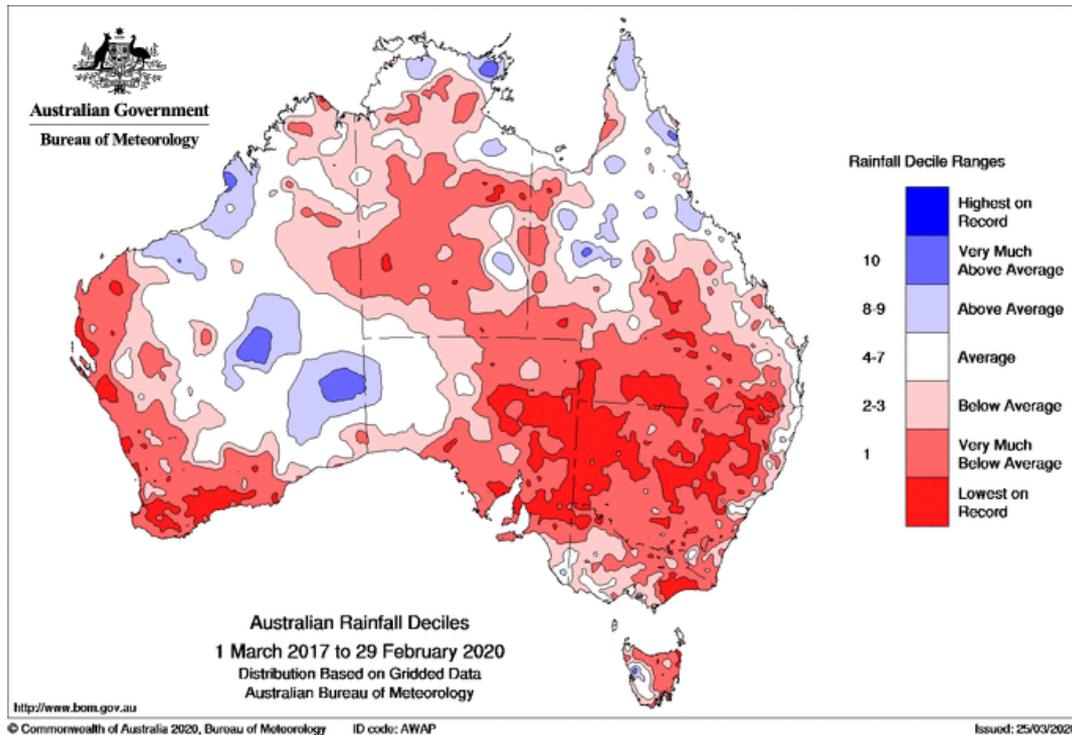
ABC News - <https://www.abc.net.au/news/2020-01-07/cattle-dead-1/11844798>

The broader environmental impact of drought and increasing frequency of severe natural disasters like fires, flooding and tropical cyclones pose a major disruptive challenge to the future of Australian agriculture. In our submission for the 2018-19 Wage Review, the NFF highlighted the significant negative impact of drought conditions on the 2018-19 Eastern winter crop, milk and wool production, and live animal exports. In addition to this, extreme

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<sup>24</sup>ABC News, 'Farmers recount heartbreaking toll of bushfire livestock losses' - <https://www.abc.net.au/news/2020-01-07/farmers-recount-heartbreaking-toll-of-bushfire-livestock-losses/11844696>

flooding in Queensland had a major impact on the value of livestock exports in that State. Despite this, and despite more recent, isolated rainfall events across South-East NSW, the previous 36 months from March 2017 to February 2020 remains the driest such period on record for the Murray-Darling Basin and NSW<sup>25</sup>.



Bureau of Meteorology, *36-Month Rainfall Deciles, 1 March 2017 to 29 February 2020* - <http://www.bom.gov.au/climate/drought/#tabs=Rainfall-tracker>

The NFF stresses that these and similar environmental crises will continue to have a serious, destabilising impact on farmers’ ability to rely upon consistent seasonal conditions. Without swift and decisive action to address causative factors of climate change and provide assistance to industry in adapting to a new and unpredictable status-quo, the productivity outcomes of agriculture will continue to suffer as a result of these factors. Such adverse conditions only serve to compound and aggravate the existing pressures of high labour costs and a mediocre economic outlook.

The impact of the COVID-19 novel coronavirus epidemic poses a very serious, imminent threat to the productivity and financial stability of the agricultural sector. The spread of the virus has

<sup>25</sup> Bureau of Meteorology, *Drought – Rainfall deficiencies and water availability* - <http://www.bom.gov.au/climate/drought/#tabs=Drought>

derailed the ordinary course of international trade and transit, and it is rapidly developing into a public health and economic crisis for the countries that have been most-affected. Though the full consequences of the pandemic for Australia's economic stability are not yet fully understood, a number of very serious concerns have already been identified, including:

1. Direct impacts on production;
2. Supply chain and market disruptions; and
3. Financial impact on firms and financial markets<sup>26</sup>

The NFF has been aggressively working to identify and develop solutions to issues arising from the spread of the virus that will specifically affect agriculture, but the situational environment remains uncertain with a wide range of variables and potential outcomes dependent on the actions of Government and the nature of the public response to the crisis. The specific pressures that we anticipate the agriculture will be forced to reckon with as a result of the COVID-19 epidemic include:

- Constraints on exports;
- Restricted supply chains;
- Major reductions in migrant workforce numbers; and
- Limited access to essential crop-protection products.<sup>27</sup>

We anticipate that the scale and breadth of the pandemic means that it will have very serious consequences for communities within Australia and the health of both the domestic and global economies over the coming months.

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<sup>26</sup> Deloitte, 'The economic impact of COVID-19 (novel coronavirus)' - <https://www2.deloitte.com/us/en/insights/economy/covid-19/economic-impact-covid-19.html>

<sup>27</sup> NFF, 'Farm sector braces for coronavirus impact' - <https://nff.org.au/media-release/farm-sector-braces-for-coronavirus-impact/>

## **Proposed Action**

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In light of less than favourable economic conditions as of the RBA's last quarterly assessment and a deeply uncertain future outlook due to environmental factors and the COVID-19 pandemic, the NFF recommends that the minimum wage be maintained at current levels until conditions have stabilised and the level of financial risk for agricultural businesses has decreased.