

Commissioners,

Geographic Labour Mobility

This letter is in response to the Productivy 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.

Level 3, 10-12 Brisbane Avenue, Barton ACT 2600 PO Box 5450, Kingston ACT 2604

_T:02 6163 7200 F: 02 6162 0610 w: www.agrifoodskills.net.au

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 persons¹. 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);



¹ 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 research² 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

It's all about

 $^{^{2}}$ 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

7: 02 6163 7200 F: 02 6162 0610 w: www.agrifoodskills.net.au

AgriFood Skills Australia ABN 56 109 613 256

Level 3, 10-12 Brisbane Avenue, Barton ACT 2600 PO Box 5450, Kingston ACT 2604

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
General Manager
Workforce Development & Analysis
AgriFood Skills Australia Ltd
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of business management, leadership and entrepreneurial capabilities

· Develop 'flagship'

undergrad programs

and short courses through VET/

higher education

partnerships which

management, agrifood

entrepreneurship, and

cultural competence required for the Asian

capabilities in effective

iob design and work

organisation, the

of choice' and

workplaces

· Grow industry

high performing

notion of 'employer

associations vision.

action on workforce

planning and skills

development, and

its positioning with

members as a core business strategy

leadership and

combine business

innovation and

Build employer

workers

ption of higher vel skills and knowledge

A GLOBALLY COMPETITIVE, PROFITABLE AND SUSTAINABLE AGRIFOOD INDUSTRY THROUGH WORLD CLASS CAPABILITIES AND LEADERSHIP

Diffusion of new innovative practice

Retention and skills utilisation of existing workers

INDUSTRY

- · Promote agrifood as a single industry with diverse, science and technology-oriented careers that make a difference locally and alobally Build attractive,
 - broad based learning experiences into industry for school leavers through national curriculum, VET in schools and industry placements
 - Establish, brand and widely promote a series of national recognition programs to attract and optimise existing skills of Indigenous Australians, resource workers re-entering the broader workforce, migrants and refugees
- · Drive higher level skills and knowledge adoption through delivery of Skill Sets, units of competency and full qualifications
- Establish agrifood technician/ paraprofessional cadetships in new and emerging job roles
- Harmonise nationally endorsed qualifications and key industry certification/licensing requirements
- Ensure government policy/ initiatives aimed at building industry's capabilities are mapped to units of competency/ Skill Sets as appropriate
- Increase language, literacy, numeracy capabilities and digital literacy of the existing workforce

- and technologies · Continuously improve · Build sustainable.
 - nationally endorsed qualifications, Skill Sets and units of competency to reflect current and emerging skills and knowledge, and lift the quality
- Drive greater adoption of CRC/ RDC/ CSIRO outputs through innovative delivery partnerships with VET, universities and regional extension hubs

of delivery and

assessment

Establish widespread formal articulation arrangements and pathways between VET and higher education sectors

- grass roots, 'skills formation strategies and regionally based 'skills eco-systems'
- Drive widespread, formal recognition of existing workers'
- Identify and promote skill based career pathways within and across agrifood sectors
- Develop innovative responses to the skill needs of casual. contract and seasonal workers

KEY STRATEGIES FOR ACTION BY INDUSTRY GOVERNMENTS AND TERTIARY SYSTEM

- Publicly funded delivery of nationally recognised Skill Sets and units of competency to meet the identified needs of individual enterprises and learners through the publicly funded system and National Workforce Development Fund.
- Drive collaborative partnerships between the publicly funded research/innovation system and VET system/ universities/regional extension hubs to enable broader reach and greater 'speed to market' of new practices.
- Development of the Agrifood 2020 Workforce Planning and Capability Framework which spans the full supply chain and identifies the key strategies and capabilities required to establish a globally competitive, highly productive workforce with world class capabilities and leadership

Priority research required to underpin execution of key strategies and development of the Agrifood 2020 Workforce Planning and Capability

- Analysis of the changing business models emerging across the agrifood supply chain and evaluation of the implications for work organisation, workforce composition and job roles. This research should also identify existing and evolving intra/inter occupational mobility within regional Australia.
- Australia wide survey and analysis of existing workforce numbers within the agrifood supply chain and across permanent, casual, contract and seasonal workers.
- Scoping study of agrifood's current knowledge transfer model including formal learning and widespread non-formal and informal/social learning synonymous with agrifood. The study will consider the roles of bodies involved in providing each type of learning experience and where opportunities exist for collaboration and leverage. It will also undertake an analysis of current policy directives and economic drivers with implications for workforce planning and skills development and how the existing model needs to respond in support.

KEY POLICY LEVERS FOR ADOPTION

R ES EARCH PRIORITIES

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