



Annual Wage Review 2018/19

Submission to the Fair Work Commission

March 2019

NFF Member Organisations



CANE GROWERS





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

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

Social >

There are approximately 85,681 farm businesses in Australia, 99 percent of which are family owned and operated.

Each Australian farmer produces enough food each year to feed 600 people, 150 at home and 450 overseas. Australian farms produce around 93 percent of the total volume of food consumed in Australia.

As of 2016/17, there are 304,200 people directly employed in Australian agriculture. The complete agricultural supply chain, including the affiliated food and fibre industries, provide over 1.6 million jobs to the Australian economy.

Economic >

The agricultural sector, at farm-gate, contributes 3 percent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2016-17 was \$60 billion.

Australian farmers export about 77 percent of what they grow and produce. Australia's farm exports earned the country \$44.8 billion in 2016-17, up from \$32.5 billion in 2010-11. The value of our farm exports, and indeed the future of Australian agriculture, depends largely on conditions in overseas markets due to our high level of exports.

Growth in the farm sector has increased steadily from 1974-75 to 2016-17, consistently out-performing other sectors.

Environmental >

Australian farmers are frontline environmentalists, owning, managing and caring for 48 percent of Australia's land mass.

Australian primary industries have led the nation in reducing greenhouse gas emissions intensity — a massive 63% reduction from 1996–2016. Since 2011, areas managed for conservation have continued to expand and now cover about 18% of Australia's land area. Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 94 percent of Australian farmers actively undertaking natural resource management.

The NFF was a founding partner of the Landcare movement, which recently celebrated its 25th anniversary.

Contents

NFF Member Organisations	2
Statistics on Australian Agriculture	4
Contents	5
1. Minimum Wages Framework — Overview	6
2. Economic Outlook.....	8
3. The Agricultural Sector and the Environment.....	13
4. Summary and Proposed Wage Increase	17

1. Minimum Wages Framework — Overview

1.1. 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 standards¹, but so too is our standard of living, the cost of which increases steadily each year with very few exceptions.² The challenge before us is to preserve fairness for both employers and employees while encouraging job creation and sustainable growth.

1.2. In Australia, the national minimum wage is only one part of a complex web of financial support mechanisms for working families. In addition to tax relief and childcare subsidies, the safety net for employees is comprehensive and wide-reaching³. 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.⁴

1.3. This complex web of support mechanisms means that changes to the minimum wage are only a small 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.”*⁵

1.4. 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 producers⁶. We submit that current levels of youth unemployment and

¹ OECD, *Unit labour costs and labour productivity (employment based), Total economy*. <https://stats.oecd.org/Index.aspx?DataSetCode=RMW>

² Australian Bureau of Statistics, *6467.0 - Selected Living Cost Indexes Australia*, Dec 2018. <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6467.0>

³ Department of Human Services, *Payments for families*, 29 Jan 2019. <https://www.humanservices.gov.au/individuals/subjects/payments-families>

⁴ Fair Work Act 2009, s.206

⁵ Freebairn J, *Evaluating Reforms of Workplace Relations* (submission to the Productivity Commission inquiry into the workplace relations framework), 3 Feb 2015.

⁶ 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>

underemployment are still too high, although there are positive signs that this is changing.⁷ 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.

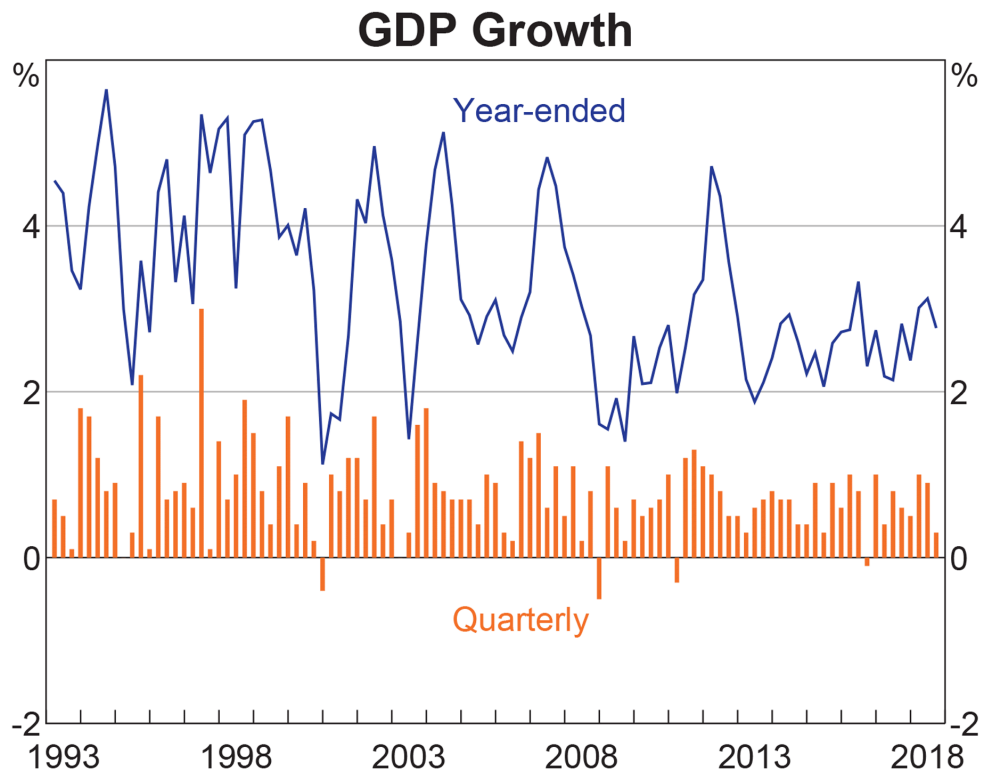
1.5. Once again, this must be balanced against the need for a fair and livable minimum wage that accounts for relevant indicators of economic vitality.

⁷ 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)

2. Economic Outlook

2.1. Overall, the economy has neither improved nor worsened significantly. Economic conditions have been buoyed by low interest rates and growth in the global economy.⁸

2.2. Domestic GDP growth has been sluggish at 2.3%.⁹ On a per capita basis it has, alarmingly, shrunk for the second time in two consecutive quarters.¹⁰ GDP growth in Australia is expected to be 3% in 2019 and 2.75% in 2020.¹¹



Source: ABS

2.2.1 Reserve Bank of Australia, *Australian Growth - GDP Growth*, 6 Mar 2019. <https://www.rba.gov.au/chart-pack/au-growth.html>

2.3. Employment rates have continued to increase steadily at 2.2% putting the unemployment rate at 5%.¹² However, household income growth remains low¹³.

⁸ Reserve Bank of Australia, *Statement on Monetary Policy February 2019*, 7 Feb 2019.

<https://www.rba.gov.au/publications/smp/2019/feb/pdf/statement-on-monetary-policy-2019-02.pdf>

⁹ Reserve Bank of Australia, *Key Economic Indicators Snapshot*, 7 Mar 2019. <https://www.rba.gov.au/snapshots/economy-indicators-snapshot/pdf/economy-indicators-snapshot.pdf?v=2019-03-13-14-12-22>

¹⁰ Australian Financial Review, *Australia risks a 'per capita' recession*, 3 Mar 2019. <https://www.afr.com/markets/australia-risks-a-per-capita-recession-20190303-h1bxfq>

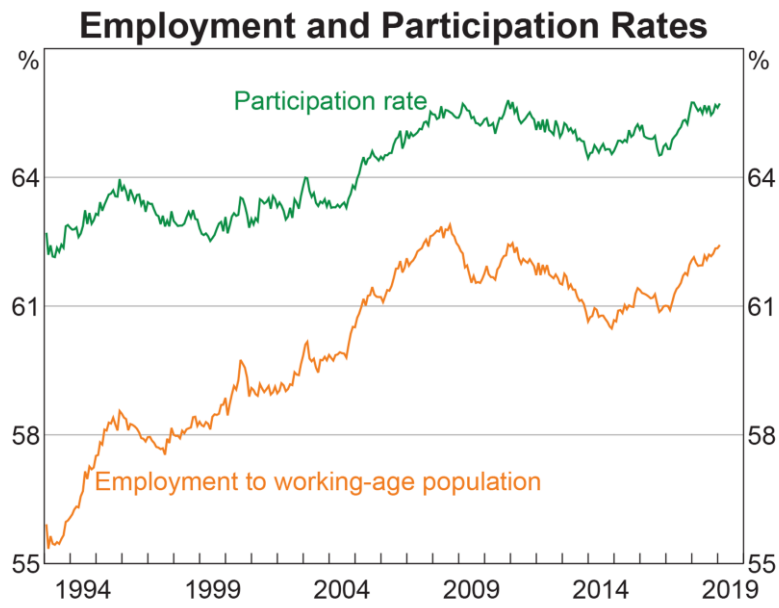
¹¹ Reserve Bank of Australia, *Statement on Monetary Policy February 2019*, 7 Feb 2019.

<https://www.rba.gov.au/publications/smp/2019/feb/pdf/statement-on-monetary-policy-2019-02.pdf>

¹² Reserve Bank of Australia, *Key Economic Indicators Snapshot*, 7 Mar 2019. <https://www.rba.gov.au/snapshots/economy-indicators-snapshot/pdf/economy-indicators-snapshot.pdf?v=2019-03-13-14-12-22>

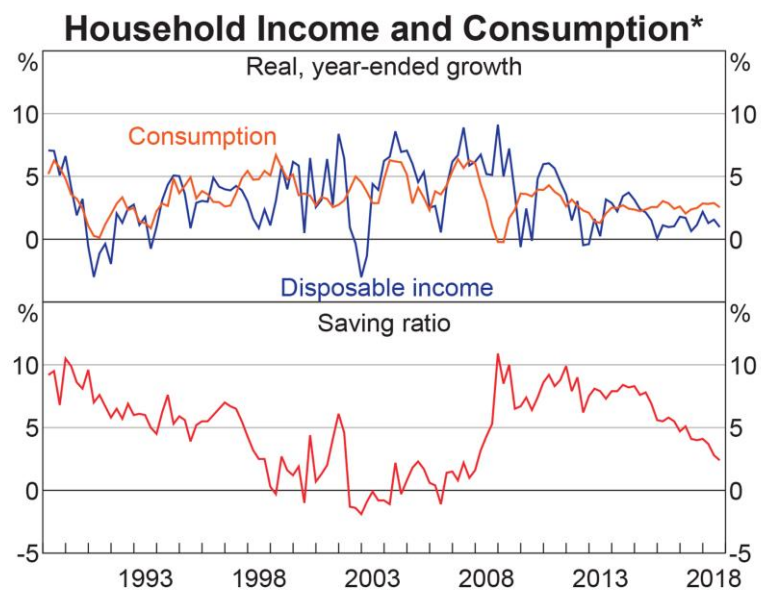
¹³ Reserve Bank of Australia, *Statement on Monetary Policy February 2019*, 7 Feb 2019.

<https://www.rba.gov.au/publications/smp/2019/feb/pdf/statement-on-monetary-policy-2019-02.pdf>



Source: ABS

2.3.1 Reserve Bank of Australia, *Factors of Production and Labour Market – Employment and Participation Rates*, 6 Mar 2019. <https://www.rba.gov.au/chart-pack/factors-prod-labour-mkt.html>



* Household sector includes unincorporated enterprises; disposable income is after tax and interest payments; saving ratio is net of depreciation

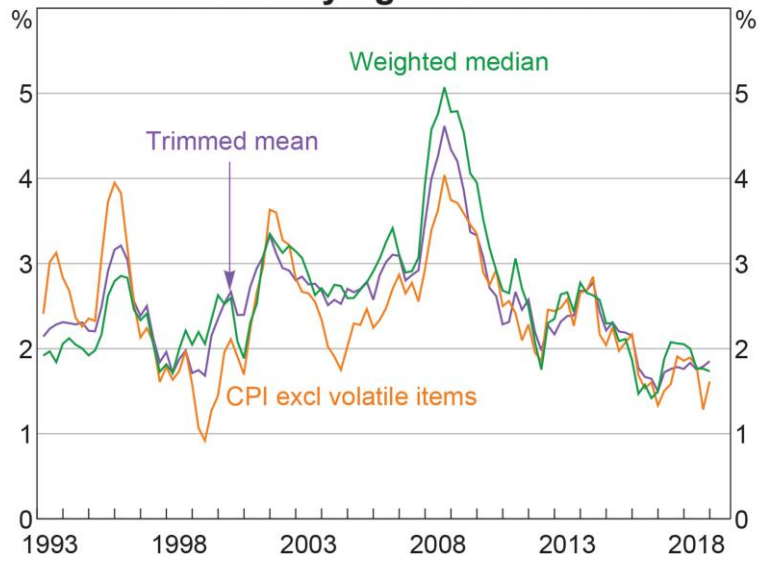
Sources: ABS; RBA

2.3.2 Reserve Bank of Australia, *Household Sector – Household Income and Consumption*, 6 Mar 2019. <https://www.rba.gov.au/chart-pack/household-sector.html>

2.4. Inflation has increased slightly at 1.8% but overall remains low.¹⁴

¹⁴ Reserve Bank of Australia, *Key Economic Indicators Snapshot*, 7 Mar 2019. <https://www.rba.gov.au/snapshots/economy-indicators-snapshot/pdf/economy-indicators-snapshot.pdf?v=2019-03-13-14-12-22>

Underlying Inflation*



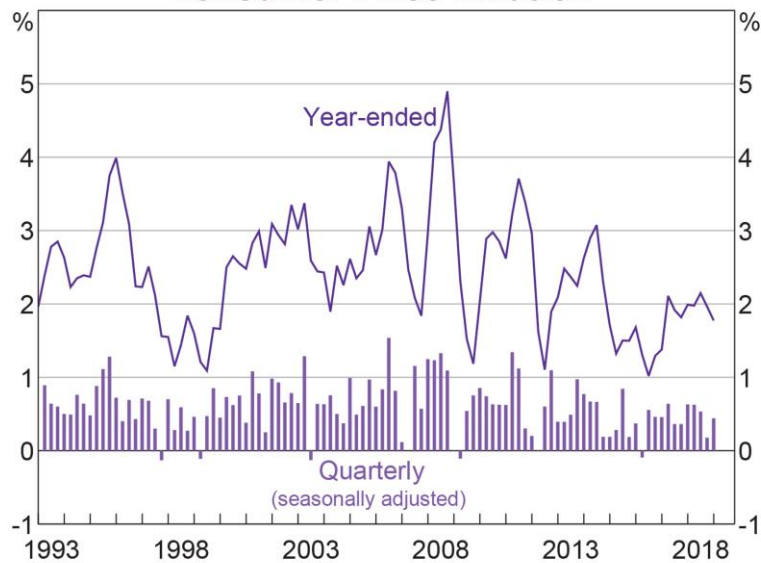
* Excluding interest charges prior to the September quarter 1998 and adjusted for the tax changes of 1999–2000

Sources: ABS; RBA

2.4.1 Reserve Bank of Australia, *Australian Inflation – Underlying Inflation*, 6 Mar 2019.

<https://www.rba.gov.au/chart-pack/aus-inflation.html>

Consumer Price Inflation*



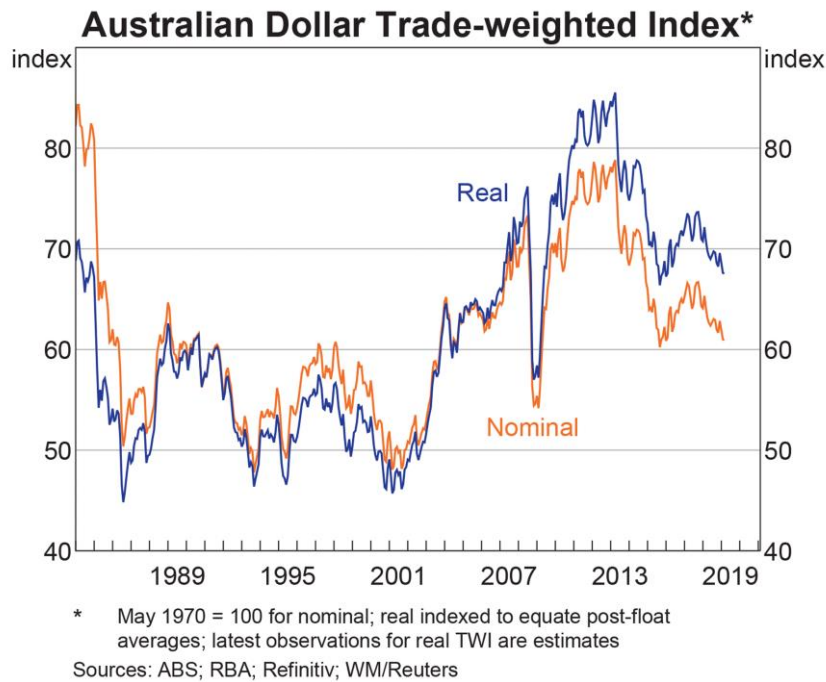
* Excluding interest charges prior to the September quarter 1998 and adjusted for the tax changes of 1999–2000

Sources: ABS; RBA

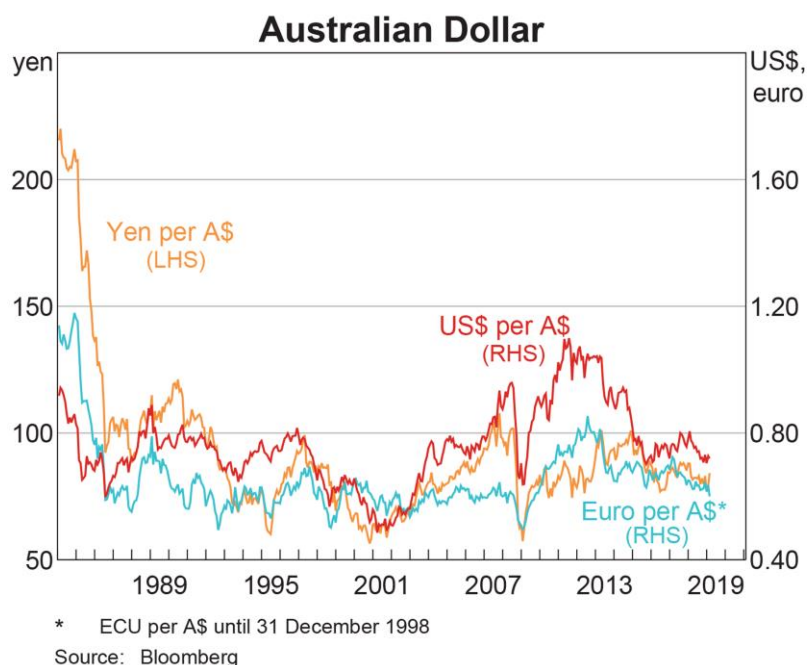
2.4.2 Reserve Bank of Australia, *Australian Inflation – Consumer Price Inflation*, 6 Mar 2019.

<https://www.rba.gov.au/chart-pack/aus-inflation.htm>

2.5. The Australian dollar has recently depreciated on a trade-weighted basis but remains and is expected to remain in a familiar, narrow range.¹⁵



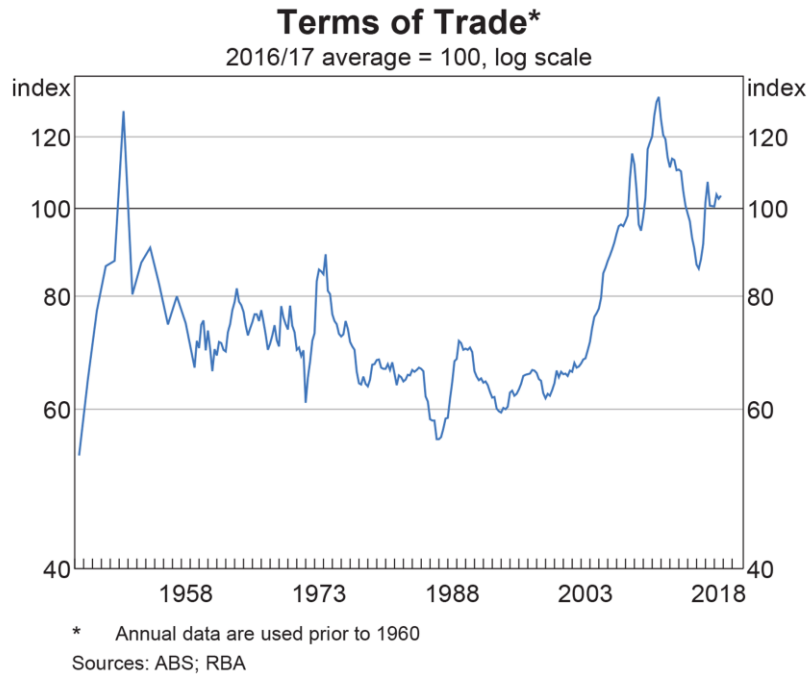
2.5.1 Reserve Bank of Australia, *Exchange Rates – Australian Dollar Trade-Weighted Index*, 6 Mar 2019. <https://www.rba.gov.au/chart-pack/exchange-rates.html>



2.5.2 Reserve Bank of Australia, *Exchange Rates – Australian Dollar*, 6 Mar 2019. <https://www.rba.gov.au/chart-pack/exchange-rates.html>

¹⁵ Reserve Bank of Australia, *Statement on Monetary Policy February 2019*, 7 Feb 2019. <https://www.rba.gov.au/publications/smp/2019/feb/pdf/statement-on-monetary-policy-2019-02.pdf>

2.6. Australia's terms of trade have held steady at recent levels.¹⁶ It is expected that terms of trade will decline and moderate over the coming years as demand for bulk commodities gradually declines.¹⁷



2.6.1 Reserve Bank of Australia, *Commodity Prices – Terms of Trade*, 6 Mar 2019. <https://www.rba.gov.au/chart-pack/commodity-prices.html>

2.7. The above figures highlight the fact that while the labour market outlook has continued to improve, growth in the Australian economy has slowed. Wage growth and costs of living have both increased gradually, in tandem over time.

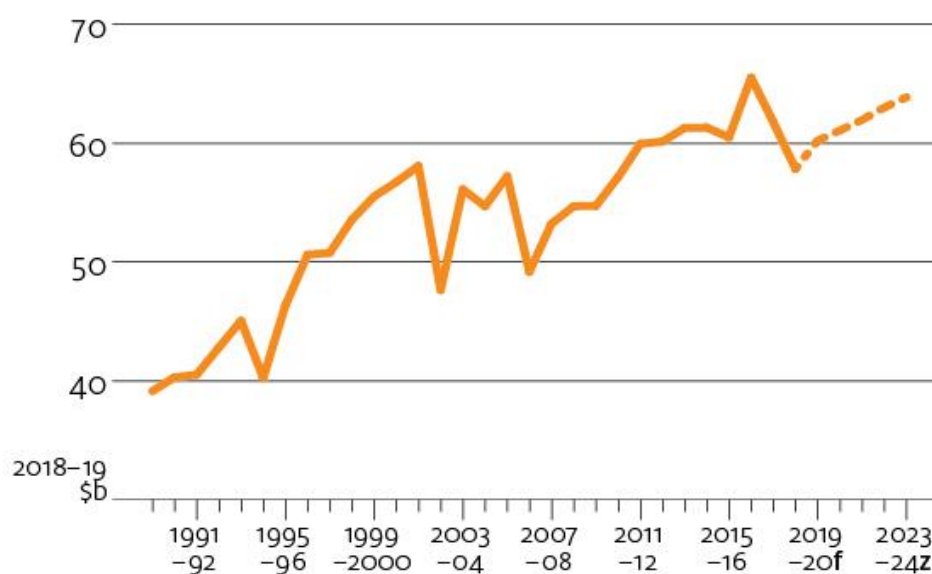
¹⁶ Ibid.

¹⁷ Ibid.

3. The Agricultural Sector and the Environment

3.1. The Australian agricultural sector is remarkably robust and remains productive despite the highly variable, often punishing environmental conditions of our continental climate. Nevertheless, extreme weather events pose a persistent and worsening threat to the lifestyles and livelihoods of thousands of Australian farmers, many of whom face having their businesses made unviable from the additional costs incurred by these conditions.

3.2. The overall value of farm production in Australia is forecast to decline by 4% to \$58 billion in 2018-19¹⁸. This decline is largely due to the negative impact of drought conditions in the East on the 2018-19 winter crop, as well as drought-related impacts on milk and wool production, a significant decline in live-animal exports (particularly during the summer months), and the impact of flooding in Queensland upon cattle exports¹⁹. This decline in production value is a concerning development for the sector, although at the national level the impact of productivity-loss on drought and flood-affected farms has been offset somewhat by the second-largest grain harvest on record in WA²⁰.



3.2.1 Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), *Volume of Farm Production, 1989-90 to 2023-24*, 5 Mar 2019. <http://www.agriculture.gov.au/abares/research-topics/agricultural-commodities/mar-2019/agriculture-overview>

¹⁸ Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), *Agriculture overview: March Quarter 2019*, 5 Mar 2019. <http://www.agriculture.gov.au/abares/research-topics/agricultural-commodities/mar-2019/agriculture-overview>

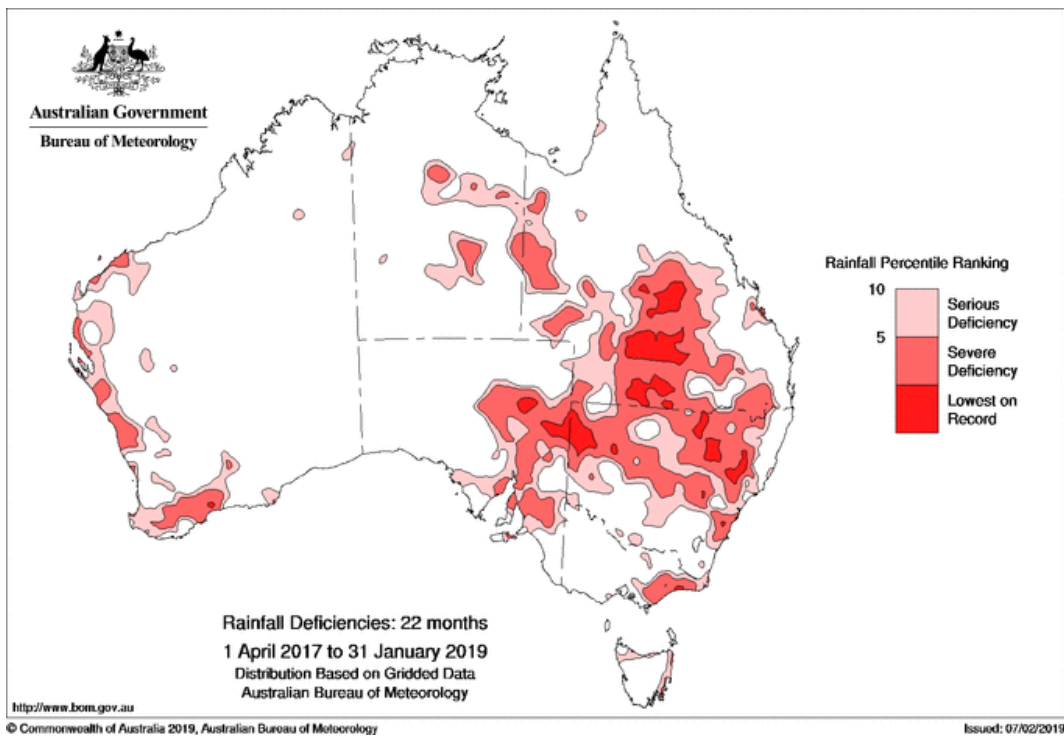
¹⁹ Ibid.

²⁰ The Sydney Morning Herald, *WA's summer grain harvest the second biggest on record*, Feb 1 2019.

<https://www.smh.com.au/business/the-economy/wa-s-summer-grain-harvest-the-second-biggest-on-record-20190201-p50v5y.html>

3.3. Farm production is forecast to recover by 4% in 2019-20. However, this forecast optimistically assumes a return to seasonal average weather conditions across the nation, which would result in higher crop yields and a reduction in the costs and pressures associated with extreme weather conditions²¹. Livestock productivity is likely to decline due to a focus on herd and flock restocking²². There is considerable uncertainty as to the 2019-20 production forecast due to its reliance on improved weather conditions²³.

3.4. The Eastern drought continues to take a serious toll on the growth and productivity of the agricultural sector in Australia, particularly in the [Central and South East](#). Rainfall deficiencies have continued to worsen across southern Queensland, most of New South Wales, eastern Victoria, eastern and northern Tasmania, eastern South Australia and parts of the Northern Territory over a 22-month period (see figure 3.4.1 below).



3.4.1 Bureau of Meteorology, *22-month rainfall deficiencies*, 7 Feb 2019.
<http://www.bom.gov.au/climate/drought/#tabs=Drought>

3.5. Drought is a major factor in driving down the value of crop and livestock production in Australia, costing the sector tens of billions of dollars which might otherwise be used to drive growth within the sector²⁴. As has been indicated above,

²¹ Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), *Agriculture overview: March Quarter 2019*, 5 Mar 2019. <http://www.agriculture.gov.au/abares/research-topics/agricultural-commodities/mar-2019/agriculture-overview>

²² Ibid.

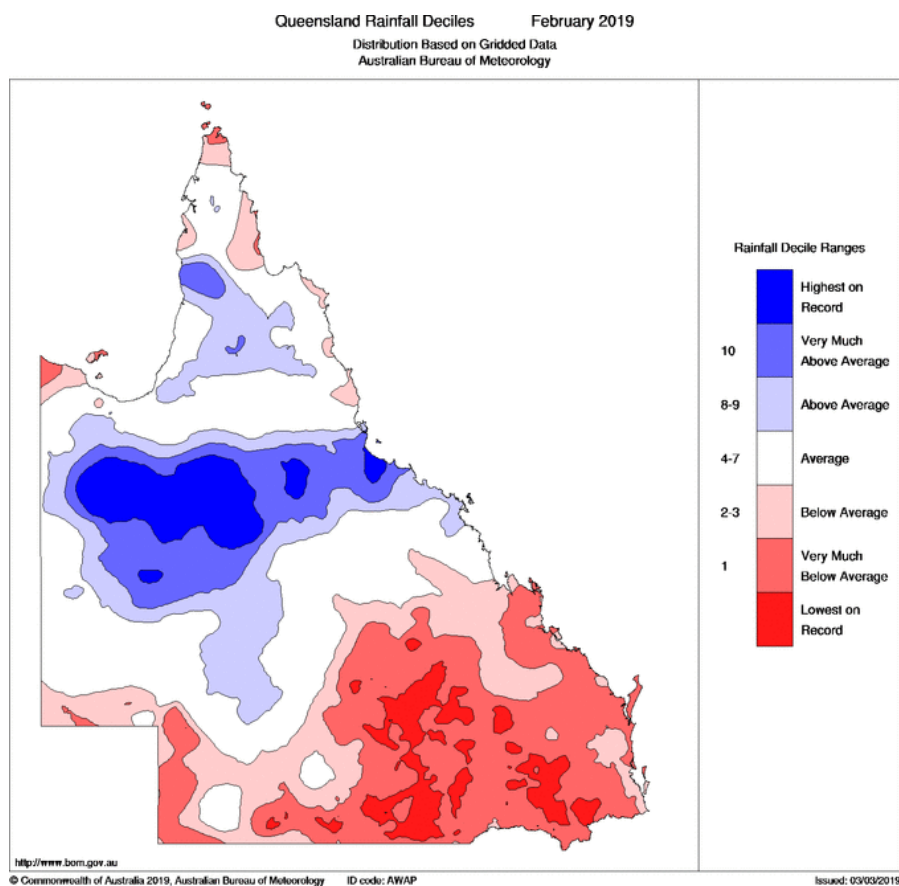
²³ Ibid.

²⁴ Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), *Agriculture overview: March Quarter 2019*, 5 Mar 2019. <http://www.agriculture.gov.au/abares/research-topics/agricultural-commodities/mar-2019/agriculture-overview>

unless weather patterns return to seasonal averages drought will remain as a major financial burden that will be detrimental to the ability of farmers to comfortably meet labour costs.

3.6. Bushfires, the frequency and severity of which has been intensified by continuing drought conditions, have caused damage to properties, infrastructure, farm equipment, family homes and livestock in a number of regions across the nation at significant cost²⁵.

3.7. At the other extreme, severe flooding in Far North Queensland has had a disastrous impact on the livestock and horticultural industries of that region (see figure 3.7.1 below). As has already been outlined above, these floods have wiped out a vast amount of production value in the livestock sector. Though it will be some time before the full extent of the damage is known, up to half-a-million cattle are speculated to have been killed by the floods²⁶. The cost to farmers from stock losses alone is likely to be in the hundreds of millions²⁷.



3.7.1 Bureau of Meteorology, *Queensland Rainfall Deciles – February 2019*, Feb 2019. <http://www.bom.gov.au/web03/ncc/www/awap/rainfall/decile/month/colour/history/qd/2019020120190228.gif>

²⁵ ABC News, *What we lose to the flames*, 4 Oct 2016. <https://www.abc.net.au/news/2016-02-14/the-cost-of-bushfires-to-communities/7156782>

²⁶ The Guardian, *Up to 500,000 drought-stressed cattle killed in Queensland floods*, 11 Feb 2019.

<https://www.theguardian.com/australia-news/2019/feb/11/up-to-500000-drought-stressed-cattle-killed-in-queensland-floods>

²⁷ SBS News, *Queensland graziers face 300,000 lost cattle, \$300 million flood losses*, 8 Feb 2019.

<https://www.sbs.com.au/news/queensland-graziers-face-300-000-lost-cattle-300-million-flood-losses>

3.8. Natural disasters, including drought, bushfires and floods, severely restrict the capacity of farms to operate profitably. The period of recovery time for each affected farm varies according to the severity of an event, seasonal conditions, available resources, and individual business preparedness and resilience. While there are generally some measures of government assistance available the form of payouts and subsidies to assist farmers in times of extreme weather, this rarely comes close to covering all involved costs, especially during catastrophic events such as the recent flooding in FNQ²⁸.

3.9. The capacity for farmers to pay wages during environmental disasters is often seriously inhibited due to the costs involved in weathering such events and the recovery process. As a result of both loss and damage inflicted upon individual farms and the resulting decline in production value across the sector as a whole, many farmers are under such financial pressure that they struggle to support their own families.

²⁸ ABC News, *Farmers frustrated by 'lack of emergency funding' seven weeks on from record flood*, 3 Feb 2019. <https://www.abc.net.au/news/2019-02-03/flooded-farmers-frustrated-by-lack-of-disaster-relief-funding/10774416>

4. Summary and Proposed Wage Increase

4.1. The agricultural sector is being placed under considerable pressure as a result of to a tightening economy (driven by sluggish growth and mediocre terms of trade) and environmental factors detrimentally affecting production value and business viability for individual farmers.

4.2. Increased employment rates are generally a very positive thing. However, notional employment correlating to higher rates of underemployment is only marginally less undesirable for long-term growth and a stimulated domestic market. It would be counterproductive to require farmers to divert capital from bespoke programs to incentive unemployed and underemployed Australians to seek full-time and seasonal work on farms, as serious work shortages still remain in many areas.

4.3. Increases in the minimum wage affect business and personal decisions to invest in employment, skills and training. Adjustments to the national minimum wage traditionally flow on to all modern award classifications, without exception. Many enterprise agreements are also adjusted by default, so that the impact of increases in the national minimum wage is felt across the economy.

4.4. The prospect of increased labour costs is uniquely troublesome for farmers in the present climate. Unlike industries such as retail and hospitality, farmers are severely limited in their ability to rapidly adjust business models and rebalance their finances due to the inherently large-scale, condition-dependent nature of agricultural work. For many, simply finding workers is a higher priority than keeping employee wages as low as possible. Most farmers are not interested in profiteering, but simply seek to keep their businesses sustainable and productive.

4.5. In light of the above points, the NFF submits that wages should be increased in a manner that is fair and equitable for workers, that incentivises Australians to seek employment in the agricultural sector, and that accounts for and is supportive of the unique financial pressures being faced by farmers as employers in the agricultural sector.