

**A SOLUTION TO 'TOO FEW'
WORKING DOWN ON THE FARM –
THE *HUMAN CAPABILITY IN
AGRICULTURE AND
HORTICULTURE* INITIATIVE**

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**“Those who cannot remember the past are
condemned to repeat it.”**

George Santayana (1905) *The Life of
Reason*. Volume 1, chapter 12.

Introduction – Farm labour crises

- An old phenomenon e.g. ‘Black Death’ and the English Statutes of Labourers 1349 and 1352.
- Prominent in NZ in times of low unemployment in 1950s and 60s.
- Concerns about harvesting kiwifruit in early 1980s.
- Difficulties recruiting staff from late 1990s.

Labour shortages slow growth

New Zealand is nearing its economic speed limit of full employment for the first time in a generation. BERNARD HICKEY finds out how businesses are adapting to a record-low jobless rate.

South Island farmer Ian Mackenzie has never seen anything like it before and it is forcing him to do some very unusual things.

It started when his farm manager of 13 years left to get into his own business and the arable farm owner from North Canterbury had to look for a replacement.

"Frankly, I struggled to find anyone in New Zealand," Mackenzie says.

He eventually found Zimbabwian farmer Danie Oosthuizen, who had managed a tobacco and grain farm there and had been a member of the national ploughing team — just the skills needed to run a cropping farm near Eilatton.

"He's turned out to be excellent." In fact, he was so good and the shortage of good farm managers was so acute that Mackenzie was desperate to keep him when his work permit ran out.

Immigration rules had categorised farm workers as unskilled and therefore not eligible for permanent residency under a regime that encourages immigration of skilled workers.

In effect, Oosthuizen, who had been managing a farm for more than a year, was deemed less skilled than bar staff who could apply for residency under the rules.

So Mackenzie flew to Wellington two weeks ago and saw Associate Immigration Minister Damien O'Connor to ask for a change.

After working with Federated Farmers to find a way to categorise higher-paid farm workers as skilled, O'Connor agreed to tweak the rules to allow Oosthuizen and other such farm managers to stay.

"The enhancements relating to the rural sector (immigration rules) recognise that there are growing skill shortages," O'Connor said in announcing the changes.

Cases like this show how desperate employers have become and how sensitive the Government is to the pressures on the economy.

Throughout the country, examples abound of how low unemployment is restraining businesses and how they are being forced to adapt.

● Canterbury asparagus grower Peter Falloon says he may have to move up to 60 per cent of his crop into the ground because he cannot find workers to harvest it.

● Wellington commuter train operator Trans Metro has reduced services to cope with a driver shortage.

● Solid Energy has recruited coal miners from Britain to work its Beeston underground mine on the West Coast.

● Powerline firms face losing workers to Ireland, lured by promises their salaries would be tripled.

● Some dairy farmers are looking at milking once a day, rather than twice, because it requires fewer workers and it is easier to recruit staff when they do not have to get up at 5am for a morning milking.

Some firms are being forced to abandon plans for marketing campaigns and other business-development activity, says Blair Burrage, general manager at recruitment firm Hudson.

Firms are also spending a lot more time planning people's careers and increasing wages for high performers to keep them.

This pressure on wages is already showing up in the statistics and is one of the factors behind the Reserve Bank's six rate rises this year to put a lid on inflation.

Wages figures on this month show 14% of salary earners saw their wages pushed up by more than 5% in the year to September, the highest proportion ever.

"We are extremely close to the full employment rate and business is working very hard on retaining and developing their existing workforce, particularly the high performers," Burrage says.

Employers are having to be more flexible by employing part-time workers or by people who do not exactly fit the bill.

Companies are also spreading the net wider and into corners they may not have looked at before.

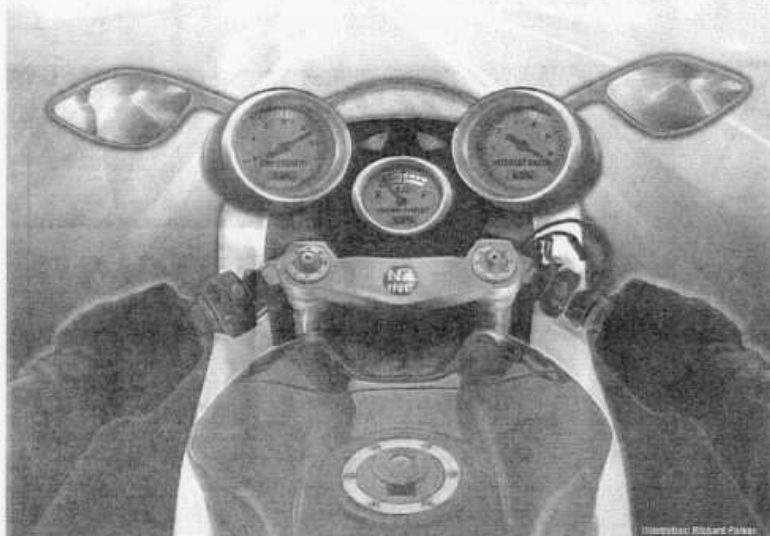
Noel Hickland, the floor manager at the Freshmax produce market in Christchurch, was struggling to find people earlier this year to help pack fruit and vegetables. So he went to the ranks of the long-term unemployed and found two young men. Hickland says they took some time to get used to the daily routine of work, but that he was flexible and allowed them time off occasionally, and now they are crucial to the business.

"These guys are my backbone at the moment," Hickland says, adding that he works hard to give his workers a career path to keep them on board.

"I don't think anybody is unemployable."

Statistics New Zealand figures last week showed the unemployment rate at a 19-year low of 3.8%, while the number of unemployed fell 5.2% to 79,000 in the September quarter.

The participation rate, which measures the proportion of working-age people actively looking for work, rose 0.2 percentage points to a record 67%. The



number of people employed rose 0.9% to 2.022 million.

Businesses are straining in all sorts of ways to increase that labour pool, including:

- Encouraging stay-at-home parents to return to the workforce, sometimes with subsidised childcare.
- Bringing retired people back to work, even on a part-time basis.
- Asking part-timers to become full-timers.
- Asking full-timers to work even longer.

However, most economists say that eventually the tank will run dry and the speed limit will be reached. This will push up wages and inflation — and therefore interest rates — and inevitably bring the "stronger for longer" economy back to a more sustainable pace.

The question is when?

Many are surprised at just how low the unemployment rate has gone and how wages growth — till now — has been relatively restrained.

"It's a moving feast," ASB Bank economist Anthony Byatt says of the speed limit.

"It's been remarkable how strong the labour force has been, how low the unemployment rate has gone and how low the wages growth has been.

"It looks OK for now, but somewhere around here it's got to be unsustainable."

One factor keeping the economy going is the 100,000 short-term guest workers now in New Zealand — people such as Oosthuizen on the farm in Canterbury, who is applying for permanent residency.

"It's an obvious safety valve for maintaining the supply of labour," says Infometrics economist Andrew Gawth.

"The Labour Government has done a reasonable job of renovating immigration policy to meet the economy's demand for labour.

"You can quibble about how it's being done but it's far better than the old system."

Gawth even wonders if the old ideas about a speed limit — often referred to as

the non-accelerating inflation rate of unemployment, or Nairu — are valid.

"Does the Nairu really exist?" he asks, adding that, in the long term, unemployment could continue to fall. "After all, we had bigger-all inflation in the 1960s and had less than 10,000 people unemployed."

The injection of guest workers is having a significant impact but the demand is still strong, particularly in the fast-growing and lucrative dairy industry.

Christian Arns runs Prems International, an agency specialising in recruitment for dairy farms, particularly the newer large farms that have been developed in the South Island.

He has helped qualified dairy workers from Uruguay, Chile, the Netherlands, Saudi Arabia, Britain, Canada and the United States to come to New Zealand to find work.

"Our boards are choccer," Arns, who migrated from Germany in the mid-1980s, says. "There are so many positions everywhere."

Intro cont. - Solutions

- 1963 Agricultural Production Conference

Recommended:

- all school leavers to be advised of farming's economic importance to NZ, and job opportunities;
 - establishment of a national farm training system;
 - research on farm employment;
 - personnel management training for farmers;
 - collection of farm labour statistics, which should be released more quickly.
- Kiwifruit labour crisis disappeared with collapse in fruit price.

The effects of 'Rogernomics' and the ECA 1991

- Farmers go 'cold turkey' in 1984.
- Farm labour not an issue, only a cost.
- Agriculture seen as sunset industry.
- Farms often 'saved' by off-farm salaried work of qualified wife.
- Children encouraged to leave land and get 'real' qualifications.
- Labour concerns re-emerge from mid 1990s
- MAF initiate research on labour shortage, 2000, Project RA 30 – 2000.

Aims of the paper

- To document attempts to improve the farm labour supply from 2000.
- To provide an alternative account to the 'official' Ministry of Agriculture and Forestry account.
- To set the context for agricultural labour research, in relation to available research funding.

Outline of paper

- The economic significance of Agriculture.
- Methodology.
- The six threads leading to the Rotorua *Human Resources in Agriculture* Workshop.
- The formation of *Human Capability in Agriculture and Horticulture*.
- *HC in AgHort*' programme and progress.
- The future.

Agriculture

- No sunset industry.
- 2003 Export earnings 53 percent of NZ's.
- 2003 GDP 17 percent of NZ's.
- Economic engine for rapid growth in labour productivity: Real output per worker increased by 33 percent from 1988-2002 – one of the highest across industry increases.

The problem

- How to have an adequately skilled agricultural labour force:
 - to maintain/improve production levels and resulting exports;
 - to continue to improve labour productivity?

Methodology

- Case studies of current applied research and funding processes.
- Participant observation.
- Historical research, both documentary (e.g. reports/emails) and oral.
- Unplanned action research.
- Triangulation of data and methods to validate research results.

The threads leading to Rotorua

- 1. Ministerial will

- Jim Sutton, Minister of Agriculture, 1990.
- ‘Sustainability in agriculture’: ‘sustainable environmentally, sustainable financially, sustainable socially’.
- 1988 Cyclone Bola
- *Farm Partnerships – a programme of sustainable land management.*
- Abandoned by succeeding National Government.

Ministerial will cont.

- Jim Sutton, Minister of Agriculture and Rural Affairs, 1999.
- 1990-1999 no help to get good ideas off the ground.
- ‘Sustainable Farming Fund’ established.
- \$5 million allocated in 2000-1 Budget.
- Activities supported:
 - Access to information or knowledge;
 - Access to tools for converting that into options and for making informed decisions;
 - Bringing together communities of interest.

2. MeatNZ

- Farm Monitoring programme highlights difficulties obtaining staff.
- Begin to develop future strategy of ‘people planning’

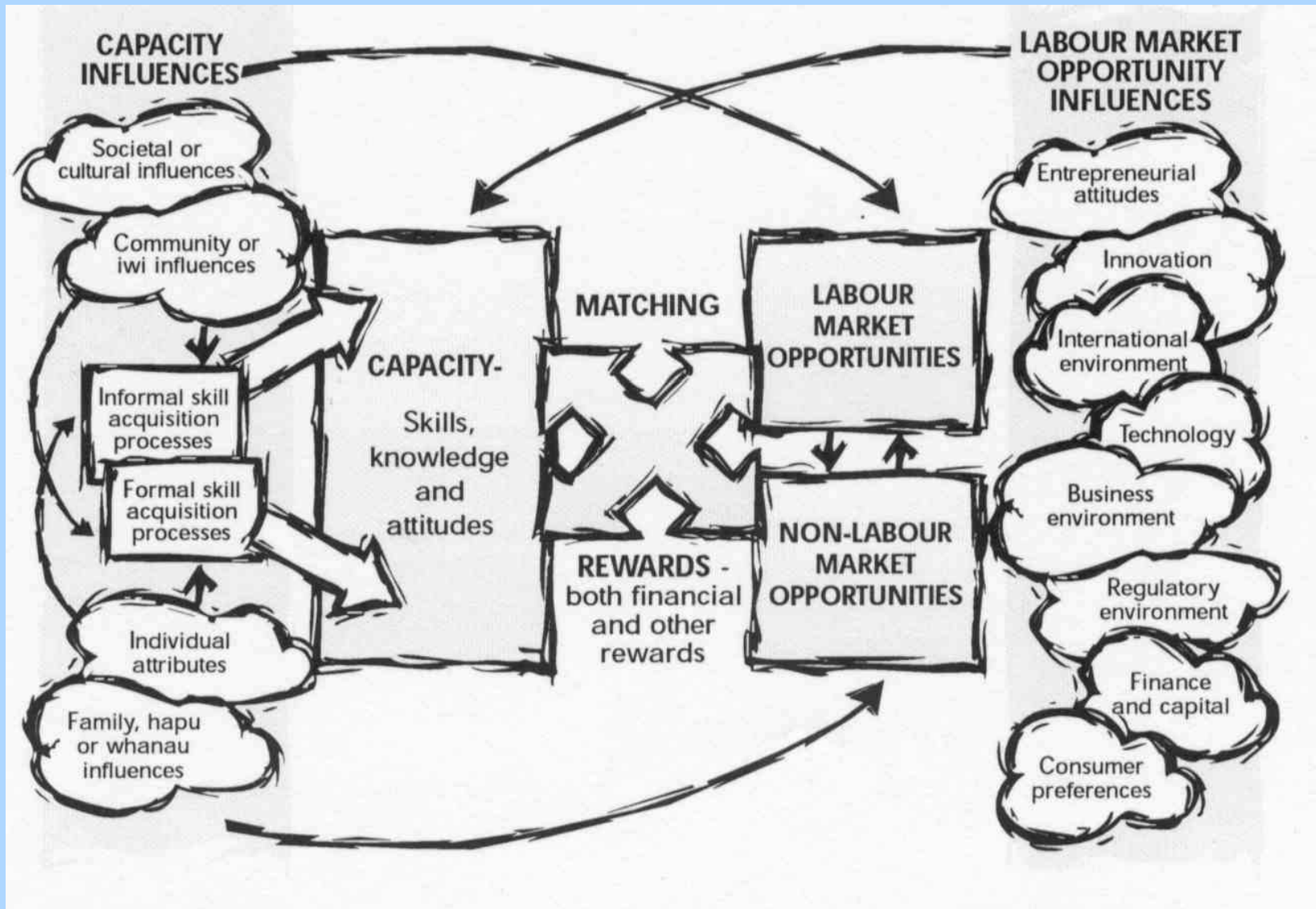
3. MAFPoI

- Research Reports' review (2000) reveals:
- Improving contemporary economic situation.
- Gloom in rural NZ:
 - Increasing stress levels among farmers
 - Farming seen as less desirable occupation
 - Difficulty obtaining farm labour
- June 2000 farmers identify the shortage of skilled labour as one of their major concerns.

4. The Human Capability Framework

- Department of Labour ‘...framework for developing policies relating to developing New Zealand’s human capability’.
- More than just ‘human capital’.
- ‘...the ability of people to do things – both the capacity and the opportunities to do things’.
- Rapidly becomes a key to policy and research developments (Tipples, 2004).

Human Capability Framework (DoL, 1999).



5. The Lincoln Connection

- Lincoln tender for MAF Project RA 30 – 2000.
- Human Capability Framework (HCF) described to LEW 9 between call for tenders and letting of contract for MAF Project RA 30 – 2000.
- Author present
- Realisation of significance
- On reflection gave ideal model for MAF Project RA 30 – 2000.

6. The Massey Connection

- Director of Agriculture, Stuart Morriss, leads Massey tender for MAF Project RA 30 – 2000.
- Had worked at MAF previously.
- Had also worked on a Manpower plan for Dexcel.
- MAF give Massey head contract and ask for Lincoln to be sub-contractors.
- HCF adopted as research framework.
- Massey investigate capacity of rural workforce issues (supply side), Lincoln study changing pattern of opportunities (demand side).

AIRAANZ, Queenstown, 2002.

- 12 September 2001 report discussed with MAF.
- Nothing happens/is published. Author frustration.
- Needed paper subject for AIRAANZ.
- Convert and present material to conference.
- Nothing happens again.
- Moan to dairy farm research student.

The 'Pringle factor'

- Suggestion to send paper to Dr Rob Pringle CEO, Dexcel (dairy farming extension and research).
- *Dairy Exporter* (February 2002) had suggested labour availability shortage was most important issue facing dairying over next 10 years, with his photo.

Dairy Exporter, February, 2002 p.52.

CENTRE-PIECE

A message to farmers from *Dexcel*,
the dairy industry centre of excellence

Addressing labour availability shortage

Forward planning conducted by *Dexcel* on behalf of the dairy industry has identified labour availability as the most important issue facing the dairy industry over the next 10 years.

Forecasts show that reducing numbers of school leavers and tertiary graduates will make meeting the projected rising demand for dairy industry workers difficult.

Demographic information released by *Ministry of Education* in 2001 shows a marked reduction in tertiary students studying agriculture related courses at universities and polytechnics over the last decade. An expected decrease in the number of primary school age children will further reduce the future available workforce.

Ministry of Education statistics show the number of equivalent fulltime students (EFTS) enrolled in agriculture and horticulture re-

lated courses at New Zealand universities dropped from just over 2000 in 1995 to only 800 in 1999.

Polytech EFTS have fallen from a high of 2200 in 1993 to around 1700 in 1999.

Furthermore, the number of children aged from 5 to 12 is predicted to drop by approximately 100,000 from 2001-11.

These trends, combined with the estimated 10,000 extra workers who will be required to meet the projected growth of the dairy industry over the next decade, have spurred *Dexcel* to investigate alternative solutions to address this major future issue for the New Zealand dairy industry.



Dr Rob Pringle

Co-ordinating dairy industry's approach

Dexcel chief executive Dr Rob Pringle says *Dexcel* is taking steps to address the labour availability issue and is working to develop a co-ordinated approach within the dairy industry to streamline the delivery of dairying related education and the promotion of dairying as an attractive career.

Yet, in light of the projected decreasing number of school leavers, attracting young people alone will not be enough.

The industry also needs to target mature people who are looking for a career change, and provide the relevant short courses and flexible training they will need to equip them for their new career.

"This is a big issue and the industry needs to take a planned approach to sort it out," says Dr Pringle.

The Pringle factor cont.

- Email attachment suggested Lincoln symposium to develop a research strategy on primary sector labour issues, but needed financial support.
- Responded: “No unallocated funds!”

The search for symposium funding

- AGMARDT application for funds. Pringle refuses to referee – in favour of MAF SFF workshop.
- News to the author!
- AgResearch then enter quest for SFF \$500,000.
- Decision making moves to CEOs.
- Lincoln VC gets concerned and ensures Lincoln involvement through MAF networks.

Planning for Rotorua Workshop

- AgResearch and Dexcel take over direction.
- SFF not interested in many little projects but an overall programme.
- Meeting, Wellington, 22 March 2002,
 - SFF to cover cost of Rotorua Workshop as Admin.
 - To be no duplication.
 - Dairy, Meat, Wool, and Horticulture to be covered.

Rotorua working objectives

- To define the “problem” in the various industry sectors;
- To ‘take stock’ of research and activities in ‘Work in Agriculture’ domain;
- To identify and prioritise knowledge and other gaps in this domain;
- To identify immediate and evolving actions/initiatives needed for a strategic approach;
- To establish an ‘industry-based group’ to direct the work programme.

Rotorua Outcome Framework

- **SUPPLY**

- Sufficient number of the right kind of people choose to and are available to work in the industry.
- Perceptions/Barriers/Tools.

- **TRANSFORMATION**

- Human resources are transformed to meet industry needs.
- Infrastructure/Knowledge Transfer/Uptake.

- **RETURN**

- Financial and human resources allocated for best sustainable returns.
- Sustainable Returns

Results of Mapping

- There was a high degree of interest in re-using other sector projects and deliverables.
- Duplicated projects should be rationalised, where possible, to free up resources for other investments.
- The gaps highlighted in meeting outcomes pointed to further needed investments.
- No sector was confident what was proposed would have big enough effects to meet the magnitude of change needed.

Human Capability in Agriculture and Horticulture

- Governance Body/Working Group set up.
- Public Good funding from Commodity Levies Act for some participants. SFF starting grant.
- Significance of name change.
- Unwieldy title.
- Search for new name.

Achievements

- Projects:
 - Careers promotions (2 years)
 - Forecasting 1
 - Stocktakes: Research and Non-research
- Increased awareness of HC issues.
- Sharing between industries.
- Closer links between industry, researchers, educators.
- Ripple effects e.g. *Skills Action Plan: Industry Profile Agriculture (DoL)*.

Reflections – Lessons learned

- Learning the lesson of Santayana – most of this was done before at the Agricultural Development Conference 1963-4.
- The co-operative research/extension model is working better for industry than the competitive one.
- The value of a long term Minister.
- The value of personal presence and networks.

Future research

- Further evaluation of *Human Capability in Agriculture and Horticulture*
- Will industry carry on after the SSF funds are 'used up'?