



Commissioners,

## **Geographic Labour Mobility**

This letter is in response to the Productivity Commission's invitation for submissions into the above project.

AgriFood Skills Australia ('AgriFood') is the key national body on skills and workforce development for the Australian agrifood industry and regional Australia. AgriFood develops and implements workforce development strategies and nationally endorsed qualifications to meet the current and emerging needs of agrifood enterprises, employees and students throughout regional and urban Australia. The Department of Industry Innovation Science Research Training and Education provides core funding to AgriFood to perform these roles.

I will focus on two broad questions raised in your project issues paper: how labour mobility effects businesses and regions and what is the role for governments, based on our experience 'in the field'.

### **Challenging Regional Conditions**

Regional Australia is home to over 90 per cent of employment in agriculture and seafood, and almost 50 per cent of people in food processing.

At the very time when Australia needs a more productive and competitive agrifood sector, regional Australia finds itself facing an enormous challenge in finding sufficient people and skills to produce the nation's food and fibre to meet projected demand and exploit market opportunities. Regional employers in the resources, services and community sectors are struggling to attract and retain the talented people they need and regional economies are struggling to grow.

Existing challenges of securing and retaining a skilled workforce are compounded by few agrifood companies being able to pay comparable wages, to the resources/construction companies, for job roles with transferable skills.

Australian agrifood sectors have been traditionally dominated by family enterprises, cooperatives or statutory authorities. Many small family businesses are closing down or selling out and the larger operations replacing them are adopting a corporate business model, often including professional management teams, boards of management and external equity. The labour model is increasingly turning to contract workers, outsourced technical and advisory services provided by a new generation of small businesses.

Cooperatives have also generally moved to a corporate model. All but one of the top twenty food companies are now owned by multinational enterprises.

Between 2006 and 2011, the number of farmers fell by 19,700 to 157,000 and continues to be the most 'mature occupation' in the nation with an average age of 53, compared to 39 for all employed persons<sup>1</sup>. Ageing is a trend undermining some of industry's most critical occupations.

### **Diverse, changing and competitive labour market**

Agrifood has one of the most diverse and rapidly evolving workforces in the economy comprising permanent, casual, seasonal and contract workers. Many occupations are traditionally self-employed, and seasonal employment is intrinsic to sectors such as horticulture, wildcatch fishing and agriculture. This untenured approach to labour, especially skilled or semi-skilled labour, gives rise to shortages on a regular basis although few 'employers of choice' report difficulty in recruiting workers as their reputation within the sector or locally makes them a first choice for those seeking employment.

Skills shortages at the occupational level are notoriously difficult to quantify across sectors as diverse and fragmented as agrifood although an enduring trend is that most rural areas struggle to attract young people to the industry and retain workers more broadly which has negative consequences for most primary sectors due to the ageing demographic. Industry is not just losing physical manpower but crucial knowledge and experience.

Apart from scale advantages and a trend to corporate style farming, the lack of labour has also encouraged larger scale investment in capital equipment needing less labour, but requiring higher skills to operate efficiently and safely. Employers report a shortage of available workers with these higher level skills, and therefore a need to utilise existing workers' skills better and to use more innovative skilling to train workers that are available locally to meet the need.

Reflective of the decline in tourist numbers and the high dollar, the numbers of backpackers have reduced, which is problematic because they are the traditional mainstay of the seasonal fruit and vegetable harvesting workforce. Seasonal labour mobility arrangements for cotton and cane growers and aquaculture ventures in specific regions are now possible for approved employers following the introduction of a small-scale three-year trial of the Seasonal Worker Program (Pacific Islands), previously restricted to the horticultural sector.

Accommodation and living costs in regional towns and in driving distance of resource projects or ports have also increased, to the extent where living locally to agrifood sectors is being priced out of the market and worker mobility to new regions unaffordable. The pull of skilled labour by the resources sector (in both construction and operational phases) is frequently cited but tends to fall into three discrete categories:

- key licensed and trades occupations with lead-times for training and on which companies heavily depend (heavy goods drivers, refrigeration mechanics, electricians, skippers, engineers and divers);
- cross industry occupations (machinery operators, machinery service personnel and large plant operators are frequently cited);

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<sup>1</sup> ABS yearbook, 2012

- semi-skilled workers who have moved into service-oriented industries in support of the resource projects, for example, on-site food preparation

### **Adjusting the Skills funding system**

Industry is sharply critical of government training/skills funding models which tend to focus almost exclusively on full qualifications as opposed to 'skill sets', which remains at odds with the agrifood learning culture which is typically incremental, socially embedded and occurs over a lifetime. It also ignores research<sup>2</sup> which confirms Skill Sets serve as a stepping stone to the completion of full qualifications for many students over time.

This remains the single most commonly and strongly voiced issue raised by industry and the most frequently cited blockage faced by training providers in attempting to respond to enterprise needs. Movement on this issue would provide significant alleviation to the negative effects of a lack of sufficient skilled labour in the regions. It would do this by providing skills in a more cost-efficient way, reflecting industry need and providing 'lubrication' for cross skilling and more mobile labour forces – which could move within and between regions. Such labour forces would be equipped with groups of skills sets suited to multiple industries within a region(s) and therefore would tend to be able to stay in or near a region for longer than would otherwise be the case. See Regional Labour Solutions below.

Incremental learning needs more explicit recognition as a legitimate strategy for building human capital and improving productivity and building a competitive workforce ready for the Asian Century. Where Skill Sets are publicly funded, it is typically at a program level as distinct from systemic level. Training providers echo the calls of industry on the need for a nationally consistent, systemic commitment to incremental learning and advise that strategic, timely responses to industry's skill needs are often reliant on "working" the funding pools and that responsiveness is "despite not because of" current policy settings.

There are also a range of other initiatives which need to be considered in the broader context of addressing skills and labour supply in regional Australia. These are detailed in our annual Environmental Scans (available on our website) as well as a variety of reports by different agencies and organisations with an interest in this issue. They include better business skills; the need to create compelling and rewarding jobs and career paths for young people; much enhanced workforce development skills at the enterprise level; lifting training and education quality generally including job readiness and skills funding which better meets the needs of lower skill workers in sectors such as the meat industry.

### **Regional Labour Solutions**

It is clear that the process of structural adjustment in regional areas is changing the shape of the regional economies. Regional areas are not attractive to new generations of workers because of a range of issues including remoteness, lack of facilities and lower pay rates. There are also strong pressures on available skilled labour pools from competing sectors. While innovation and increased scale in mechanisation is reducing the need for lower skilled labour, there are shortfalls in supply of both low skill workers and high skilled professional and para-professional staff in key job categories. This is a significant impediment to food

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<sup>2</sup> NCVER, *Workforce skills development and engagement and training through skill sets*, 2012

production and the industry's competitiveness and efficiency. These factors impede labour mobility at both ends of the skills spectrum.

The solutions lie very much in the hands of our regional industries and communities working collaboratively, with support from governments in terms of an enabling framework.

AgriFood developed a Regional Skills and Workforce Development Pilot Initiative around Narrabri New South Wales over the last three years. It is now being established in a further four regions around Australia – in collaboration with selected States and regional communities. Now called *AgriFood National Regional Initiatives (AgriFood NRI)*, the initiative, regarded as a 'game changer' in regions and funded from the Government's National Workforce Development Fund, is being done in partnership with SkillsDMC, the Industry Skills Council for the resources and infrastructure industries.

The objective of this initiative, which commenced from 1 July 2012, is to increase attraction and retention of skilled workers, families and businesses in regional Australia, and strengthening sustainable communities.

The multi-award winning model and the pilot was independently validated by ACIL Tasman. A copy of this analysis is enclosed. It shows two estimated potential impacts:

- an improvement in the productivity of the local labour force by as much as 3.2 per cent per year
- a 33 per cent reduction in net migration of workers from the target labour market.

The second impact suggests significant potential for reducing reliance on overseas labour and helping sustain local communities – a hotly contested national issue for regions where mining and agricultural industries co-exist.

Using skills sets as a driving force, the key project components of the approach are:

1. *Research* – skills demand timeline – regional workforce and skills need profiles; peak labour demands mapped; structural adjustment challenges identified.
2. *Skills Needs Analysis* – innovative 'employer of choice' survey tool already developed by AgriFood Skills Australia, enhanced and tested by the University of Sydney; contributes to diagnosis of sector and enterprise skills and workforces needs.
3. *Skills Recognition* – effective tool in a workforce retention strategy; also identifies skill gaps and incorporates provision for up-skilling, gap training and achieving qualifications.
4. *Employer capability* – enhances employee engagement and retention and adoption of best practice business management; collaboratively address structural adjustment in the workplace; accredited facilitator in place.
5. *Cross-industry Skilling* – transferrable skills, mobile workforce deployment strategy, local mentors in place.

The cross-sector model recognises that each region has a unique mix of attributes - economic, social, cultural, natural and historic - all of which are important in determining a region's potential for growth and competitiveness. The model enables regional industries, enterprises and communities to work together with government and training providers to

share intelligence, develop regional solutions to secure a skilled workforce, enhance workforce participation and grow sustainable communities.

Importantly, this is not an isolated approach that focuses on agrifood sectors alone. The initiative was established across a broad framework of industry, community, education and employment services representatives - exchanging knowledge and ideas and developing grass-roots strategies. This should be considered by government more widely for adoption throughout the regions.

We look forward to discussing these suggestions with the Commission at more length in due course.

Yours sincerely

Michael Claessens  
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**FIGURE 9. AGRIFOOD ENVIRONMENTAL SCAN 2013 'ON A PAGE'**  
**KEY MESSAGES FOR INDUSTRY, GOVERNMENTS AND THE TERTIARY SYSTEM**

