



**National  
Farmers  
Federation**

## **Annual Wage Review 2020/21**

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

Prepared by Thomas Cullen

31 March 2021

# NFF Member Organisations



CANEGROWERS





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.

## Contents

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NFF Member Organisations .....	<b>Error! Bookmark not defined.</b>
Contents .....	5
Executive Summary.....	6
Minimum Wages Framework.....	8
Economic Outlook .....	11
The Impact of COVID-19 on the Agricultural Sector.....	17
Proposed Action.....	22
Conclusion.....	26

## 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.

Australian farms employed 326,000 workers on average during 2018-19, including full-time, part-time, casual and contract employees, all of whom depend on their employment in the sector for their income<sup>1</sup>. 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 over consecutive years. Specific events that have had an impact on the sector include a lengthy and significant period of drought affecting much of regional Australia (this has eased in some areas, but continues in others)<sup>3</sup>, the catastrophic 2020 Summer bushfires<sup>4</sup>, and the ongoing COVID-19 pandemic and its domestic and international consequences<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 critical to note that workforce costs make up a very significant proportion of total expenditure for agricultural businesses (in some cases, it

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<sup>1</sup> <https://www.agriculture.gov.au/abares/products/insights/snapshot-of-australian-agriculture-2021#employment-on-australian-farms-is-significant-and-varies-throughout-the-year>

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

<sup>3</sup> BOM, *Drought – Rainfall deficiencies and water availability* - <http://www.bom.gov.au/climate/drought/>

<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/>

is the single highest recurring expense for a farm). This is particularly true for horticultural producers, for whom labour expenses account for up to 70% of total production costs<sup>6</sup>.

In this submission to the 2020/21 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 adversities and protect the productivity and viability of the agricultural sector.

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<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

## NFF 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*

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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/>



provides that enterprise agreements can never offer wage levels that are lower than those set by modern awards.<sup>10</sup>

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, as well as a key pillar of a COVID-19 economic recovery strategy. 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 prioritized so as to improve these groups’ access to viable work.

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

<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/6202\\_may\\_2018.pdf](http://www.ausstats.abs.gov.au/ausstats/meisubs.nsf/0/4A6AF94624BEB836CA2582AB0016949D/$File/6202_may_2018.pdf)

However, it is vitally important that this should not be viewed in conflicting terms with the need to rapidly restart temporary migration programs, which are vital labour pipelines for agricultural businesses that operate on a seasonal cycle where demand for short-term workers is very high.

It is important to note that as of 2019, Australia possessed the second-highest real minimum wages in the world (exceeded only by Luxembourg)<sup>14</sup>. While this should broadly be viewed as a positive, it is also a fact that this serves to lessen our competitiveness in international markets by saddling employers with employment costs that are significantly higher than those of our international competitors.

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>14</sup> OECD. *Real minimum wages*, <https://stats.oecd.org/Index.aspx?DataSetCode=RMW>

## 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 ongoing impacts (global and domestic) of the COVID-19 pandemic<sup>15</sup>.

Having suffered an enormous blow amidst the onset of the COVID-19 pandemic and the subsequent economic aftershocks (especially the forced closure of borders and physical business locations) the Australian economy is now showing signs of recovery. Following a 7 percent contraction in the June 2020 quarter, the September quarter showed a recovery of 3 percent driven by the lifting of some COVID restrictions and a reduction in precautionary behaviour. Business investment nevertheless declined over the quarter. There are signs that economic activities are continuing to pick back up and GDP growth is expected to have been solid in the December quarter, driven by increasing household consumption<sup>16</sup>.

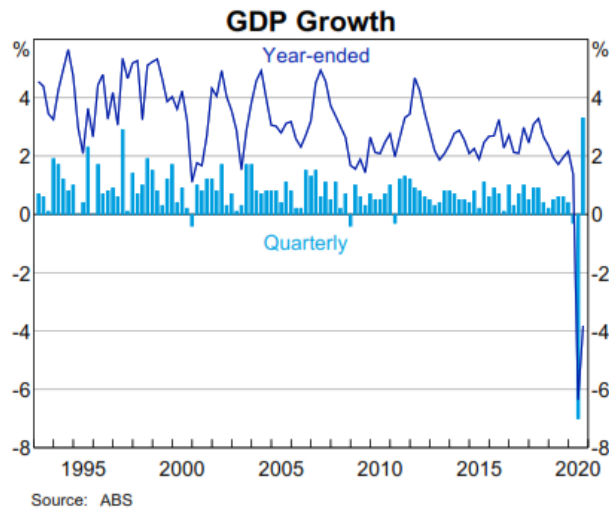
The end of the Jobkeeper program is very likely to lead to some uncertainty in the near-term. It is hoped that this will be a relatively short-term impact that will be mitigated by increased employment and household spending as the AstraZeneca COVID-19 vaccine rollout begins to take effect and businesses are able to return to business as normal<sup>17</sup>.

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<sup>15</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'

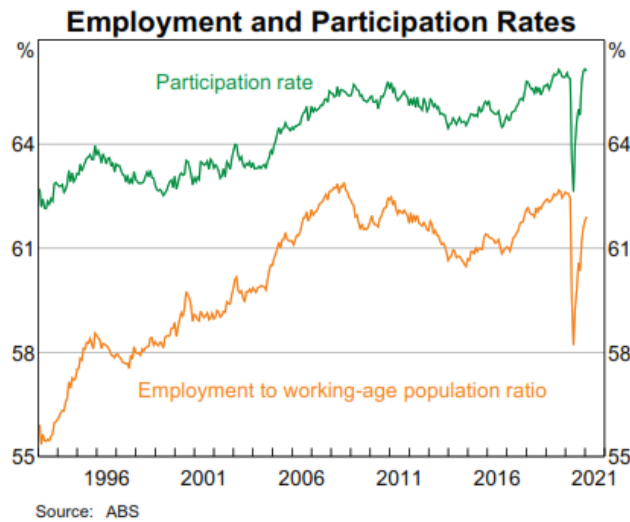
<sup>16</sup> RBA, *Statement on Monetary Policy – February 2021* – <https://www.rba.gov.au/publications/smp/2021/feb/pdf/statement-on-monetary-policy-2021-02.pdf>, 63

<sup>17</sup> Ibid. 1



RBA, *The Australian Economy and Financial Markets- Chart Pack February 2021*

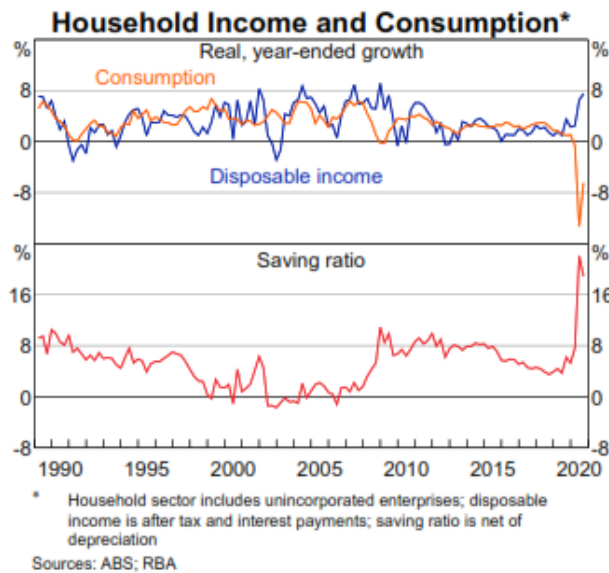
Employment grew strongly since the latter end of 2020, with the unemployment rate dropping to 6.6 percent in December, although underemployment remains high. It is expected that the unemployment rate will continue to decline gradually, over the next three years<sup>18</sup>.



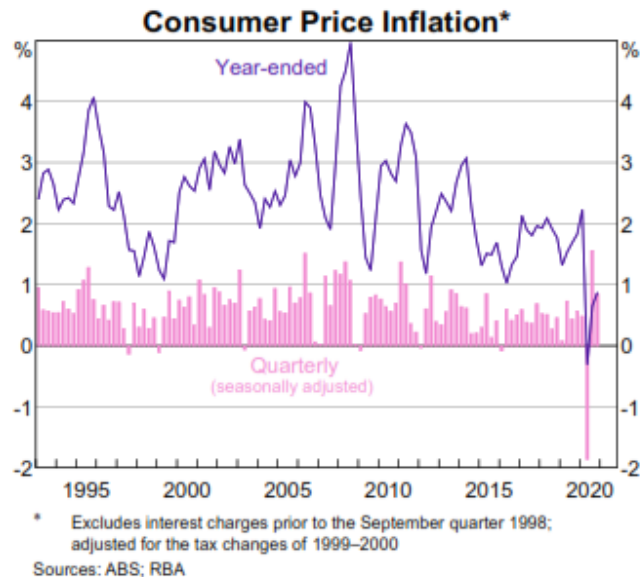
RBA, *The Australian Economy and Financial Markets- Chart Pack February 2021*

<sup>18</sup> RBA, *Statement on Monetary Policy – February 2021, 22-23*

Household income increased by 3.5 percent in September to be 8 percent higher in year-ended terms – the strongest relative growth in nearly a decade.

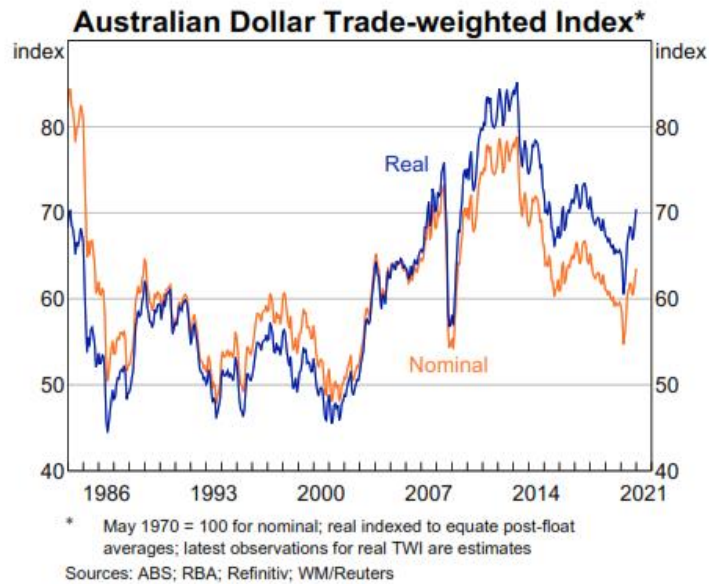


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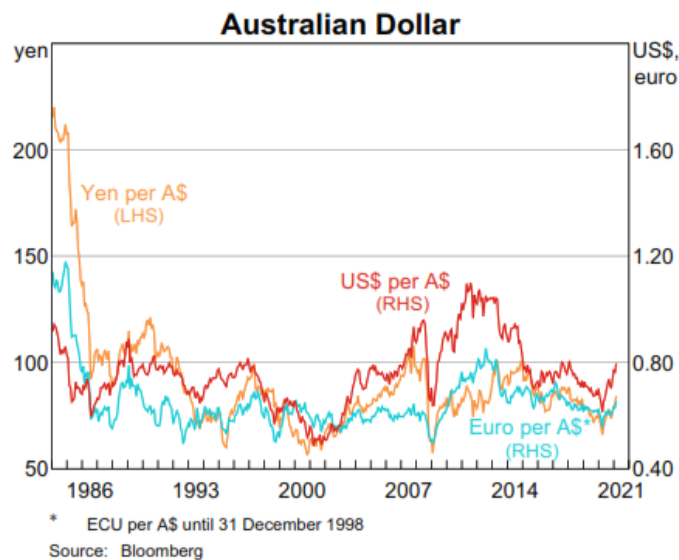


RBA, *The Australian Economy and Financial Markets- Chart Pack February 2021*

The Australian dollar has appreciated by approximately 5 percent on a trade-weighted basis since November and is currently sitting at a higher level than it was immediately prior to the onset of the COVID-19 pandemic<sup>19</sup>.



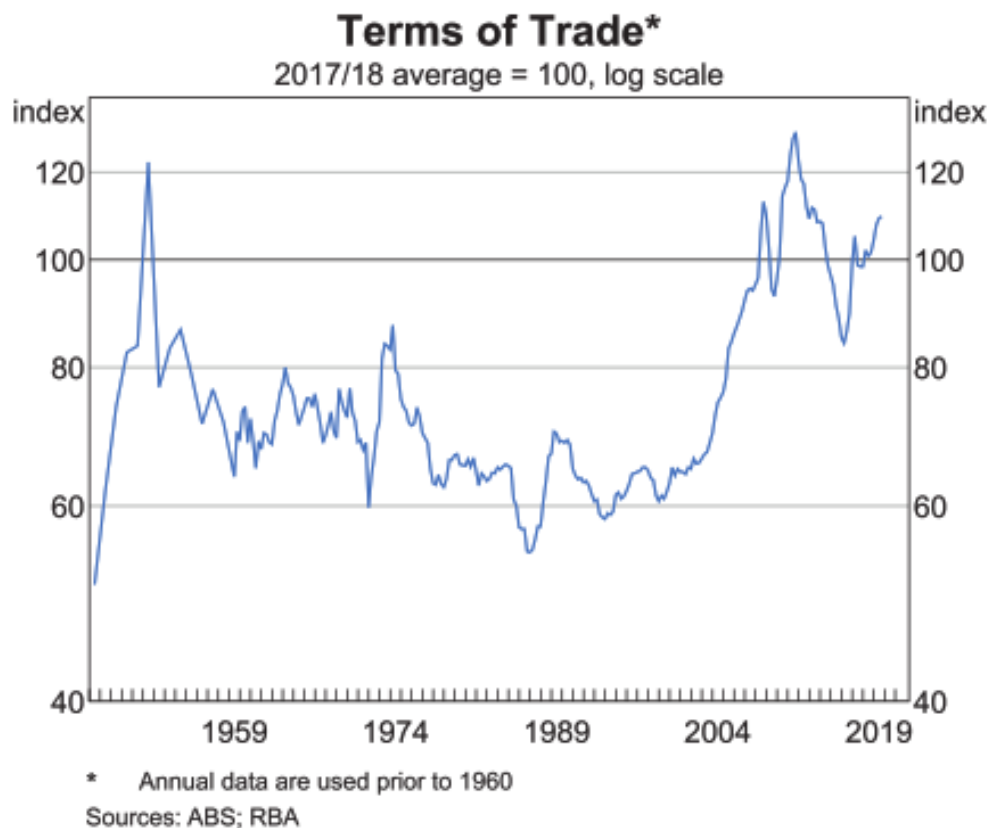
RBA, *The Australian Economy and Financial Markets- Chart Pack February 2021*



RBA, *The Australian Economy and Financial Markets- Chart Pack February 2021*

<sup>19</sup> RBA, *Statement on Monetary Policy – February 2021*, 46-47

Terms of trade have been buoyed by an increase in commodity prices, which in turn has put upward pressure on the dollar's value<sup>20</sup>.



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

The figures above show that the economy is in the early stages of recovery from the major harm inflicted by the COVID-19 pandemic. The impact of the pandemic upon the agricultural sector has been particularly pronounced – disrupting supply chains, forcing the closure of workplaces such as processing and packing facilities, and constricting the inflow of both

<sup>20</sup> RBA, *Statement on Monetary Policy – February 2021*, 3

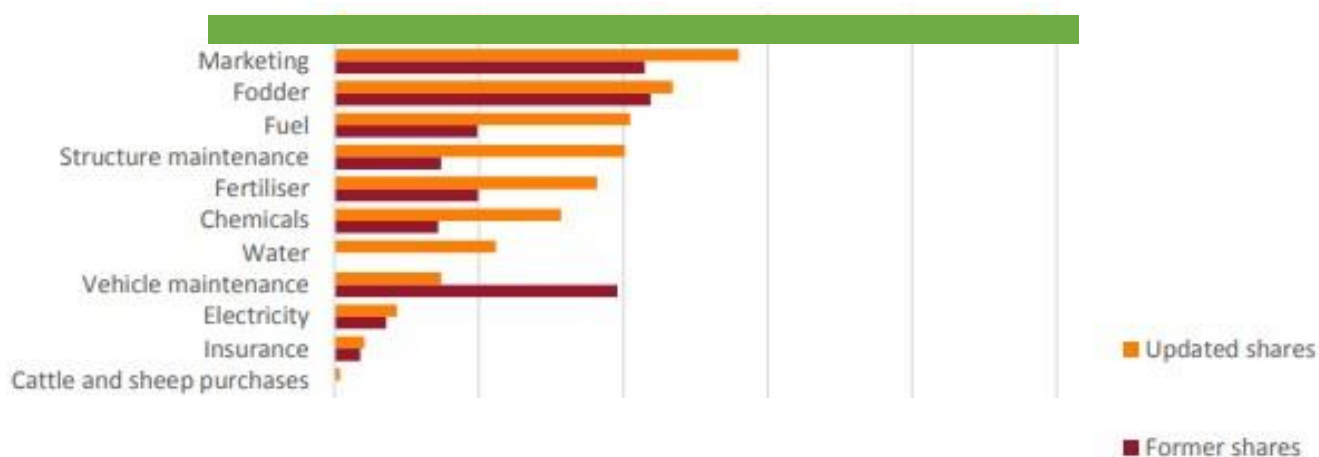
temporary and permanent migration – depriving the industry of candidates for skilled work and the necessary numbers for peak seasons.



## Wages and Trends in Earning

It is frequently asserted that any workforce challenges the agricultural sector faces can be addressed by offering higher wages. While there is no doubt an element of truth to this assertion, it is overly simplistic. The capacity of farmers to increase wages is marginal at best.

Farmers operate on small margins and are “price takers”<sup>21</sup> and the wage bill is already the highest cost input farms face by a significant margin. ABARES report that, based on ABS data, “wage costs are the most significant cost incurred by the agricultural sector”. Wages account for almost 25% of farm costs, almost double that of the second highest cost, marketing, at 14%<sup>22</sup>.



ABARES, Farmers’ terms of trade, March 2020<sup>23</sup>

Also significant is the overall size of the wage bill which according again to ABARES data has soared (admitting a slight change in methodology) from about ½ million in 1969 -70 to 6.5 million in 2015-16.<sup>24</sup> Notably, these figures only include amounts paid to employees and do not factor in any costs paid

<sup>21</sup> per the Full Bench of the Fair Work Commission: [2017] FWCFB 3541 at [749]

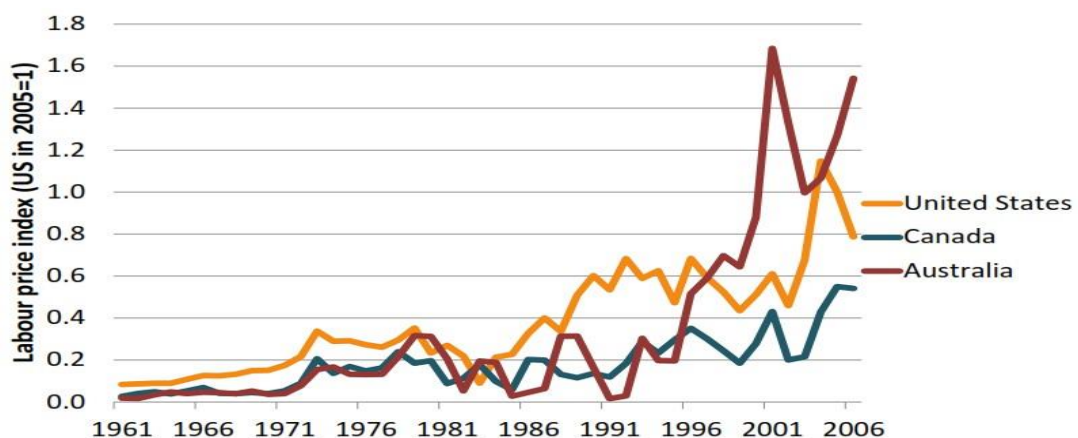
<sup>22</sup> ABARES, Farmers’ terms of trade, March 2020, p 12

<sup>23</sup> Published as “Figure 9 Farm costs as share of total, ABARES farm survey and ABS, 2013–14 to 2017–18” at p. 12

<sup>24</sup> ABARES, Farmers’ terms of trade, March 2020

to non-employment sources of labour such as contractors and labour hire. Clearly if the latter — who as noted at above account for 56% of farm labour — were factored in then the account would be higher, given that the cost of each contractor or labour hire worker is generally about 2% greater than the wage (only) cost of an employee.

International comparisons are also telling. Labour costs in Australian agriculture are significantly higher than both the USA and Canada.



Yu, Comparing agricultural total factor productivity across countries, delivered at 57th AARES Conference, Sydney, 5-8 February 2013.

In short, Australia’s farmers are small, family run businesses with low turnover and profit margins. They are “price takers”, often in competition with international producers who have an inherently smaller labour cost. The average return on business investment for farmers is comparable to the rate of return on a term deposit: broadacre farmers make 2.4% and vegetable farmers make just 3.6%, and the majority of farms, more than 60%, have a turnover of less than \$200,000 per annum.

But even if they could pay higher wages, the notion that it would make a difference to the size or ‘quality’ of the labour pool is open to challenge. Indeed, as far back as 2006 the Federal Senate’s Standing Committee on Employment, Workplace Relations and Education dismissed the notion that the long term unemployed could answer the sector’s labour woes: "The

committee accepts that anyone eligible for unemployment relief would have entered the harvest workforce of their own volition if they were so motivated."<sup>25</sup> And according to Howe in 2018:

*“There does not appear to be any compelling evidence that recruitment difficulties are related to human resource management practices commonly associated with decent job quality, **including paying award rates or higher, penalty rates**, accommodation assistance, training, or mechanisms for workers to ‘have a say’ over management decisions.... For instance, of those growers who have difficulty getting workers always or most of the time, 80% claim to pay award hourly rates whilst 13% admit to paying below the award. Of those growers who never have recruitment difficulties, 67% claim to pay the award or higher compared to 19% who pay below the award. These figures indicate that **growers who comply with their legal obligations and who provide these conditions associated with better job quality are more likely to have difficulty finding workers than those who admit they do not.** This finding confounds the conventional expectation that employers offering higher wages and better working conditions will find it easier to attract and retain workers.”<sup>26</sup>*

Indeed, almost 70% of farmers responding to the NFF Farm Workforce Survey in 2018 pay significantly above award rates: 35% reported paying between 5% and 10% more, and a further 32% reported paying at least 11% to 25% more. Furthermore, over 80% of the survey’s respondents said that permanent residents simply did not apply for work on their farm. This is underscored by the recent experience with the Seasonal Work Incentive Trial; a program which incentivised farm work for the chronically unemployed to the tune of \$5,000. Despite significant work developing and promoting the scheme — including advertising, engaging with industry and job networks, even going so far as to send text messages promoting the scheme to candidates — it has to be deemed a failure. At the time the program — which was designed to accommodate 7,600 placements — was discontinued it had attracted less than 500 participants nationwide (about 7% of the goal). The disappointing response to the program — in the face of these significant efforts to promote and publicize it — can be sourced to only one factor: the

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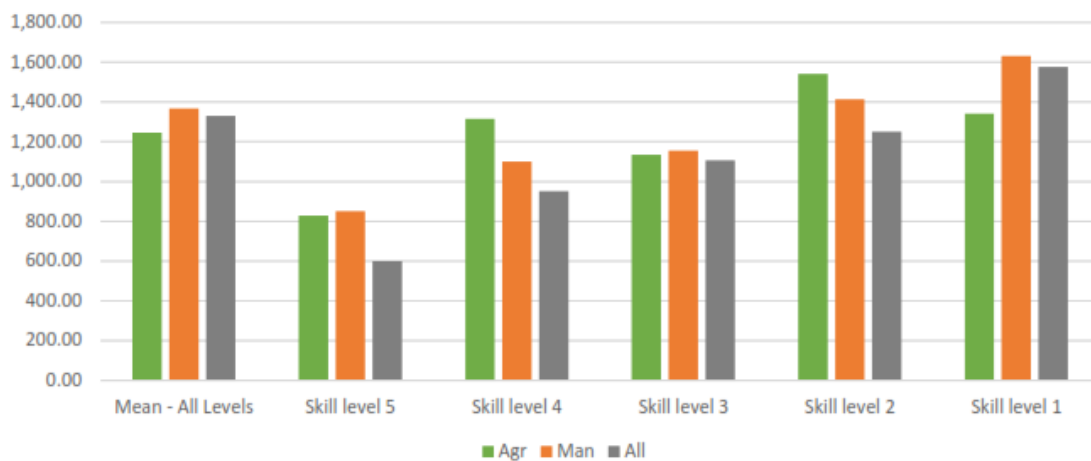
<sup>25</sup> Senate Standing Committees on Education And Employment, Perspectives on the future of the harvest labour force, October 2006

<sup>26</sup> Howe et al & University of Adelaide, Sustainable Solutions, 2017, p 34 and p 112.

fact that the potential labour pool which it targeted simply was not interested in the work even when there was a significant monetary incentive on offer. The lack of adequate compensation is not the problem.

Underscoring this conclusion, is the fact that contrary to conventional wisdom, according to ABS data taken as a whole farm wages are not significantly below the national average. In fact, over the five years to 2019 mean weekly earnings in agriculture have appreciated at rate which is slightly better than the national average: an increase of 35% as opposed to 13% across all sectors and 11% in manufacturing.<sup>77</sup> More telling is the comparative graph (below) which provides a comparison of weekly earning across all skills levels. It indicates that at the lower AQF skill levels (3, 4, and 5) agriculture actually pays better than the average across all sectors: significantly more at the lowest level (5) with the difference narrowing through mid-levels 4 and 3.<sup>27</sup>

This all suggests that it is really just the top earners who are paid better and tend to blow out the statistical curve.



Source: ABS, Cat 6333 - Characteristics of Employment Australia, Aug 2019

None of this is to say that there is no link between productivity and labour costs. Successful businesses recognise this fact and pay their workers

<sup>27</sup> At level 2 it is greater, but this is probably attributable to earnings in agricultural sciences, research, and development rather than farm work per se.

accordingly. But the simple point must be made that an increase in wages is no panacea to issues which farms face in sourcing adequate labour.

## The Impact of COVID-19 on the Agricultural Sector

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The COVID-19 pandemic and subsequent actions taken by governments and industry in response to its spread have had a very significant impact on the agricultural sector in economic terms.

The two primary ways in which the pandemic have affected our industry are a) by significantly constricting labour supply and the movements and actions of workers on farm, and b) by imposing major restrictions on trade activity and supply chains, narrowing available markets, and driving down sale prices for producers. This is especially frustrating given that many areas in the South-East have received much higher rainfall than in recent previous years, leading to large outputs which must be harvested before the produce begins to wither and rot in the field. Ordinarily, such a situation would be extremely welcome, but in the context of the pandemic it has created additional pressure to meet labour requirements in order to avoid the prospect of millions of dollars in produce going to waste and landfill.



Unpicked fruits rots in bags, awaiting disposal. Image: ABC Riverland: Nadia Isa<sup>28</sup>

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<sup>28</sup> <https://www.abc.net.au/news/rural/2020-12-11/farm-worker-shortage-expected-to-worsen-as-industry-crops-rot/12974250>

The closure of National and State borders to prevent the spread of COVID-19 was identified early as a major concern for the migrant-labour dependent industries in the agriculture sector. In particular, horticultural producers faced the prospect of a labour shortage of 26,000 missing seasonal workers during upcoming peak seasons<sup>29</sup>. This prompted a rapid response from industry in order to determine alternative pathways to securing workers domestically and internationally through cooperative efforts with Government departments (DFAT, Home Affairs) and other industry bodies with an interest in restoring the flow of migrant workers such as working holidaymakers (BYTAP). A number of proposals have been brought to the attention of Government, but thus far only modest breakthroughs have been made in creating pathways for international workers to come to Australia to meet the labour needs of farms in peak season.

In an attempt to draw domestic workers from more populated areas, many farmers have offered very high wages and substantial bonus compensation – in some cases it may be possible for workers to earn upwards of \$2800 per week with sufficient effort and if conditions are optimal. Despite this, some farms have been documented as having been forced to resort to destroying hundreds of thousands of dollars' worth of produce<sup>30</sup>. As was noted in the previous section, the simple solution of offering higher financial compensation to domestic workers in order to entice them into taking up jobs in agriculture is simply not effective.

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<sup>29</sup> <https://ausveg.com.au/articles/seasonal-horticulture-labour-shortages-predicted-to-reach-26000/>

<sup>30</sup> <https://www.abc.net.au/news/rural/2020-12-11/farm-worker-shortage-expected-to-worsen-as-industry-crops-rot/12974250>



A Queensland farmer ploughs saleable gold squash back into the soil. Image: ABC News, Lorelle McShane<sup>31</sup>

Not only are farms frequently unable to secure the number of workers necessary to ensure harvests can be completed within the necessary timeframe, but some farmers that do have access to workers have encountered difficulty in navigating state and Federal health directions imposing workplace distancing and border closures. In some cases, the lack of information or existence of conflicting orders has created confusion and frustration to such an extent that industry groups (including the NFF) were forced to step in and provide explanatory materials to enable work to proceed unimpeded by the fear of liability through noncompliance. This has been extremely disruptive to productivity and when accompanied by the impact on supply-chains and international trade – also a result of border closures and often conflicting advice from governments – the financial and administrative pressure has been immense.

The NFF often stresses the fact that wages and labour account for the single largest expense for a significant number (if not a majority) of Australian farms. The acute pressures outlined above have served only to compound and complicate these existing issues, and it will require a considerable

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<sup>31</sup> <https://www.abc.net.au/news/rural/2020-12-11/farm-worker-shortage-expected-to-worsen-as-industry-crops-rot/12974250>



investment of attention and resources to alleviate the pressure on producers while continuing to develop long-term solutions to skills and labour shortages.

## **Proposed Action**

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The NFF recommends that the minimum wage be maintained at current levels until economic conditions have improved, market volatility has decreased, and the level of financial risk lowered. These conditions can be reasonably expected to materialise once trends indicating a recovery can be confirmed and the risk of additional waves of infection minimalised following the roll-out of the AstraZeneca vaccine.