

Chapter 6

Skills development and labour market issues

6.1 This chapter covers the skills and labour market issues that face Australia's food processing industry. Labour and skills featured prominently in the submissions and evidence before the committee. Two broad themes emerged from the inquiry: those relating to tightness in the labour market, particularly with respect to the supply of skilled employees; and those relating to flexibility under the *Fair Work Act 2009* (Cth) (FW Act) and its associated modern awards.

The food processing labour market

6.2 Before examining the skills and labour issues identified in the inquiry, it is useful to set out some background information about the food processing labour market generally.

6.3 In evidence to the committee, the Department of Education, Employment and Workplace Relations (DEEWR) noted that, as at February 2012, the food processing industry employed some 194 300 people across about 10 000 businesses.¹ Many of these businesses are in rural centres and are a major source of employment for people in country towns.² In these towns, it is not simply the workers who depend upon the continued existence of food processing companies, but also a raft of local industries, from tradespeople to retailers, as well as their families.

6.4 Employment in the food processing sector has defied the general decline in manufacturing employment in Australia. According to Dr Alison Morehead, Group Manager of the Workplace Relations Policy Group, DEEWR:

Even though employment and manufacturing as a whole decreased by 62,000, or 6.1 per cent, in the five years to August 2011, employment in food product manufacturing increased by 12,200, or by 6.7 per cent.³

6.5 DEEWR predicted that this trend would continue, particularly in the manufacturing of bakery products, dairy products and meat and meat products.⁴ This

1 Dr Alison Morehead, Group Manager of the Workplace Relations Policy Group, Department of Education, Employment and Workplace Relations, *Committee Hansard*, 11 May 2012, p. 29; DEEWR, answer to question on notice from 11 May 2012, p. 4 (received 2 April 2012).

2 Mr David Losberg, Representative, Australian Dairy Industry Council, *Committee Hansard*, 9 March 2012, p. 21.

3 Dr Alison Morehead, DEEWR, *Committee Hansard*, 11 May 2012, p. 29.

4 Department of Education, Employment and Workplace Relations, answer to question on notice, 13 December 2011, p. 7 (received 2 April 2012).

growth in employment was not even across the sector or over the five year period for which DEEWR provided statistics. In answer to a question on notice, DEEWR provided the following table setting out employment trends in the food processing sector for the past five years:

| Industry Code | Industry Title | Employment at Feb 2012 (000s) | One Year Change to Feb 2012 (000s) | Five Year Change to Feb 2012 (000s) |
|----------------------|---|--------------------------------------|---|--|
| 11 | Food Product Manufacturing (Overall) | 194.3 | -11.0 | 5.8 |
| 111 | Meat and Meat Product Manufacturing | 53.2 | -1.9 | 1.8 |
| 112 | Seafood Processing | 1.7 | 0.2 | -0.5 |
| 113 | Dairy Product Manufacturing | 17.5 | -4.2 | 1.4 |
| 114 | Fruit and Vegetable Processing | 4.8 | -3.0 | -4.2 |
| 115 | Oil and Fat Manufacturing | 1.6 | 0.2 | -0.9 |
| 116 | Grain Mill and Cereal Product Manufacturing | 3.2 | -2.4 | -3.9 |
| 117 | Bakery Product Manufacturing | 68.4 | 5.4 | 10.1 |
| 118 | Sugar and Confectionery Manufacturing | 10.5 | -4.7 | -1.1 |
| 119 | Other Food Product Manufacturing | 9.8 | -3.9 | -4.6 |

Source: DEEWR, Answers to Question on Notice from public hearing 11 May 2012, received 1 June 2012.

6.6 The 'other food product manufacturing' subsector, in which the greatest job losses occurred, includes potato crisp manufacturing, animal feed production and other 'non-staple' items such as coffee and tea.

6.7 DEEWR also presented statistics about employers' recruitment experiences in the 12 months to September 2011, including in the agriculture, forestry and fishing industry and the food product manufacturing and beverage and tobacco product manufacturing sectors. It is particularly notable that, despite reporting low levels of competition for vacancies and low numbers of suitable candidates, employers in both the agriculture, forestry and fishing industry and the food product manufacturing and beverage and tobacco product manufacturing sectors reported rates of unfilled vacancies lower than the rate across all industries.⁵ These statistics are set out in more detail in Appendix 3.

⁵ Department of Education, Employment and Workplace Relations, answer to question on notice, 13 December 2011, pp 8–9, (received 2 April 2012).

6.8 Finally, and significantly for this inquiry, DEEWR noted that the industry faced a number of skill shortages in both the professional labour market and technicians and trades market. In the professional sphere, DEEWR noted that there had been 'persistent shortages of agricultural scientists/consultants' since 2007, mainly driven by a low supply of such professionals.⁶ In relation to technicians and tradespeople, DEEWR noted that some employers found it difficult to recruit agricultural technicians, and that the industry had had some trouble recruiting qualified bakers and butchers for the last decade.⁷

Committee view

6.9 The evidence before the committee bore out DEEWR's statistics on shortages in the labour market. Submitters noted shortages of both skilled and unskilled workers. In order to suggest methods of addressing these shortages, it is important to understand why they have occurred. In this regard, the evidence before the committee was remarkably consistent, focusing on a shortage of food science and agriculture graduates, a perceived gap between graduates' skills and knowledge and industry's expectations and impact of the mining boom. These issues are dealt with in the next sections of this chapter.

Shortage of food science and agriculture graduates

6.10 Many submitters argued that skilled labour shortages facing the industry resulted from a shortage of food science and agricultural graduates. The Australian Dairy Industry Council (ADIC) quoted a study which showed that, while there were 5000 agricultural scientist positions for graduates each year, there were only about 800 graduates.⁸ ADIC also provided the committee with a May 2011 report by the Allen Consulting Group for the Food Technology Association of Australia (FTAA) on the demand for food science and technology graduates. This report noted that the number of food science and technology graduates had been declining in Australia and that this trend was in line with international experiences.⁹

Reasons for the shortage

6.11 The main reason submitters offered for this decline in enrolments related to the food processing industry's image as a potential career path. The problem was one

6 Department of Education, Employment and Workplace Relations, answer to question on notice, 13 December 2011, p. 8, (received 2 April 2012).

7 Department of Education, Employment and Workplace Relations, answer to question on notice, 13 December 2011, p. 8, (received 2 April 2012).

8 Australian Dairy Industry Council, *Submission 49*, p. 21.

9 Allen Consulting Group, *Demand for Food Science and Technology graduates: FTAA skills demand survey analysis: Report to Food Technology Association of Australia*, May 2011. This was submitted by the Australian Dairy Industry Council as an answer to question on notice, 9 March 2012 (received 20 April 2012).

of both perception and awareness. The Australian Food and Grocery Council (AFGC) submitted that:

For some time AFGC and its members have been concerned about the shortage of high calibre candidates for senior management roles in technical areas such as technology management and quality assurance. Although the reasons for poor recruitment of students into food science, technology and engineering disciplines have not been clearly established AFGC considered it is more deep rooted than a simple reflection of the skills shortage which Australian industry generally is experiencing. One contributing factor is thought to be the general lack of awareness among young people of the career opportunities which exist in the food industry, including in technical areas.¹⁰

6.12 A number of submitters noted that food processing was simply not seen as an attractive option by many students:

I think one senator said in Hansard that they did believe that the food industry was sexy. It is not. Generally, we have moved away from it. If you go round the average factory, be it a milk factory, a canning factory or an abattoir, you will see it is not sexy.¹¹

I am a food technologist. The job is hot and sweaty, it involves shift work and early starts and if you have a trial you can guarantee it is going to be in the middle of the night. I have always found the job to be rewarding, but it is definitely not glamorous. You do not need to worry about whether the job is glamorous or this or that. It is real—you are making something real. You are paying your bills, you are part of society and you are paying your tax.¹²

6.13 According to some submitters, this lack of allure meant that students chose more lucrative specialisations in science and engineering than food. Mr Peter Bush, Executive Officer of the FTAA, argued that:

Because food science and technology is almost at the bottom level, with engineering and things like that at the top, it is very difficult to attract students of food science and technology ...¹³

6.14 Mr Anthony McHugh, Senior Project Manager, Food and Agribusiness in the Tasmanian Department of Economic Development, Tourism and the Arts, echoed these sentiments:

It goes back to the issue of what incentives there are for people to enter these courses when they have so much other choice before them,

10 Australian Food and Grocery Council, *Submission 12*, p. 21.

11 Mr Peter Bush, Executive Officer, Food Technology Association of Australia, *Committee Hansard*, 9 March 2012, p. 2.

12 Ms Helen Hubble, Private capacity, *Committee Hansard*, 9 March 2012, p. 23.

13 Mr Peter Bush, Executive Officer, Food Technology Association of Australia, *Committee Hansard*, 9 March 2012, p. 3.

particularly people with a scientific bent and a good scientific brain. There is engineering, there is the mining industry and, if you are mathematically inclined, there is banking and finance.¹⁴

6.15 Even where students had an interest in food and agricultural sciences, some submitters believed that universities did not offer courses which led naturally to a career in food processing. Instead, submitters believed that university courses privileged nutritional studies¹⁵ or environmental sciences¹⁶ over food technology and agricultural sciences. Dr Michael Eyles, Senior Adviser, Food, Health and Life Science Industries Group, Commonwealth Scientific and Industrial Research Organisation (CSIRO), stated that:

You have heard about the numbers going into food science. There has also been quite a shift in the composition of those numbers. There has been an increasing move of students away from the hard sciences like engineering and so forth associated with food science and into nutrition. So that has obvious consequences for the way those people can be used. A lot of things that go into helping school students make up their mind whether food process engineering or nutrition is sexy and at the moment it is nutrition.¹⁷

6.16 Similarly, ADIC noted that, in the case of environmental sciences, the focus of the qualification and the skills and interests it developed were quite different to those developed by an agricultural science program:

The education sector has responded to the broad community promotion of environmental issues with young people enrolling in environmental science programs. Environmental science is generally focussed on preserving functioning biological systems; it is not about producing saleable products in a sustainable manner. In contrast, agriculture requires the management of biological, economic and human resources to produce a profit; agriculture can only be sustainable as long as it is profitable. Rather than assuming environmental science graduates can be used to fill the gap, perhaps a better approach would be to boost the 'public good' credentials of agricultural and food science degrees.¹⁸

6.17 In this regard, the committee notes that data provided by DEEWR suggests that enrolments in agricultural studies, including both general agricultural studies and more specific courses related to fisheries, forestry, horticulture and viticulture, have

14 Mr Anthony McHugh, Senior Project Manager, Food and Agribusiness, Department of Economic Development, Tourism and the Arts *Committee Hansard*, 12 April 2012, p. 32.

15 Mr Bush, Executive Officer, Food Technology Association of Australia, *Committee Hansard*, 9 March 2012, p. 3.

16 Australian Dairy Industry Council, *Submission 47*, pp 21–22.

17 Dr Michael Eyles, Senior Adviser, Food, Health and Life Science Industries Group, Commonwealth Scientific and Industrial Research Organisation, *Committee Hansard*, 11 May 2012, p. 38.

18 Australian Dairy Industry Council, *Submission 47*, pp 21–22.

also dropped significantly over the last ten years. In the same period, enrolments in environmental studies have increased dramatically.¹⁹

6.18 Mr Allen Grant, First Assistant Secretary of the Agricultural Productivity Division, Department of Agriculture, Fisheries and Forestry (DAFF), believed that the Department had more to do to understand why this shift had occurred:

[W]e need to better explore in particular the tertiary education system through both the technology institutes and the universities to find out if this is a supply led issue or a man led issue? Are the universities cutting courses because no-one is applying, or is no-one applying because there are no courses? We keep getting this circular argument. That is certainly an issue we are trying to explore better with some of those institutions.²⁰

6.19 It is notable that these declining enrolments occur in the context of a decline in the number of secondary and tertiary students studying science more generally. Some submitters believed that this decline in numbers exacerbated the recruitment problems posed by the industry's relative lack of glamour.²¹

Graduate skill gaps

6.20 Concerns about the decline in enrolments in food and agricultural science degrees were also accompanied by concerns about the sorts of skills possessed by graduates of those courses. That is, some in the food processing industry believed that not only were tertiary education institutions not producing enough graduates for the food processing industry, they were not properly equipped for entry into the workforce.²²

6.21 Mr Bush, of the FTAA, believed that the content of courses that traditionally led to food processing careers had changed, moving away from technical science skills and into content less relevant to the workplace:

[F]ood science and technology ... has now changed to food science and nutrition. The courses have changed. Even young people feel that food science and technology is not sexy but food science and nutrition is. So the courses have been changed in their content. Firstly, they have gone from four years to three years. Secondly, they have reduced the amount of food

19 Department of Education, Employment and Workplace Relations, answer to question on notice, 13 December 2011, p. 3 (received 2 April 2012).

20 Mr Allen Grant, First Assistant Secretary of the Agricultural Productivity Division, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 11 May 2012, p. 23.

21 Mr Peter Bush, Executive Officer, Food Technology Association of Australia, *Committee Hansard*, 9 March 2012, p. 3.

22 Mr Peter Bush, Executive Officer, Food Technology Association of Australia, *Committee Hansard*, 9 March 2012, p. 3.

and food related topics and increased human nutrition and nutrition topics in general.²³

6.22 The Australian Meat Industry Council (AMIC) held similar concerns;²⁴ Campbell Arnott's referred to this process as 'a slow erosion of Food Science courses'.²⁵

6.23 The Allen Consulting Group Report, which surveyed a number of food processing businesses, noted that this had resulted in:

...many FST [food science and technology] graduates [who] do not possess the skills and attributes businesses consider important. The disparity between skills identified by businesses as important, and skills identified as usually being possessed by FST graduates suggests that many graduates do not possess the technical skills that are considered important by business.²⁶

6.24 While the report also found that this disparity 'may be exacerbated by high business expectations', these expectations came from managerial experience:

[T]his business expectation has developed primarily due to managers expecting the skills of graduates to be similar to the skills they possessed when they left university. However, it was noted that degree courses teaching these skills don't necessarily exist anymore.²⁷

6.25 Mr Callum Elder, Executive General Manager of Quality and Innovation at Simplot, argued that the decreased focus on core technical skills in food science and technology courses was, in part, a result of changes to the role of universities:

if we move onto the universities, the training of agronomists and other specialists that we need in this country that have a significant lack of, they have become profit centres and tend to produce courses that are the cheapest for them to run. Every university has a nutrition or food course; hardly any of them have any technical food science courses anymore,

23 Mr Peter Bush, Executive Officer, Food Technology Association of Australia, *Committee Hansard*, 9 March 2012, p. 3.

24 Mr Gary Burrige, Chairman, Australian Meat Industry Council and Mr Roger Fletcher, Chair, Sheepmeat, *Committee Hansard*, 10 February 2012, p. 27.

25 Campbell Arnott's, *Submission 34*, p. 7.

26 Allen Consulting Group, *Demand for Food Science and Technology graduates: FTAA skills demand survey analysis*, May 2011, p. iv, <http://www.allenconsult.com.au/publications.php?s=demand-for-food-science-and-technology-graduates>, (accessed 8 August 2012).

27 Allen Consulting Group, *Demand for Food Science and Technology graduates: FTAA skills demand survey analysis*, May 2011, p. 8, <http://www.allenconsult.com.au/publications.php?s=demand-for-food-science-and-technology-graduates>, (accessed 8 August 2012).

because they are required to have equipment and this equipment is expensive to buy and maintain.²⁸

6.26 The Allen Consulting Group Report found that these industry perceptions about the skills and practical experience of food science graduates did not always affect their employability in the same way. Large businesses and businesses in rural areas found that graduates' willingness to relocate was a greater factor affecting their recruitment; it was in small and medium-sized businesses and in businesses in metropolitan areas that 'skills mismatch' was more frequently cited as a reason for not employing graduates.²⁹

International recruitment solutions

6.27 A number of businesses told the committee that they had reacted to this skills shortage by recruiting from overseas. Mr John Millington, Company Spokesman for Luv-a-Duck told the committee that:

Probably the biggest issue for us is skilled labour shortages. In recent years—for the last 10 to 15 years—we have been sourcing our skilled labour workforce from overseas, mainly from South Africa. ... Our demand is primarily for skilled tradesmen.³⁰

6.28 Mr Elder, from Simplot, argued that these graduates often had access to better technology and training in their home countries. By recruiting these graduates, businesses, particularly smaller businesses, were able to access knowledge about new technologies and procedures that was not easily available to them in Australia:

[W]e find access to pilot plant equipment and expertise that we can draw on in people who can utilise that equipment to be a very difficult thing. Quite often now we are actually getting graduates and people from overseas, from Germany and other countries that do have wonderful centres. CSIRO has got a good processing centre, the Victorian centre at Werribee is very good. Apart from that, they are almost non-existent across the country. How do SMEs, which are not big companies like us, get to trial new equipment—pilot scale equipment—to see if it is right for their processes, to see if it can give them improved efficiencies or productivity advantages, if they cannot access that at a centre of excellence or a research centre.³¹

28 Mr Callum Elder, Executive General Manager of Quality and Innovation, Simplot, *Committee Hansard*, 12 April 2012, p. 21.

29 Allen Consulting Group, *Demand for Food Science and Technology graduates: FTAA skills demand survey analysis*, May 2011, p. 16, <http://www.allenconsult.com.au/publications.php?s=demand-for-food-science-and-technology-graduates>, (accessed 8 August 2012).

30 Mr John Millington, Company spokesman, Luv-a-Duck, *Committee Hansard*, 17 April 2012, p. 35.

31 Mr Callum Elder, Executive General Manager of Quality and Innovation, Simplot, *Committee Hansard*, 12 April 2012, p. 21.

6.29 Mr Bush, from the FTAA, believed that there were often strong pathways for international food science and technology students, particularly postgraduate students, to enter the Australian workforce:

The government has made it quite easy with working students, even 457 visas et cetera, and we find ourselves today with the situation where many of the students who came want to stay and many of them still want to work here in Australia. We may well have made that easy for them. Secondly, in terms of our immigration policy of going for qualified persons, we find within the industry now the developing lower strata or entry level is heavily made up of immigrant—if that is the word—food science technologists, very well qualified, particularly from New Zealand, the Subcontinent, South Africa, Ireland and, as is developing now, Thailand and China.³²

Potential domestic solutions

6.30 The committee heard evidence offering a number of solutions to the problems faced by the food processing industry in attracting graduates. These solutions revolved around promoting the industry as an attractive potential career path to students, both secondary and tertiary, and increasing industry engagement with tertiary institutions to ensure that courses develop skills and knowledge that more closely match industry expectations.

Dealing with perception issues

6.31 AgriFood Skills Australia submitted that any approaches to addressing the shortage of food science and technology graduates should be accompanied by the industry making a concerted effort to make its image more contemporary:

It is important that there be effort focused *on contemporising industry's image as a place to work and grow*. Academics, policy makers and even careers advisors are susceptible to the stereotypical image of the food sector as lower skilled and offering poor job and career options. To the contrary, the industry has a wide range of technical and highly sophisticated job roles in vibrant, world class companies. Promoting an industry image which focuses on contemporary and emerging job roles, and importantly career 'pathways' they open up, remains paramount.³³

6.32 Dr Geoffrey Annison, Deputy Chief Executive of the AFGC, gave similar evidence to the committee:

It is my personal belief that there has been a fundamental shift in the last 10 years in the way the food industry has been viewed in Australia. It was my observation during the 1990s that the food industry, for want of a better term, was the flavour of the month, so we had a number of very positive

32 Mr Peter Bush, Executive Officer, Food Technology Association of Australia, *Committee Hansard*, 9 March 2012, p. 4.

33 AgriFood Skills Australia, *Submission 10*, p. 4.

developments that really highlighted the opportunities with the food-processing industry. ... That growth continued in that trajectory on into the mid-2000s. Around 2005 it started to drop off. But it was also in the year 2000-01 that the concerns around obesity and diet suddenly took off, and I think our industry went... [to being viewed as] not making the right products, we were not labelling them properly and we were not promoting them correctly.³⁴

6.33 Mr Grant, of DAFF, made it clear that the Department was aware of these image concerns. He gave evidence to the committee that there were clear connections between the image of agriculture and pathways into careers in food processing. Mr Grant believed that:

There are two elements to it. One is: how do you give agriculture a better name so that people become more interested in it to start with, so that that will flow through to people wanting to study related agricultural degrees? We are interested in people studying science per se as much as agriculture per se, because you can generally translate science into a whole range of agricultural tools.

The second thing is to identify that agriculture is not just about farms and hard work; agriculture is also about food processing. It is about high tech and it is about sophistication. Those are some of the messages we need to get across.³⁵

Promotion of career paths in schools

6.34 Many submitters believed that these perception issues needed to be dealt with initially in schools, particularly secondary schools:

We have identified that we need to get into schools at primary school level and at secondary school level as well to give people an understanding of what our industry can offer them in a working career. It is not just about getting down and milking the cows. There is laboratory work. A huge array of skills are required in this field of agriculture. The rural-urban divide is a real issue for us, and more and more that is becoming the case. I am aware that the National Farmers Federation is thinking along the same lines and trying to get agricultural education curriculum back into the schools. It is a problem now, but it will become a big problem if we do not, as far as getting staff is concerned.³⁶

34 Dr Geoffrey Annison, Deputy Chief Executive of the AFGC, *Committee Hansard*, 13 December 2011, p. 26.

35 Mr Allen Grant, First Assistant Secretary of the Agricultural Productivity Division, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 11 May 2012, p. 23.

36 Mr Chris Griffin, Chairman, Australian Dairy Industry Council, *Committee Hansard*, 9 March 2012, p. 18.

6.35 Dr Eyles, from the CSIRO, noted that attracting students to the food sciences could occur within existing programs aimed at encouraging students to pursue careers in science:

There are two issues you touched on: one is attracting students into science and the other is attracting students into food science, in particular, at the graduate level. One of the programs that CSIRO has had in place for some years, ...is a program called Scientists in Schools [which] teams up working scientists with science teachers. The intention is to give students in schools a real feel for what science is all about.... The reason I mention it in this context is because there has been a special focus in some states on getting food scientists into schools and helping students understand that actually food science is not cooking; it is quite sophisticated stuff that is interesting and you can have a really interesting career in food science.

6.36 The AgriFood Skills Council similarly submitted that there were a number of programs already in operation aimed at showing students possible careers paths in food science and technology. The Council highlighted its development of industry pathways programs for food processing in South Australia as a method of encouraging students to consider careers in the food sector. It noted that an industry pathways program was:

an industry endorsed set of learning strategies, career resources and nationally accredited VET [vocational education and training] competencies and/or qualification(s) that articulate into apprenticeships, traineeships, further education or training and direct employment.³⁷

6.37 The AgriFood Skills Council's submission also highlighted the possible use of the Primary Industry Centre for Science Education (PICSE) as having the potential to expand the scope of its operations to include the promotion of science careers in food science and technology.³⁸ PICSE is a body aimed at attracting students in years 11 and 12 into the tertiary study of science, particularly as it relates to agribusiness. PICSE is the result of collaboration between government (DEEWR, the Grains, Fisheries and Cotton Research and Development Corporations), universities (University of Tasmania, University of Western Australia, Flinders University, University of New England, University of the Sunshine Coast and University of Southern Queensland), and industry (GrowSmart Training (SA), Horticulture Australia, Dairy Australia and the Cotton Catchment Communities Cooperative Research Centre). Its focus is currently on science in primary industries, with particular emphasis on agriculture, aquaculture, ecology, horticulture, fisheries, water security, sustainability, climate change and the environment.³⁹

37 AgriFood Skills Australia, *Submission 10*, p. 5.

38 AgriFood Skills Australia, *Submission 10*, p. 5

39 PICSE, *About Us—Overview*, <http://www.picse.net/HUB/overview.htm> (accessed 19 June 2012).

6.38 The Council also noted that whatever is done to educate children in schools, local businesses will need to ensure they continue to engage with students in order to convert interest into a vocation. Without this continued engagement, the Council believed that the industry would continue to suffer from a poor image amongst students and graduates.⁴⁰

6.39 In response to a question on notice, DEEWR noted that the Australian Curriculum: Science, which has been adopted by Education Ministers, provided:

...opportunities for teachers to include education about agriculture and primary industries broadly and food processing more specifically. Additional opportunities will be afforded through the technologies learning area, the curriculum for which is still to be decided.⁴¹

6.40 The Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE) also brought the committee's attention to the \$54 million allocated in the 2012–13 federal budget to improve student engagement in maths and science. DIISRTE stated that:

Funding through this program will support innovative partnerships between universities and schools that are experiencing difficulty in engaging students in science and maths, have poor outcomes in maths and science, and/or have low numbers of students going on to further study in science and maths.⁴²

Tertiary and higher education engagement

6.41 A number of submissions to the committee pointed to the need for greater engagement with tertiary and other higher education institutions. They believed that the lack of connection between industry and universities resulted in poor outcomes in two respects. First, because it meant that food science and technology career paths were not being adequately or accurately presented to tertiary students; and secondly, because it meant that universities were developing courses and curricula without sufficient reference to the workforce needs of industry.

6.42 After noting that there was 'a huge disconnect' between academia and the food processing industry, Mr Bush, of the FTAA, provided the committee with anecdotal evidence about the effects of site visits he undertook with students from universities in Victoria:

We had a grant for five factory visits. The first one was exceptionally successful and was published. It was with RMIT. We came up here and went to Simplot and Riverland Oilseeds. We had the whole situation set up for the two-day visit. From memory, there were 28 students and 25 of them

40 AgriFood Skills Australia, *Submission 10*, p. 5.

41 DEEWR, answer to question on notice from 11 May 2012, p. 2 (received 2 April 2012).

42 DEEWR, answer to question on notice from 11 May 2012, p. 3 (received 2 April 2012).

were international students. I did a survey in the bus coming out of Melbourne, asking them: 'Would you consider working in rural Victoria? If not, why not?' I did the same survey when we were driving back into Melbourne;...there was a 90 per cent change: of those students, even international ones, 90 per cent said on the way back that, yes, they would [work in rural Victoria].⁴³

6.43 Mr Bush contended that the food processing industry should be proactive about engaging with tertiary education institutions.⁴⁴ ADIC noted that it had done so, through its development of the People in Dairy strategy and the National Centre for Dairy Education Australia (a partnership with a number of Australian TAFE colleges). It did, however, believe that there was only so much it could do:

The industry would welcome a more visible and proactive training strategy developed between the industry and government and integrated with the National Food Plan. Only government can address issues such as the National Training Package working for the industry, access to training funds, and difference between states in vocational education and training models.⁴⁵

6.44 The AFGC submitted that it had begun the process of re-engaging industry with academia. It pointed to its announcement in 2011 that it would assist in funding a professorship in food science and technology at the University of Queensland from January 2012. Dr Annison and Ms Kate Carnell, Chief Executive Officer of the AFGC, told the committee that:

The purpose of that will be to support a particular individual, but that person will also be responsible for developing an industry placement program and scholarship program which will then be supported by the industries themselves or by the companies themselves, [so that the message goes down through the university undergraduates and down into the schools that there is active support for students who choose a career option in food science or food engineering.

...Part of this is that the companies will provide holiday work, internships and a whole range of things around this. I have to say that, for an organisation like the Australian Food and Grocery Council, jointly funding a chair at one of the bigger universities is a very exciting financial challenge for us. But, for all of that, we believe it is important. The companies are absolutely on board with providing that great experience...We are putting

43 Mr Peter Bush, Executive Officer, Food Technology Association of Australia, *Committee Hansard*, 9 March 2012, p. 4.

44 Mr Peter Bush, Executive Officer, Food Technology Association of Australia, *Committee Hansard*, 9 March 2012, p. 4.

45 ADIC, *Submission 47*, p. 21.

quite significant money on the table to try to lift the profile of the industry generally. But more has to be done.⁴⁶

6.45 The Allen Consulting Group Report also picked up on the use of internships as a method of providing pathways into the industry and ensuring that graduates learn skills relevant to the workplace. It noted, however, that industry and universities did not always share enthusiasm for internships:

In relation to addressing these issues [of the mismatch between university studies and industry requirements], most respondents believe that requiring internships to be part of a degree, giving graduates a level of work experience, would be effective. It was noted that internships introduce people to a workplace, allow the development of workplace skills and also allow employers to get to know potential recruits.

Consultations suggested that from a university perspective, requiring internships to be part of degrees is difficult. It was suggested that internships are hard to manage, requiring large amounts of time and expense, and they are not usually considered feasible.⁴⁷

6.46 Evidence before the committee did, however, suggest that, even where industry bodies and businesses had identified the need for greater engagement with tertiary education providers, their approach was not necessarily coordinated. Dr David McKinna suggested that '[t]he pathways for students between training and job outcomes can be rather *ad hoc*'.⁴⁸

6.47 DAFF indicated that it was examining pathways from tertiary education into the industry as part of the National Food Plan. Mr Grant, of DAFF, noted the number of stakeholders meant that any initiatives undertaken in this context required close and careful consultation:

[T]here are a lot of players around both the private sector and within government that have a role in delivering education. So we are working closely with the deans of agriculture, who I am pretty sure work those figures [about the number of food technology workers from overseas]—that have come from AgriFood Skills Australia—with organisations like PIEF [Primary Industries Education Foundation] and PICSE.⁴⁹

46 Ms Kate Carnell, Chief Executive Officer of the AFGC, *Committee Hansard*, 13 December 2011, pp 25–26.

47 Allen Consulting Group, *Demand for Food Science and Technology graduates: FTAA skills demand survey analysis*, May 2011, p. v.

48 Dr David McKinna, *Submission 32*, p. 12.

49 Mr Allen Grant, First Assistant Secretary of the Agricultural Productivity Division, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 11 May 2012, p. 23.

6.48 Dr Eyles, of the CSIRO, also noted that there were a number of informal linkages and programs that did, in fact, link government, industry and educational providers. Dr Eyles told the committee that:

[T]here are a lot of connections in place—for example, ... like the chair at the University of Queensland. The CSIRO and the University of Queensland and the professional organisation that I mentioned, AIFST [Australian Institute of Food Science and Technology], work together to run a summer school for postgraduate students in food science and technology each year. So at the informal level, people are actually talking to each other reasonably well, I think, in the food space.⁵⁰

6.49 In its response to questions on notice, DIISRTE, through DEEWR, indicated that it had a number of programs in place to assist the development of courses in agriculture. These included \$1.2 million over the period 2007–2011 to develop projects on soil science, plant breeding and rangelands management, as well as \$3.6 million to PICSE.⁵¹

Committee views

6.50 It was clear from the evidence before the committee that there are unlikely to be any easy solutions for the problems faced by food processors in recruiting skilled food science and technology graduates. In part, this appears to be because of the position of the industry. It is affected by the same stresses and issues that affect both the Australian agricultural and manufacturing industries. It is also affected by the general decline in science graduates and enrolments at both a secondary and tertiary level. For many businesses, their rural location accentuates these pressures, particularly when it comes to the labour market.

6.51 These are structural issues confronting the Australian economy and they demand a coordinated response from government, educational institutions and industry. The evidence before the committee suggests that this has been lacking, and both government and industry have pursued an ad hoc approach to addressing this skills shortage.

6.52 The committee is concerned at evidence suggesting a disconnect between the food processing industry and education and training providers. It is concerned because, as some submitters noted, of the high average age of workers in the agriculture and agricultural sciences sector, many of whom will retire in the near future.⁵² It is concerned because of current reports about the need for 5000 agricultural

50 Dr Michael Eyles, Senior Advisor Food Health and Life Sciences Industries Group, CSIRO, *Committee Hansard*, 11 May 2012, p. 39.

51 DEEWR, answer to question on notice from 11 May 2012, p. 3 (received 2 April 2012).

52 ADIC, *Submission 47*, p. 21; Mr Anthony McHugh, Department of Economic Development, Tourism and the Arts, *Committee Hansard*, 12 April 2012, p. 31.

scientists each year when Australian universities are only producing 800.⁵³ It is concerned because the future of Australia's food processing industry lies in product innovation, research and development and, at the current time, our capacity for these things appears to be diminishing. The committee believes that engagement between the food processing industry and education and training providers is crucial. While ADIC made the following remarks about the dairy industry alone, the committee believes that they apply equally to whole of the food processing industry:

The future of the ... industry relies on highly capable and well-trained people continuing to work invest and work in the industry. A coordinated effort by industry and government is required to attract, retain and develop the people needed.⁵⁴

6.53 Similarly, the committee agrees with AMIC's submission that:

It is going to be [the industry's] ability to innovate, mechanise and adopt some of the latest technology that will help maintain its competitive profile globally in the future.⁵⁵

6.54 Despite this, the committee believes that there are promising signs for the future. First, it is clear that at least some industry bodies have identified the need to engage with tertiary and secondary education institutions. In this regard, the committee welcomes moves by the ADIC and, more recently, AGFC to establish more formal links with tertiary and higher education providers. These sorts of initiatives, which encourage career pathways from education institutions to industry, appear to the committee to be an important part in ensuring that courses and training will be more relevant to both students and industry.

6.55 Obviously, industry moves cannot occur in a vacuum. Tertiary and higher education providers should also seek to capitalise on these moves and engage further with industry about the sorts of skills required. The committee therefore recommends that tertiary and higher education providers should engage more directly with food processing businesses about curricula and outcomes to ensure that the skills developed through further education better match those required by industry.

Recommendation 18

6.56 Tertiary and higher education providers should engage more directly with food processing businesses about curricula and outcomes to ensure that the skills developed through further education better match those required by industry.

53 ADIC, *Submission 47*, p. 21.

54 ADIC, *Submission 47*, p. 9.

55 AMIC, *Submission 47*, p. 8.

6.57 Secondly, the committee notes that food issues appear to have moved into the public's consciousness in recent times. The government is developing the National Food Plan, and, in recent months, there has been some public discussion about food, food security and the future of the Australian food industry.⁵⁶ There is substantial opportunity for industry to engage with the public about food and careers in food production, to lift its image and present itself as a vibrant industry with a focus on innovation and sustainability and one which offers challenging, rewarding and attractive career paths.

6.58 The committee notes, however, that these moves will only form part of a solution. Without some form of coordination, they might only continue the current fragmented approach. In this sense, the committee believes that the government must do more to both assist and coordinate industry efforts to engage with education providers at all levels and to promote careers in agriculture and food sciences and technology.

6.59 While there may be many informal connections between industry, government and educational bodies,⁵⁷ the committee believes more should be done to ensure that these connections are formalised and coordinated.

6.60 Evidence before the committee suggests that there are a number of existing programs and bodies that could be expanded to better promote the food sciences and technology, particularly given the connections between the food processing sector and agriculture. At a tertiary level, they include the postgraduate summer school run by the CSIRO and AIFST at the University of Queensland. At a secondary level, these include PICSE and the Scientists in Schools program run by the CSIRO. The evidence before this inquiry appears to suggest that it is particularly important to develop students' interest in science generally, and agriculture and food science and technology in particular, at least in secondary school. This could include more explicit incorporation of education about food processing in the Australian Curriculum, including in the technologies learning area curriculum.

Recommendation 19

6.61 The committee recommends that the government consider, in consultation with State and territory governments and industry, expanding existing programs promoting the study of, and career paths in, science to include food science and technology.

6.62 The committee believes that the development of the National Food Plan presents an opportunity for the government to address these issues and to assist in the coordination of the engagement between industry and higher education providers. In

56 See, for example, Fyfe, Melissa and Millar, Royce, 'Future of Food' series in *The Age*, <http://www.theage.com.au/victoria/futureoffood2012> (accessed 20 June 2012).

57 Dr Michael Eyles, CSIRO, *Committee Hansard*, 11 May 2012, p. 39.

this context, the committee recommends that the National Food Plan deal specifically with the labour issues facing the food processing sector, including the supply of appropriately and adequately trained agriculture and food science and technology graduates.

Recommendation 20

6.63 The National Food Plan should explicitly deal with the labour supply issues facing Australia's food processing sector.

6.64 During its inquiry, it became apparent to the committee that there was a need for greater coordination of industry's activities in engaging with education providers at all levels. There are a number of industry bodies, including PICSE, PIEF, the National Farmers' Federation, AgriFood Skills and the Agribusiness Association of Australia, who are responsible for discrete issues affecting the food processing industry. There is, in these circumstances, some risk of the siloing of responsibilities and issues, and of unnecessary competition between bodies. The committee believes that their efforts would result in enhanced outcomes for the agrifood sector if their activities were more actively coordinated by a peak council. The committee therefore recommends that the government encourage and assist the agrifood sector in setting up such a peak council so that the industry may, amongst other things, more effectively engage with primary, secondary, tertiary and higher education providers about potential career paths in the food processing sector.

Recommendation 21

6.65 The committee recommends that the government encourage and assist the agricultural and food processing industry in setting up a peak council of industry bodies so that the industry may, amongst other things, more effectively engage with primary, secondary, tertiary and higher education providers about potential career paths in the agrifood sector.

6.66 Finally, the committee notes that a number of businesses have been forced to look internationally to fill agricultural scientist and food science and technology positions. While this is understandable and appropriate, the committee believes that this should not occur at the expense of businesses' engagement with local institutions, particularly educational institutions.

Other labour shortages

6.67 There was also some evidence before the committee about shortages in both tradespeople and unskilled labour. Submitters attributed these shortages to a range of factors, including the mining boom, the nature of the work and more traditional labour mobility issues associated with the rural and regional location of many businesses.

Reasons for shortages

6.68 The evidence before the committee suggested that the reasons for shortages for tradespeople and unskilled labour were varied. Mr Stuart Clarke from the Western Australian Department of Agriculture and Food was typical of a number of submitters when he said that:

Nowhere suffers more than Western Australia from the influence of the mining and petroleum sector drawing labour and competing for labour with the processing industry. We have heard it from all different sectors—from agricultural producers right the way through the chain to food processors.⁵⁸

6.69 Similarly, Mr Chris Griffin, Chairman of ADIC stated that:

We are trying to educate people in the diverse range of roles and jobs available in the industry but it is difficult. To the west there is a mining boom, in Queensland there is a mining boom and we are fighting those labour issues. People are being attracted out of all sorts of industries to go to the mines and that is impacting on our ability to keep good staff.⁵⁹

6.70 Other submitters, such as Haigh's Chocolates, identified a range of factors as affecting their ability to find and retain skilled and unskilled staff:

Over the last number of years, Haigh's has experienced an increasing amount of pressure to retain highly skilled people due to wages offered by the Government supported automotive and defence industries and the growing demand for labour in the mining industry. Contract trades people to install, maintain and develop our key plant and equipment have become more expensive and more difficult to retain.⁶⁰

6.71 Conversely, the AMWU articulated in its submission that there was a greater need to advertise and promote the training and career opportunities that presently exist:

There is no shortage of labour per se, but more of a lack of interest, more people, particularly younger people, would be encouraged to go into these industries if they knew they could get a trade certificate or diploma, but many people simply do not realise the opportunity to do so is there.⁶¹

6.72 The nature of the work was also cited as a reason for labour shortages. Mr John Hazeldene the Managing Director of Hazeldene's Chicken Farm noted that

58 Mr Stuart Clarke, Director, Food industry Development, Department of Agriculture and Food, Western Australia, *Committee Hansard*, 18 April 2012, p. 7.

59 Mr Chris Griffin, Australian Dairy Industry Council, *Committee Hansard*, 9 March 2012, p. 21.

60 Haigh's Chocolates, *Submission 59*, p. 1.

61 Australian Manufacturing Workers' Union, *Submission 21*, p. 13.

his business was 'not an employer of choice when you talk about a processing floor'.⁶² But, he noted, the work was rewarding and:

We have a pretty good workforce. It is not a glamorous job and it is probably hard to entice the really highly educated people. But as far as unskilled workers are concerned, we provide a lot of employment for those sorts of people.⁶³

Impact of shortages

6.73 A number of submitters noted that the effect of these factors was to drive up the cost of labour at least in the short term. As Mr David Harrison, General Manager of Advocacy, Chamber of Commerce and Industry of Western Australia, stated:

Looking at some of the challenges for our members, and certainly food suppliers and manufacturers are no exception to this, the biggest challenge is labour—the availability of it and the ability to retain their workforce. For those who are lucky enough to find or hang onto their workers, it comes at a significant cost in terms of dollars because they are competing across the whole economy, including with the resources sector, for those workers. Workers are at a premium price at the moment and that is impacting on margins, bottom lines and profitability, and I am sure that each of the members here will talk to you about that.⁶⁴

6.74 Similarly, Mrs Mac's Pty Ltd confirmed that the cost of labour would only increase, at least in the near term:

Labour shortages (both skilled and unskilled) are an issue for the food industry, particularly in WA where the mining boom creates a shortage of labour in the lower paid industries forcing wages up ...It is expected we will be facing another serious labour shortage in 2012 as many mining and energy projects come on stream.⁶⁵

6.75 The AgriFood Skills Council argued that food processing businesses were particularly vulnerable to wage rises resulting from a tight labour market:

This is particularly in regional Australia where many food processing establishments are located and dependent on the food production supply chain, which is vulnerable to workforce attrition to the resources boom due to portability of skills. Across the supply chain enterprises are competing for an already scarce labour pool at higher pay-rates than the food sector

62 Mr John Hazeldene, Managing Director, Hazeldene's Chicken Farm, *Committee Hansard*, 9 March 2012, p. 26.

63 Mr John Hazeldene, Managing Director, Hazeldene's Chicken Farm, *Committee Hansard*, 9 March 2012, p. 27.

64 Mr David Harrison, General Manager of Advocacy, Chamber of Commerce and Industry of Western Australia, *Committee Hansard*, 18 April 2012, p. 10.

65 Mrs Mac's Pty Ltd, *Submission 4*, p. 4.

can afford. If not addressed ..., these factors may threaten the sustainability of Australia's food industry as a whole – with significant implications for regional social fabric, the economy and the environment.⁶⁶

Current programs

6.76 The evidence before the committee about potential solutions concentrated mainly on the role of immigration in alleviating the pressure food processors felt as a result of labour shortages. These current programs took two general forms: those which connected recent migrants and jobs, and those which specifically brought in labour from overseas to assist industries.

6.77 Submitters were generally very positive about programs connecting recently arrived migrants and jobs. Mr Millington, of Luv-a-Duck, noted that Luv-a-Duck had considered relocating to a bigger city to overcome labour shortages, but that it instead employed a number of recently arrived migrants:

Unskilled labour shortages we have overcome ourselves. Given Nhill is an isolated area and we are a big fish in a small pond, the unemployment rate in Nhill is around two per cent. So it is not that we do not employ the locals or the locals do not want to work for us. The fact is that there are just not the numbers there to be able to do it. When we wanted to expand the operation[we found more staff with the Karen Burmese. who have done a fantastic job for us.⁶⁷

6.78 Mr Hazeldene, of Hazeldene Chickens, for example, noted similarly that much of his company's workforce was drawn from non-English-speaking backgrounds, such as Vietnamese, Thais, Chinese and Burmese, who had contributed very positively and been well accepted in the Bendigo community.⁶⁸

6.79 In response to questioning from Senator McKenzie, Mr Hazeldene went on to explain that he had not sought to access any special immigration schemes. Rather, the local council had approached him about providing employment opportunities to migrants, most recently Karens from Burma.⁶⁹

6.80 Mr Stuart Clarke, Director of Food Industry Development, in the Western Australian Department of Agriculture and Food, stated that his Department had met with representatives from the baking industry to discuss solutions to the labour shortage resulting from the mining boom. Mr Clarke told the committee that:

66 AgriFood Skills Australia, *Submission 10*, pp 2–3.

67 Mr John Millington, Company spokesman, Luv-a-Duck, *Committee Hansard*, 17 April 2012, p. 35.

68 Mr John Hazeldene, Managing Director, Hazeldene's Chicken Farm, *Committee Hansard*, 9 March 2012, p. 27.

69 Mr John Hazeldene, Managing Director, Hazeldene's Chicken Farm, *Committee Hansard*, 9 March 2012, p. 27.

We recently had a workshop where we put in the same room access to pools of labour that the baking and milling businesses had not previously accessed before. These are recent migrants. ...There were lots of light bulb moments in the room, about how to access labour that would be appropriate for that particular business [The migrants] are keen to be part of the community and to be gainfully employed. That is one solution for a particular type of labour, particularly unskilled labour in the food industry.⁷⁰

6.81 Mr Clarke believed that direct connections between the industry, government and non-government groups assisting immigrants had a number of benefits:

Those businesses are now liaising with those agencies to get that direct input. ...[Both] were very keen to see how far they could go It is to build an ongoing connection as well, ...We got the training providers involved in the meeting as well. The training council were there. They have a certain role to play also. It is several pieces of the puzzle, but the puzzle is coming together now.⁷¹

6.82 Mr Gavin Cator, Chief Executive Officer of the Greater Shepparton City Council, informed the committee that his council had previously used the Victorian Government's Skilled Migration Program to attract workers to regional centres, and that this program had been successful in placing skilled migrants:

The Victorian government has previously successfully funded a skills program to attract skilled workers into the area. The City of Greater Shepparton has been part of that program. That has been successful to the extent that 47 placements have been provided in the last few years. Across our area 28 businesses have been assisted. We have 10 successful placements happening at this period of time and we are attempting to assist 33 businesses currently. I would suggest that it has been a very successful program but, unfortunately, the Victorian government has not sought to continue funding for that program for next year.⁷²

6.83 Other submitters found solutions to their labour problems in specialist immigration schemes. Mr Millington, of Luv-a-Duck, stated that his company had used visas available under section 457 of the *Migration Act 1958* (Cth) (457 Visas) to fill demand for skilled labour:

Our demand is primarily for skilled tradesmen—and we have heard talk this morning about the mines and the fact that they are sucking up a lot of the skilled tradesmen. We are one of the companies that suffer as a result of

70 Mr Stuart Clarke, Director, Food Industry Development, in the Western Australian Department of Agriculture and Food, *Committee Hansard*, 18 April 2012, p. 7.

71 Mr Stuart Clarke, Director, Food Industry Development, in the Western Australian Department of Agriculture and Food, *Committee Hansard*, 18 April 2012, p. 7.

72 Mr Gavin Cator, Chief Executive Officer of the Greater Shepparton City Council, *Committee Hansard*, 8 March 2012, p. 12.

that. We have a predictive scheme in our company whereby we train apprentices and after four to five years they decide to go to the west to make their fortune. Some come back but most do not. So that is one of the problems that we have. To overcome it we have been bringing in staff from overseas, particularly from South Africa and Zimbabwe.⁷³

6.84 Mr Millington did have some criticisms of the 457 Visa regime, telling the committee that his company had lost access to good people because of delay in assessing their qualifications:

There is an issue regarding trade recognition [which] ... is causing a lot of headaches. I will give you an example. In the last three weeks we have had a toolmaker join our company. He is from South Africa. It has taken us nearly two years to get him in. He is a very patient person and he also knew one of the diesel mechanics that we had brought in previously. On the other hand, we had three others that we interviewed nearly a year ago—two refrigeration mechanics and a fitter and turner—and in the last month they have all bailed out; they have said they cannot wait any longer. So we went to South Africa and we interviewed them, only to lose them at the last moment. That has set us back 12 months. It is a big problem.⁷⁴

6.85 AgriFood Skills Australia also raised concerns about skills recognition in its submission to the committee, noting that:

[T]here is a growing demand for labour which will not be met by national labour supply. A key barrier for industry to be eligible for skills programs is the ANZSCO code system. This system does not accurately reflect the occupations within the food processing industry, and where it does, the skill level requirements are at too low a level.⁷⁵

6.86 DEEWR presented some evidence to the committee about its programs to address labour shortages through migration. It made particular reference to the Pacific Seasonal Worker Pilot Scheme as a means to assist the horticultural industry deal with peak demands. It noted that the Scheme had recently expanded to become the Seasonal Worker Program.⁷⁶ This Program has not been extended to allowing food processors to employ seasonal Pacific workers, though the committee notes that AgriFood Skills Australia submitted it should.⁷⁷

73 Mr John Millington, Company spokesman, Luv-a-Duck *Committee Hansard*, 17 April 2012, p. 35.

74 Mr John Millington, Company spokesman, Luv-a-Duck *Committee Hansard*, 17 April 2012, p. 35.

75 AgriFood Skills Australia, *Submission 10*, p. 5.

76 Mr Malcolm Greening, Branch Manager, DEEWR, *Committee Hansard*, 11 May 2012, pp 26–27.

77 AgriFood Skills Australia, *Submission 10*, p. 5.

Committee view

6.87 The evidence before the committee suggests that the food processing sector has suffered not only from a shortage of skilled graduates, but also of tradespeople and unskilled workers. It indicates that, as low margin and high volume businesses, it was often difficult for processors to compete with the wages offered by the mining sector and they were unable to either employ or retain sufficiently skilled employees. Obviously, this inhibits food processing businesses' profitability, sustainability and prospects for growth.

6.88 The committee is encouraged by the industry's use of partnerships with government and communities in order to fill these labour shortages. The committee is particularly encouraged by the evidence it received about food processing businesses in regional centres employing recently arrived migrants, such as the Karen from Burma. The committee recommends that the government continue to promote and investigate partnerships and programs that connect recently arrived migrants and international workers to jobs in the food processing sector, particularly to jobs in rural and regional centres.

Recommendation 22

6.89 The committee recommends that the government continue to promote and investigate partnerships and programs that connect recently arrived migrants and international workers to jobs in the food processing sector, particularly to jobs in rural and regional centres.

6.90 The committee also notes the possibility of extending the Seasonal Worker Program to allow food processing businesses to offer seasonal work. While the committee understands that the Program has only recently progressed from its pilot stage, it believes that it could be extended to the processing sector, not least because of its intimate connections to the agricultural industries which may already access the Program. The committee believes that this would assist the sector in overcoming short term labour difficulties, without undermining the wages, conditions or employment prospects of Australian workers.

Recommendation 23

6.91 The committee recommends that the government investigate the possibility of extending the class of employers able to access the Seasonal Worker Program to include employers in the food processing sector.

6.92 The committee heard some evidence to suggest that the 457 Visa process was not entirely adapted to the food processing sector, particularly in relation to skills recognition. The committee therefore recommends that the government investigate whether the skills recognition frameworks used for skilled migration programs, such as the Australia and New Zealand Standard Classification of Occupations code system, are appropriately recognising food processing skills and qualifications.

Recommendation 24

6.93 The committee recommends that the government investigate whether the skills recognition frameworks used for skilled migration programs, such as the Australia and New Zealand Standard Classification of Occupations code system, are appropriately recognising food processing skills and qualifications.

6.94 Finally, the committee also heard evidence suggesting that the 457 Visa process did not always take into account the issues facing the food processing industry, particularly the impact of a two-speed economy. The committee understands that some food processing businesses have had difficulties in obtaining workers through the 457 Visa process as a result of the demand for particular skills in the mining sector and because government does not adequately differentiate between industries in assessing applications for such visas. The committee recommends that the government require the officers responsible for assessing 457 Visa applications for the food processing sector to have specific knowledge of the sector, its requirements, and the markets within which it operates, or access to expertise and advice about these issues.

Recommendation 25

6.95 The committee recommends that the government require the officers responsible for assessing 457 Visa applications for the food processing sector to have specific knowledge of the sector, its requirements, and the markets within which it operates.

Workplace relations issues

6.96 Apart from skills shortages, many submitters were concerned about workplace relations issues. While there were a number of discrete issues that submitters raised about the operation of specific parts of the FW Act, concerns were ultimately focused on the issues of wages and flexibility.

Wage issues

6.97 Some submitters indicated concern about increasing wage rates under the FW Act and modern awards. Mr Gary Burridge, Chairman of AMIC, submitted that these wage rates had been occurring in recent years without simultaneous increases in productivity:

But rising labour costs without productivity offsets, along with on-costs such as workers compensation and the new superannuation contributions, are driving higher per unit labour costs, making running a low-margin meat processing business in regional Australia less viable.⁷⁸

78 Mr Gary Burridge, Australian Meat Industry Council, *Committee Hansard*, 10 February 2012, p. 23.

6.98 Mr John Durkan, Merchandise Director of the Coles Group, believed that wage rates had the potential to impact very significantly on the future of the Australian food processing industry. In evidence to the committee, Mr Durkan stated:

The labour rates have the potential to make Australia an expensive place for food manufacturing. You can see that with some of the manufacturers who have moved offshore where they have factories in local countries such as New Zealand and South-East Asia that allow them to provide goods to Australia. We are in danger of seeing more of that happening, specifically with multinationals where they can supply efficiently in large volumes. This is where scale plays a part for those multinationals. With local Australian businesses it is more difficult to do that, obviously.⁷⁹

6.99 Other submitters noted that high wages were both positive and negative as they could operate to attract workers to Australia, alleviating the pressure many felt as a result of labour shortages. Mr Roger Lenne, a member of Fruit Growers Victoria, told the commission that his orchard business employed substantial numbers of backpackers:

We employ about 100 backpackers because Australians do not wish to work in orchards. We must get that clear; they do not wish to. We do have three Australians and they are all over 50 years old. It is an awful job so you would expect people to move on, wouldn't you, from time to time? You would expect a large turnover. We had three leave such a terrible job. Why, you have to ask. We are paying exactly double what these people earn at home. We are paying them €150 to €160 a day. They get between €60 and €80 at home. We are meant to be internationally competitive.⁸⁰

6.100 Mr Les Murdoch, Chairman and Director of the Tasmanian Agricultural Productivity Group (TAPG), argued that high wages were simply a reality of the current labour market:

The cost of labour is a cost to production. When we compare ourselves to New Zealand, for example, we are much higher. Where we sit in the overall scheme of things, if we looked at paying people less we would not get anybody working for us. Everybody would leave and go to the mines [Even now] we have got people going elsewhere working because we cannot pay them enough.⁸¹

79 Mr John Durkan, Merchandise Director, Coles Group, *Committee Hansard*, 15 May 2012, p. 4.

80 Mr Roger Lenne, Member, Fruit Growers Victoria, *Committee Hansard*, 8 March 2012, p. 8.

81 Mr Les Murdoch, Chairman and Director, Tasmanian Agricultural Productivity Group, *Committee Hansard*, 12 April 2012, p. 6.

6.101 Although these costs were a reality, Mr Murdoch argued that they would not be without effect. Such high labour costs would lead to increased mechanisation as businesses sought to remain competitive in domestic and international markets.⁸²

6.102 Dr McKinna was more pessimistic about the effect that high labour costs would have on the future of Australia's food processing sector. Dr McKinna submitted that the future was stark:

... for food products where there is a high labour content or the cost of raw or materials is high, Australia is not competitive, and these industries will gradually die. High labour, fresh food products will only remain viable because it is not practical to ship them cost effectively, e.g. washed lettuce.⁸³

Flexibility issues

6.103 By far the most significant issue that submitters raised with respect to workplace relations was that of flexibility under the FW Act and modern awards. The committee heard evidence that the FW Act was inflexible in key areas around penalty rates, working hours and casual rates.

6.104 A number of submissions to the committee noted that the FW Act and modern awards applicable to the food processing industry did not account for the commercial realities within which they had to operate. In particular, some submitters felt that the applicable modern awards did not sufficiently take into account the connections between food processing and agriculture and the seasonal nature of the industry. Mr Murdoch, of TAPG, summarised the issue that faced many food processors:

When you are processing vegetables you need to process vegetables on the weekend. When you are paying double time and double time and a half on public holidays and all those sorts of things, it is a huge cost, and those things are not really incurred in New Zealand.⁸⁴

6.105 These sentiments were echoed in a number of other submissions. In response to a question on notice, McCain Foods stated that:

The current penalty rates regime in Australian award structures do not encourage continuous 24 hour 7 day processing. Overtime and shift penalties are much higher in Australia than in New Zealand, which again contributes to lower productivity and lack of competitiveness in Australian made products.⁸⁵

82 Mr Les Murdoch, Chairman and Director, Tasmanian Agricultural Productivity Group, *Committee Hansard*, 12 April 2012, pp 6–7.

83 Dr David McKinna, *Submission 32*, p. 20.

84 Mr Les Murdoch, Chairman and Director, Tasmanian Agricultural Productivity Group, *Committee Hansard*, 12 April 2012, p. 5.

85 McCain Foods, answers to questions on notice, 12 April 2012 (received 11 May 2012).

6.106 Mr Andrew Wilshire, General Manager of Policy and Government Affairs, Winemakers Federation of Australia, noted that assumptions about working hours and requirements under the FW Act clashed with the seasonal nature of the wine industry:

The key thing to note is that the wine making industry and our cellar doors, and the grape-growing side of our business, is not a typical manufacturing industry where you can turn your machine off at five o'clock or over the weekend. There are midnight pickings during vintage and it is just full on for weeks on end. The current structure [under the fair Work Act] does not allow you the flexibility as an industry to be able to meet the workforce requirements which are there for us.⁸⁶

6.107 As Mr Andrew Heap, Policy Advisor to the Tasmanian Farmers and Graziers Association, starkly put the issue:

We are not talking about basic wages here; we are talking about the sorts of penalties that our competitors do not have.⁸⁷

6.108 Submitters gave evidence to the committee that recognition of the commercial realities of the food processing industry should either come through changes to the modern award or through greater flexibility to negotiate the terms and conditions of employment with employees. Ms Carnell, of AFGC, stated that:

[T]he reality is that there have been some very real issues for a number of our members with regard to the flexibility clause and not being able to translate it into new agreements [with] the level of flexibility that they have had in the past, and that is a real issue.⁸⁸

Effect of flexibility provisions

6.109 The effect of the lack of flexibility in industrial awards was, according to evidence before the committee, to increase the cost of production and reduce the domestic and international competitiveness of Australian food products. Ms Jan Davis, Chief Executive Officer of the Tasmanian Farmers and Graziers Association, provided the following example of the manner in which the inflexibility of the FW Act limited the ability of employers to offer their employees additional hours:

In a previous role, I was the CEO of the mushroom industry association. The mushroom industry is one of our most labour intensive industries—it is hugely labour intensive. We have very short windows for producing mushrooms. They double in size every 22 hours. They have to be picked when they have to be picked, because markets will require a certain size product. We had many, many people who were prepared to come in and

86 Mr Andrew Wilshire, General Manager of Policy and Government Affairs, Winemakers' Federation of Australia, *Committee Hansard*, 13 December 2011, p. 16.

87 Mr Andrew Heap, Policy Advisor, Tasmanian Farmers and Graziers Association, *Committee Hansard*, 12 April 2012, p. 9.

88 Ms Kate Carnell, AFGC, *Committee Hansard*, 13 December 2011, p. 27.

work split shifts, largely women with school-age children. They would work from 6 until 8, go home, and come back and work 4 until 6 and go home—a split shift, but you cannot do it now. We have many people who are prepared to work weekends because it suits their family circumstances, but because of the loadings we cannot do that now.⁸⁹

6.110 Mr Dick Smith has similar concerns, as expressed in the following exchange with the committee:

Mr Smith: I think we should look at that [the issue of penalty rates], because the alternative is that everything will get processed overseas. We will not employ anyone. As I mentioned, our costs will go down slightly, but our taxes will go up to pay for the dole for these people. It is an international marketplace. Our governments, with the support of the electorate, have said, 'We want to have free trade; we want the advantages.' That does mean you may need look at penalty rates. A good example is Heinz taking their beetroot manufacture to New Zealand just because the labour cost is slightly lower.

CHAIR: McCain has done the same thing with vegetables.

Mr Smith: I would have much preferred it stay here, to have done a deal with the unions and said, 'Either you can lose your jobs or we can not have the penalty rates that we have at the moment and the jobs will stay in Australia.'⁹⁰

Current flexibility provisions and their review

6.111 There was some acknowledgment that the FW Act included flexibility provisions, but submitters argued that these were either not being taken up, or were insufficient for the purposes of the food processing industry.⁹¹ Ms Barb Cowey, Senior Policy Advisor to Business SA, argued that:

There are flexibilities in the act, no-one is questioning that, but they are not necessarily flexibilities that actually suit the industry, the industry nature and the way that the industry actually needs its labour force.⁹²

6.112 In its evidence to the committee, DEEWR noted that modern awards were made following significant input from both employer and employee groups. Dr Morehead, of DEEWR, noted that, during the initial award modernisation process in 2009, employer concerns about the original horticultural modern award resulted in its amendment:

89 Ms Jan Davis, Chief Executive Officer, Tasmanian Farmers and Graziers Association, *Committee Hansard*, 12 April 2012, p. 10.

90 Mr Dick Smith, Owner, Dick Smith Foods, *Committee Hansard*, 11 May 2012, p. 5.

91 Mr Antony Clarke, Senior Policy Adviser, Business SA, *Committee Hansard*, 17 April 2012, p. 3.

92 Ms Barb Cowey, Senior Policy Advisor, Business SA *Committee Hansard*, 17 April 2012, p. 3.

The horticultural award was one that got particular focus during the process [of award modernisation]. The then minister for workplace relations in August 2009 actually varied her award modernisation request relating to the horticultural award in response to the industry-specific concerns that were raised with her from employer groups.... [Consultation] resulted in the then Australian Industrial Relations Commission on 23 December 2009 issuing a decision which turned around and agreed with the majority of the employers' concerns. In that respect, issues such as piece rates, flexibility provisions, minimum payments for casual employees and other issues were really addressed in favour of what we had heard from employers. For example, the National Farmers Federation came out very much in support of that and was very happy with that result.⁹³

6.113 In relation to the horticultural award, Dr Morehead went on to note that:

The modern horticultural award does have a span of ordinary hours, which the employer groups supported. There were a number of flexibilities in respect of overtime and Sunday pay rates...with that particular award.⁹⁴

6.114 DEEWR explained to the committee that Fair Work Australia (FWA) was currently in the process of reviewing the operation of modern awards, and that FWA had received a number of applications to vary the awards governing employment in the food processing sector. Dr Morehead noted that eight applications had been made to vary the *Food, Beverage and Tobacco Manufacturing Award 2010*, and that representatives from both sides had sought its variation:

[T]he issues in the applications include things like clarifying the qualifications required for workers undertaking quality control; removing the shift allowance payable to casuals; and the unions, the AMWU and the National Union of Workers, seeking to have adult wages paid at the age of 18 years and to include loadings and entitlements to employees working non-standard hours, and so on.⁹⁵

6.115 Dr Morehead did, however, note that FWA was dealing with a number of issues that were raised in submissions relating to multiple industries. In a statement made on 27 April 2012, Justice Ross, President of FWA, relevantly identified applications to consider penalty rate, award flexibility and public holiday provisions in

93 Dr Alison Morehead, Group Manager of the Workplace Relations Policy Group, DEEWR, *Committee Hansard*, 11 May 2012, p. 27.

94 Dr Alison Morehead, *Committee Hansard*, 11 May 2012, p. 27.

95 Dr Alison Morehead, *Committee Hansard*, 11 May 2012, p. 28.

the *Food, Beverage and Tobacco Manufacturing Award 2010* as being dealt with as common issues.⁹⁶

Committee views

6.116 It is clear from the evidence before the committee that workplace relations issues are of significant concern to a number of businesses in the food processing industry. There are numerous pressures on the industry to remain locally and globally competitive, including the high wages paid to Australian food processing workers relative to those in many export-competing nations. The issues that appeared to be of most concern to witnesses were not generally those of union dominance or strikes, but of the impact of workplace relations laws on labour costs through both wage setting and penalty rates.

6.117 Some committee members believe that the impact of penalty rates may have a disproportionate effect on some sections of the food processing industry. The wine industry, for example, relies heavily on cellar doors and other venues trading after-hours, weekends and public holidays. Under the new Awards, this may be prohibitive due to wage costs, potentially affecting the economy of entire regions.

6.118 The evidence before the committee does not suggest that the FW Act is having an appreciable impact on basic wage rates, at least in the food processing sector. It seems clear to the committee that there are other factors operating in the labour market to increase wages without productivity offsets that, had wages been increased through FWA, might otherwise have been taken into account. There are other factors operating in the labour market to increase wages, including the mining boom and skills shortages identified in this chapter.

6.119 Some industries expressed concern that inflexibilities in the FW Act and modern awards do affect processors' labour costs. In particular, restrictions on food processors' ability to negotiate terms and conditions of employment that take into account the commercial realities of the food processing industry appear to be negatively affecting food processing businesses, their profitability and, as one witness put it, their sustainability.⁹⁷ The evidence before the committee suggested that the current flexibility provisions in the FW Act, relating to the negotiation of enterprise agreements and individual flexibility arrangements, do not adequately serve industry needs.

96 Fair Work Australia, *Statement—Fair Work (Transitional Provisions and Consequential Amendments) Act 2009 Part 2 of Schedule 5, item 6—Review of all modern awards (other than modern enterprise awards and State reference public sector modern awards) after first 2 years*, paragraph [4], available at <http://www.fwa.gov.au/decisionssigned/html/2012fwa3514.htm> (accessed 13 June 2012).

97 Ms Jan Davis, Chief Executive Officer, Tasmanian Farmers and Graziers Association, *Committee Hansard*, 12 April 2012, p. 10.

6.120 The committee believes that, while the award modernisation process has resulted in the reduction of red tape and compliance costs for businesses (in that there are now only 123 modern awards instead of thousands of industrial instruments), this has occurred at the expense of flexibility, particularly individual flexibility. The committee believes that the one-size-fits-all approach of the FW Act and modern awards inhibits productivity, business profitability and employment prospects, and that it should be accompanied by an appropriate level of flexibility. Allowing employers greater flexibility to negotiate the terms and conditions of employment with their employees will assist in increasing productivity and lowering employers' labour costs. The committee therefore recommends that the government review the flexibility provisions under both the FW Act and modern awards, with a view to increasing the ability of employers and employees to negotiate flexible working arrangements, particularly with respect to penalty rates, split shifts and minimum hours for seasonal industries.

6.121 The committee notes that FW Australia's 2012 report into the FW Act contained a number of recommendations to improve the flexibility of awards.⁹⁸ The committee believes that the government must act to ensure that the FW Act provides meaningful individual flexibility arrangements while maintaining protections for employees.

Recommendation 26

6.122 The committee recommends that the government review the flexibility provisions under both the *Fair Work Act 2009* and modern awards, with a view to increasing the ability of employers and employees to negotiate flexible working arrangements, particularly with respect to penalty rates, split shifts and minimum hours for seasonal industries.

6.123 The committee notes that some of the food processing industry's concerns about flexibility may be dealt with through the review of modern awards. It encourages businesses in the food processing industry to become involved in that review, to ensure that FWA takes their views into account.

6.124 The committee believes that more flexible workplace relations laws better take into account the commercial realities facing the food processing sector. The committee acknowledges that the expectations consumers and retailers place on food processors and producers (and consequently workers and unions) are such as to require workplace relations laws that do not inhibit or penalise constant production during peak periods.

98 Fair Work Australia, *Towards more productive and equitable workplaces: An evaluation of the Fair Work legislation*, June 2012, p. 109–110.

6.125 As an aside, the committee notes that many witnesses spoke of the need for greater 'flexibility', but few explained precisely what they meant by the term or how increased flexibility would affect their business if it were granted. That is, it was not entirely clear whether witnesses used the term 'flexibility' as an alternative way of expressing their interest in lowering labour costs to boost competitiveness, or whether they believed that an increased ability to depart from the terms of the modern award would in fact improve outcomes for workers and raise productivity (for example, that lowering penalty rates for split shifts might increase the number of hours offered to individual employees during peak production periods).

