

Contents

Contents.....	1
Introduction.....	2
Workplace Relations Framework.....	2
Objectives.....	2
Proposed Workplace Relations Reforms.....	3
Labour Market Strategies.....	4
Labour Market Overview.....	4
Agriculture and Food Manufacturing Employment.....	4
<i>Agriculture Employment</i>	5
<i>Food Manufacturing Employment</i>	7
Workforce Profile.....	8
Migration Arrangements.....	9
<i>Background</i>	9
<i>Migration and the Agricultural Industry</i>	10
<i>The Contribution of Migration to Labour Supply in the Agricultural Industry – 2003-04</i>	11
Industry Strategies Taskforce.....	12
Employer Demand and Workplace Flexibility Strategy.....	12
Better Connections Workshops.....	13
Sugar Industry Reform Program (SIRP).....	13
Workplace Flexibility.....	14
A diversity of workplace practices.....	14
Opportunities for flexible workplace relations arrangements.....	17
Implementing Flexibility.....	17
Resources available to the Agricultural and Food Manufacturing Industries.....	18
Attachment A.....	19

Introduction

This submission from the Department of Employment and Workplace Relations (DEWR) to the Agriculture and Food Policy Reference Group provides information on employment and workplace relations issues relating to the Agricultural and Food Manufacturing industries.

The submission contains:

- an overview of the current workplace relations framework;
- statistics on current and future outlooks for the Agriculture and Food Manufacturing labour markets;
- details of Government employment strategies; and
- workplace relations discourse in the context of creating high performance workplaces.

DEWR considers both employment and workplace relations issues to be of considerable importance to the Agriculture and Food industry's short term and longer term profitability, competitiveness and sustainability.

Employment programs including ones focussed on migration and working holiday makers can assist the Agriculture and Food industry to address labour requirements, something of particular importance to an industry impacted on by seasonality. Workplace relations issues, in particular those focussed on flexibility will be of imperative value to the longer term survival of these industries.

In order for businesses to improve their profitability, competitiveness and sustainability, they will need to be operating the most flexible workplaces possible. Flexible workplaces are able to adapt to changing operating environments at short notice, and it makes sense for an industry such as Agriculture and Food manufacturing to have in place a system of workplace arrangements that allows businesses the ability to adjust operations as required. The current workplace relations system affords this opportunity to tailor working arrangements to suit the requirements of individual businesses.

However, it is up to individual businesses to embrace and utilise these existing flexibilities to their advantage.

Workplace Relations Framework

Objectives

The principle object of the *Workplace Relations Act 1996* (the *Act*) is to provide a framework for cooperative workplace relations which promotes the economic prosperity and welfare of all Australians. The *Act*:

- ensures that the primary responsibility for determining workplace and employment issues rests with the employer and employees at the workplace;
- enables employers and employees to choose the most appropriate form of agreement for their particular circumstances;
- encourages the pursuit of high employment, improved living standards, low inflation and international competitiveness; and

- protects the competitive position of young people in the labour market, promoting youth employment, youth skills and community standards.

Proposed Workplace Relations Reforms

The proposed new workplace relations reforms will provide further flexibility and the robustness needed to constantly adapt to, and meet the needs of the Australian people and the challenges of global economic competition.

Industries with the most workplace flexibility have the advantage of the highest productivity growth. They will also provide the best wage outcomes for their workers. Conversely, those that retain outmoded work practices and rigid rules have lower productivity growth.

An agreement making system is proposed which will give employers and employees the right to have statutory individual agreements or collective agreements, and streamlined processes that ensures agreement making at the workplace is easier and more widely accessible.

The workplace relations system has been continuously reformed over the last decade, with a primary focus on establishing a system that encourages agreement making at the workplace level. However, the workplace relations system remains complex and further improvements are needed to make the system, simpler, accessible and more effective.

On 26 May 2005, the Government announced the proposed workplace relations reforms, aimed at modernising Australia's workplace relations system. The reforms include:

- establishing the Australia Fair Pay Commission to protect minimum and award classification wages;
- enshrining minimum conditions in legislation for the first time;
- introducing the Australian Fair Pay and Conditions Standard to protect workers in the bargaining process;
- simplifying the agreement making process at the workplace;
- providing modern award protection for those not covered by agreements;
- ensuring an ongoing role for the Australian Industrial Relations Commission;
- reforming the unfair dismissal laws generally, and in particular exempting small and medium sized businesses from unfair dismissal laws and preventing an employee who has been employed for less than six months from bringing an unfair dismissal claim; and
- introducing a national system of workplace relations.

The workplace relations reforms will better balance employee rights with sound economic management. They will further encourage a more direct relationship between employers and employees, ensure genuine freedom of association and make the system simpler by removing unnecessary regulation. There will be a clear articulation of the rights and responsibilities of

all parties. The reforms will also provide an incentive for agreement making, maintain a true safety net and create a more dynamic and modern workplace relations system.

Labour Market Strategies

Labour Market Overview

Despite a clear softening in economic growth over recent quarters, Australia is continuing to experience strong labour market conditions. In particular, over the year to May 2005 employment has increased by 329,900 (or 3.4 per cent) to a record high of 9,981,900. Full-time employment has accounted for over two-thirds (68.9 per cent) of all jobs created over the period. The level of unemployment has also fallen considerably, by 21,500 (or 3.8 per cent) since May 2004, while the unemployment rate, of 5.1 per cent, is at its equal lowest level in over 28 years.

It is worth noting that both metropolitan (the six State capitals) and non-metropolitan (the rest of Australia) areas have benefited from the robust labour market conditions occurring at the national level. Over the year to May 2005, employment has grown by 225,600 (or 3.7 per cent) in metropolitan areas, while in non-metropolitan areas it has increased by 112,600 (or 3.2 per cent). Over the same period, the unemployment rate for metropolitan areas has fallen by 0.4 percentage points to 5.0 per cent, while the unemployment rate in non-metropolitan Australia has recorded a fall of 0.5 percentage points to 5.6 per cent.

Although strong employment gains have been made in the last 12 months, a clear slowing in the pace of economic growth, together with a number of forward indicators, points to some softening in labour market conditions in the period ahead.

Agriculture and Food Manufacturing Employment

Agriculture, together with Food, Beverage and Tobacco manufacturing accounted for 5.1 per cent of total employment in May 2005 and 5.0 per cent (or \$10,100 million) of Gross Domestic Product (GDP) in the March quarter 2005 (latest available data).

- Although real agricultural output has increased by more than 40 per cent over the last two decades, the relative importance of the Agricultural sector has declined.
 - Agriculture's share of GDP has fallen from 4.2 per cent in the March quarter 1985 to 3.0 per cent in the March quarter 2005.
 - Similarly, Agriculture's share of employment has declined significantly from 5.4 per cent in May 1985 to only 3.1 per cent in May 2005. The increase in the relative importance of the services sector in recent decades has contributed to much of this fall.
 - Agricultural exports increased significantly by 77.0 per cent between May 1988¹ and May 2002. Subsequently however, as a result of the severe 2002-03 drought, Agricultural exports have since fallen by almost one-third.
- Food, Beverage and Tobacco manufacturing accounted for 18.3 per cent of total manufacturing employment as at May 2005 (the second largest manufacturing sector)

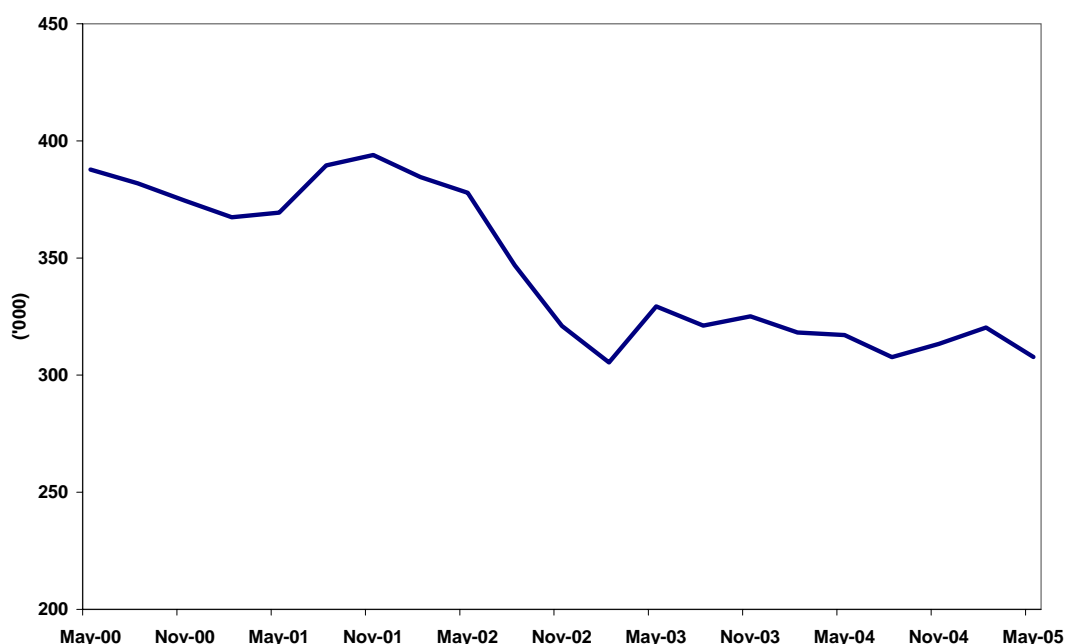
¹ Export by industry data are only available back to 1988.

and 2.0 per cent of total employment. In the March quarter 2005 (latest available data), the industry accounted for 2.0 per cent (or \$4,000 million) of GDP.

Agriculture Employment

The single largest factor affecting Agriculture in recent years has been the severe drought, which, in southern and eastern areas, in 2002-03 in particular, exacerbated the effects of several preceding years of dry conditions. The drought has persisted in some areas into 2005. As illustrated in Chart 1 below, employment in the industry has fallen significantly since November 2001 and has not yet recovered to pre-drought levels. In particular, between May 2002 and May 2003, the number of people employed in Agriculture fell by 48,500 (or 12.8 per cent) to 329,300. In May 2005, employment in the industry stood at 307,700.

Chart 1: Employment for Agriculture industry, May 2000 to May 2005.



As illustrated above, the last 12 months have seen continued weakness in Agricultural employment. Over this period, employment in Agriculture has fallen by 9,400 (or 3.0 per cent), with the largest fall occurring in Grain, sheep and beef cattle farming. On the other hand, employment in Services to agriculture rose over the same period, by 2,200 (or 9.3 per cent).

It is important to note that Agricultural conditions vary considerably across Australia, reflecting the variability in rainfall and climatic conditions across regions. By way of example, over the year to May 2005, Agricultural employment rose strongly in both Western Australia (up by 6,500 or 17.2 per cent) and Tasmania (up by 1,200 or 11.3 per cent), while Victoria (up by 1,100 or 1.5 per cent) and South Australia (up by 100 or 0.3 per cent) recorded smaller increases. By contrast, significant falls in Agriculture employment were experienced in Queensland (down by 12,800 or 16.7 per cent) and New South Wales (down by 6,600 or 8.0 per cent), where rainfall has (at least until June) remained extremely low.

- The divide between the eastern States and Western Australia is particularly evident when examining the disparity in employment growth over the past four years. Since May 2001, Agricultural employment has fallen in all of the eastern States and South Australia, while in Western Australia it has increased by 11,300 (or 34.7 per cent).

There was also considerable disparity in employment in Agriculture, forestry and fishing² across ABS labour force regions³, with some areas recording large increases while others experienced substantial falls.

- For instance, Remainder-Balance WA, which incorporates the State's grain belt, experienced an increase of 4,200 (or 22.5 per cent) in Agriculture, forestry and fishing employment over the year to May 2005, while parts of Victoria also recorded large increases, with Barwon-Western District up by 6,300 (or 42.0 per cent) and Goulburn-Ovens-Murray up by 4,400 (or 32.4 per cent).
- On the other hand, Queensland's drought ravaged Darling Downs-South West region recorded the largest fall in Agriculture, forestry and fishing employment over the year to May 2005 (down by 6,800 or 32.0 per cent). Significant declines were also recorded in Far North Queensland (down by 6,700 or 54.1 per cent) and Loddon-Mallee in Victoria (down by 5,500 or 34.7 per cent).

Outlook

Forecasts of Agricultural production in Australia have generally pointed to a reduced winter crop (with production rising in Western Australia but falling in the eastern States). For instance, ABARE forecast the winter crop production in 2005-06 to be 17 per cent lower than in 2004-05, although winter crop production in Western Australia was forecast to increase by 16 per cent.

These forecasts, however, were generated prior to heavy, and in some cases record, June rainfall over eastern and southern coastal Australia, which has largely removed the serious to severe rainfall deficiencies that had developed in Queensland and New South Wales during 2005. Reports from the Bureau of Meteorology also suggest that the chance of an El Nino event re-emerging this year is dissipating (although some risk remains). At this stage, however, it is too early to gauge how much of an impact recent heavy rains will have on the winter crop but it is likely that agricultural output from the eastern States will now be higher than originally expected.

While agricultural production is ultimately expected to recover (and in some instances, has already recovered), there is a likelihood that the reductions in Agricultural employment associated with the drought may not recover to pre-drought levels, for two key reasons:

- First, many workers were forced to leave rural areas during the drought, resulting in farmers undertaking much of the work with less labour. As conditions recover, farmers may be unable to find appropriately skilled labour, with many being forced to continue to use less labour-intensive means of production.
- Second, and perhaps more importantly, recent trends have seen a shift to larger and more productive farms which have greater opportunities to achieve economies of scale. This is likely to lead to less agricultural employment over the longer-term.
 - This view is supported in a recent Productivity Commission report⁴ on Australia's Agriculture industry. The report indicates that extensive structural changes have been occurring within the industry over recent decades, with

² Regional employment data are only available at the one-digit industry level.

³ Estimates at the regional level can exhibit some variability and, therefore, should be interpreted with caution.

⁴ Productivity Commission (2005) 'Trends in Australian Agriculture,' Commission Research Paper, Canberra.

tough global conditions forcing producers to become larger, more efficient, more diversified and far less labour intensive.

- In this regard, it is worth noting that over the last 20 years, the number of farms has declined by about a quarter while the average farm size has increased by around 23 per cent.

Food Manufacturing Employment

As could be expected, employment in Food, Beverage and Tobacco manufacturing⁵ was far less affected by the drought than Agriculture. While employment in Food, Beverage and Tobacco manufacturing fell in 2003, it subsequently recovered over the course of 2004 and is up by 18,200 (or 10.2 per cent) over the year to May 2005, to 196,600. The largest employing sub-sectors in Food, Beverage and Tobacco manufacturing were Meat and Meat Product manufacturing (22.0 per cent of employment in the sector), Bakery Product manufacturing (20.1 per cent) and Beverage and Malt manufacturing (16.4 per cent).

The majority (80.0 per cent) of Food, Beverage and Tobacco manufacturing is located in the eastern States of New South Wales (with 61,700 employed), Victoria (with 59,000 employed) and Queensland (with 36,600 employed). All States except South Australia (down by 4,400 or 19.8 per cent) recorded an increase in Food, Beverage and Tobacco manufacturing employment over the year to May 2005, with the largest increases in New South Wales (up by 15,300 or 33.0 per cent) and Victoria (up by 3,700 or 6.6 per cent).

Outlook

A number of leading indicators suggest that growth in both domestic demand and employment will slow in the coming months, which is likely to have a negative impact on Food, Beverage and Tobacco manufacturing activity. There are also concerns about the current strength of Manufacturing exports, due in part to the continuing high value of the Australian dollar. It is worth noting, however, that recent industry surveys point to production and investment in Food, Beverage and Tobacco remaining stronger than for Manufacturing in general. Activity in the sector over the medium-term will depend on its sensitivity to slowing domestic demand and the contribution of exports to overall sales (Foods comprise around 14 per cent of total Australian exports).

⁵ Food, beverage and tobacco manufacturing is the best match for the data. The tobacco sector only accounts for a very small proportion of this industry.

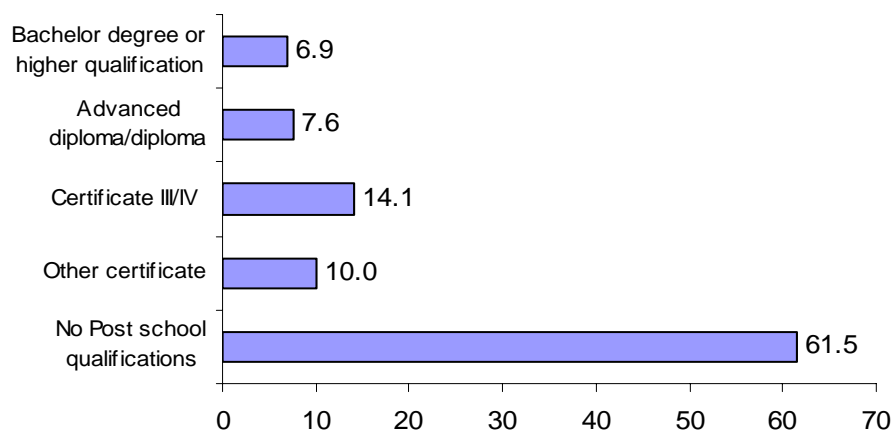
Workforce Profile

Occupation	No in industry
Livestock Farmers	92 100
Farm Hands	68 400
Crop Farmers	43 300
Mixed Crop and Livestock Farmers	38 700
General Mobile Plant Operators	9 800
Bookkeepers	9 100
Nursery and Garden Labourers	7 000
Fishing and Deck Hands	4 700
Hand Packers	4 700
Nurserypersons	3 800

Agriculture, Forestry and Fishing is a relatively small industry in employment terms (employing 372,600 people), but it is highly important to the economy, earning important export dollars. It is also regionally diverse, offering significant employment opportunities in regional Australia. About 85% of jobs are located outside State capital cities (compared with about 37% of total employment).

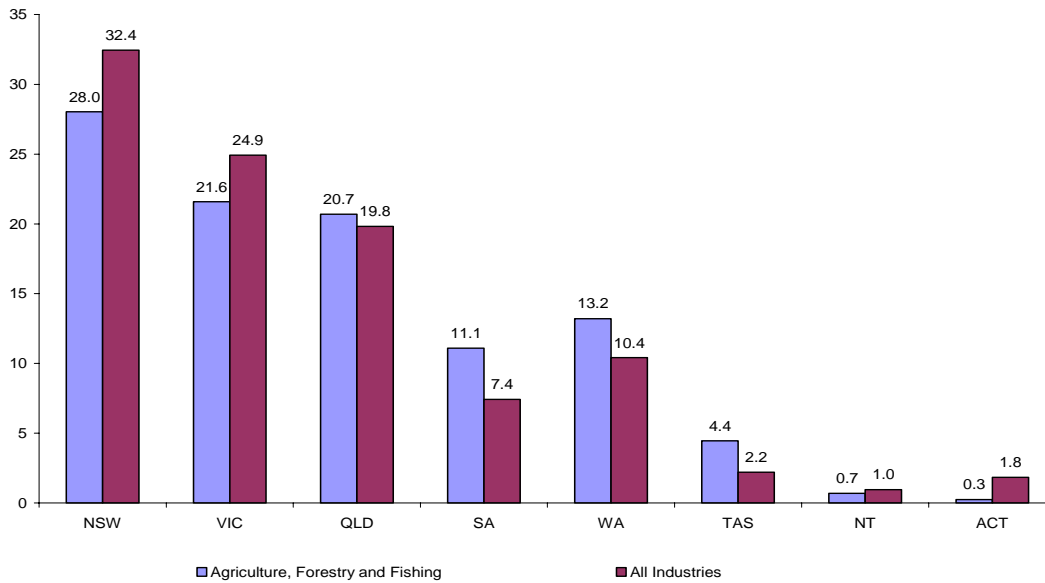
About 60% of workers in Agriculture, Forestry and Fishing do not have post-school qualifications, compared with about 42% for all industries. On-the-job training and experience appear to be more important than formal qualifications in this industry.

Agriculture, Forestry and Fishing Educational Profile, May 2004 (%)



The industry also employs a higher proportion of mature age workers than the workforce as a whole, with about half its workers aged 45 years or older. The industry also has the highest proportion of workers aged 65 years and over (10% compared with 1% for all industries).

Industry Employment by State (% share of employment)



Although many workers in this industry work long hours, part-time employment is also significant with 25% of jobs being part-time. Males make up slightly more than two thirds (68%) of people working in Agriculture, Forestry and Fishing, compared with about 55% for all industries.

Useful links

www.ruralskills.com.au/ontrack/index.html (Rural careers)

www.jobsearch.gov.au/HarvestTrail

Migration Arrangements

Background

In relation to migration, the Department of Employment and Workplace Relations' (DEWR) key interests are the labour market implications of migration arrangements, including the labour market experience of migrants and the implications of migration on economic, demographic and labour market outcomes over the short and long term.

More specifically, DEWR provides the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) with advice on labour market and workplace relations issues associated with the size and composition of the annual Migration Program and the policy parameters which apply to a range of temporary and permanent migration arrangements.

The Migration Program (permanent entry) is set by the Australian Government on a financial year basis following consultation with a range of key government, industry and community organisations and includes two streams: a Family Stream and a Skill Stream. The Skill Stream of the Migration Program is designed to target migrants who have skills or outstanding abilities that will enhance the skills base of the Australian labour force and, in the

case of employer-sponsored migration, address the needs of Australian employers to recruit skilled workers.

The selection criteria applying to most visa categories within the Skill Stream promote the entry of migrants with skills (qualifications and work experience) appropriate to employment in managerial, professional, associate professional and trade occupations. Lesser and semi-skilled workers (includes labourers and related workers) do not meet the current skill criteria for permanent entry to Australia.

In addition to the permanent Migration Program, the Government also manages a number of temporary migration arrangements that include work rights (including the working holiday maker scheme, the work and holiday visa arrangement, overseas student visa category, and the Trans Tasman Travel Agreement that provides New Zealand citizens with visa free entry to the Australian labour market). The importance of these temporary migration arrangements to the Australian economy has increased significantly in recent years. Australian business is increasingly turning to temporary migration where recruitment and training initiatives are insufficient to meet the demand for skilled workers.

In recognition of the nexus between employer-sponsored temporary and permanent migration arrangements, the temporary business migration arrangement is limited to managerial, professional, associate professional and trade occupations. While, in the case of regional employers, concessional arrangements exist that provide for the temporary entry of overseas workers for employment in less-skilled occupations, there is currently no provision for the recruitment of overseas workers for employment in unskilled or labouring occupations.

Migration and the Agricultural Industry

Consistent with the concessional migration arrangements available to regional employers and the demands of the agricultural industry for skilled workers, the Government (represented by DIMIA and DEWR) is a party to a small number of Labour Agreements that provide for the temporary entry of overseas workers for employment in agricultural-specific occupations. Specifically, Labour Agreements have been negotiated for the recruitment of farmers and farm managers, agricultural machinery motor mechanics, and agricultural and horticultural mobile plant operators.

The seasonal labour needs of the Australian agricultural industry are supplemented by Working Holiday Maker (WHM) visa holders. In this context:

- the WHM is specific to countries with which reciprocal bilateral agreements have been negotiated – there are currently 19 WHM agreements (with a new WHM agreement with Estonia announced in February 2005) and the Government expects some 105 000 visas to be granted in 2005-06;
- as the primary purpose of the WHM is social and cultural (rather than economic), WHM visa holders are limited to 3 months employment with any one employer (which in itself is consistent with the seasonal nature of work in the agricultural sector);
- the Government recently announced changes to the WHM to better meet the seasonal labour needs of agricultural and horticultural employers in regional Australia. Specifically:

- current and future WHMs will be able to apply for a second WHM where they have completed a minimum of 3 months harvest work in regional areas during their initial WHM period of stay (12 months). This should act as an incentive for more WHM visa holders to work in regional Australia in seasonal harvest work; and
 - combined with their availability for a second WHM visa, the negotiation of further WHM agreements should result in an increased pool of WHMs to serve the needs of employers in the agricultural and horticultural industries (noting that research commissioned by DIMIA and showed that 15.9 per cent of WHMs undertook fruit picking and related agricultural work during their stay in Australia).
- to better target WHMs to seasonal work opportunities in regional Australia, DEWR has arranged for DIMIA to direct WHMs to the Harvest Labour Trail website at www.jobsearch.gov.au/harvesttrail. This should result in the job matching of WHMs to employer vacancies in the agricultural industry.

DEWR will continue to work closely with other Departments (including DIMIA and the Department of Agriculture, Fisheries and Forestry), to examine the extent of skill shortages in the agricultural and horticultural industries and, as appropriate, develop education, training and migration program and policy responses.

The Contribution of Migration to Labour Supply in the Agricultural Industry – 2003-04

The following table represents net total permanent and long-term temporary migration to Australia in occupations specific to occupations associated with the agricultural industry in 2003-04 (the most recent year for which complete data is available. This data includes persons arriving under the Family Stream and the Humanitarian Program for which minimum skill (qualification and work experience) criteria do not apply.

Australian Standard Classification Occupation (ASCO)	Occupation	Net total permanent and long-term migration
1310	Farmers and farm managers	-5
1311	Mixed crop and livestock farmers	49
1312	Livestock farmers	54
1313	Crop farmers	42
4611	Farm overseers	8
9922	Nursery and garden labourers	5
9929	Other agricultural and horticultural labourers	5

Industry Strategies Taskforce

The Industry Strategies Taskforce in the Australian Government Department of Employment and Workplace Relations works with industry and business to:

- Develop customised recruitment and training solutions;
- Build linkages with Australian Government employment services and training providers;
- Look at innovative solutions and the experience of employers around Australia; and
- Help develop flexible working arrangements to meet the needs of a more diverse workforce.

The Taskforce focuses on the retail, manufacturing, health and community services, property and business services, accommodation café and restaurants, mining and building and construction industries. The Taskforce also has a cross industry and regional focus.

The Taskforce supports projects that produce measurable employment outcomes that can be promoted to a broader audience.

The Taskforce has worked with employers and industry bodies in the agriculture and food industries in several locations in Australia to put into place local solutions to recruitment and labour shortage issues. These have included:

- In Gippsland, the Taskforce worked with a food processing employer and employment services providers in Bairnsdale to improve the screening and referral processes. This resulted in the recruitment of jobseekers into full-time traineeships as well as the recruitment of casual employees to meet peak demand.
- In South Australia, the Taskforce worked with the Viticulture industry to achieve a better match between labour demand and labour supply by exploring the range of seasonal jobs available in the McLaren Vale and adjacent regions to improve the duration of employment. The Taskforce also facilitated meetings between the industry and employment services providers to develop better linkages and to encourage change in the industry with regard to improved pay and conditions. This strategy was very successful and resulted in the employment of a large number of people to meet the industry's labour requirements.

Employer Demand and Workplace Flexibility Strategy

In the 2005-06 Budget, the Government announced that it will provide funding of \$50 million over four years for an Employer Demand and Workplace Flexibility strategy to improve employer awareness of the benefits of hiring people with disabilities, parents, mature age job seekers and the very long-term unemployed. There are three key components of the strategy:

- Targeted and improved industry and workplace engagement strategies.
- Training for employers to manage a diverse workforce.
- Strategies to increase employment for workers with a disability.

A range of measures will be implemented including:

- In conjunction with industries and individual employers, the Department of Employment and Workplace Relations will develop, with small grant funding, innovative recruitment, employment and retention strategies to increase participation of the key groups outlined above. Further information about this element of the Employer Demand and Workplace Flexibility Strategy is outlined below.
- Work with industry to develop industry partnership projects and case studies to develop and highlight innovative workplace flexibility arrangements through the use of workplace agreements.
- Development and maintenance of a labour market information portal and roll-out of a series of Better Connection workshops to provide a range of information about labour market demand and supply to enable employment services providers and other stakeholders to address labour and skill shortage issues.
- Providing employers with skills and tools through training courses, instructor guides and materials to enable them to manage an ageing workforce
- Development of a job accommodation service that will include a website and advice from experts in workplace adjustment to assist employers with the employment and retention of people with a disability.

Better Connections Workshops

Better Connections Workshops bring together local employment services providers, Australian, State and Local government, and the local chamber of commerce to develop solutions to local employment issues. The objective of the workshops is to improve labour market effectiveness by addressing labour supply and skill shortage issues, increasing labour market participation and reducing unemployment. Each workshop develops an action plan, including strategies to engage industries and employers to increase the participation of people with a disability, parents, mature age job seekers and the very long-term unemployed.

There are 30 workshops planned for 2005-06, with over half located in regional areas. Where relevant to the local area, the workshops can address labour supply issues for the agriculture and food industry. For example, a workshop held in the Atherton Tableland has resulted in the participants working together to look at the feasibility of a traineeship for the agriculture industry as a possible solution to recruitment issues in the industry in the Atherton Tableland.

Sugar Industry Reform Program (SIRP)

The Sugar Industry Reform Program includes funding of \$4.6m over the three years to 2006-7 for retraining for growers, harvesters and workers. The retraining element has the following three features:

- Immediate access to Job Network services for growers/harvesters who are exiting the industry and mill workers, farm workers, contractors and related suppliers made redundant as a result of the reform process.

- An additional \$1,000 is credited to the Job Network member's Job Seeker Account to enable the Job Network member to provide assistance such as training, goods such as work boots, tools and equipment and relocation assistance.
- Where the reform process is having a significant impact on an area or a community – eg as and when mills close or significant numbers of growers exit the industry – the Department of Employment and Workplace Relations will work with local employers, Job Network Members and other groups to develop demand-led strategies aimed at helping those made redundant into work.

Workplace Flexibility

It is imperative that employers and employees in the agricultural and food industries choose workplace arrangements most conducive to their enterprise without undermining their individual rights and responsibilities.

Through the *Workplace Relations Act 1996*, the Australian Government has sought to create a workplace relations system which provides opportunities for employers and employees to tailor working agreements to suit the needs of individual businesses and the choices of individual employees, without unnecessary and unwarranted third party intervention. This system of workplace relations is about choice and flexibility aimed at fostering more jobs growth, higher wages for workers, and building a stronger economy.

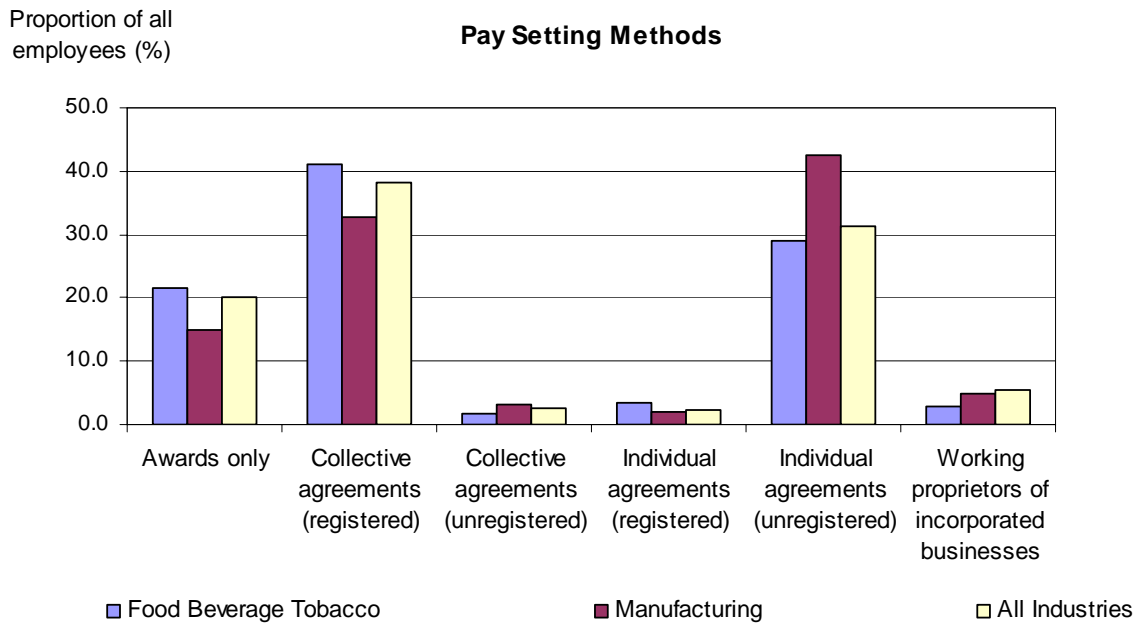
A diversity of workplace practices

The Agricultural and Food, Beverage and Tobacco manufacturing industries have diverse workplace arrangements from award-based employment and informal common law contract arrangements, to workplaces where wages and conditions are determined by federal collective and individual agreements.

The chart below illustrates the pay setting arrangements for Food, Beverage and Tobacco, Manufacturing and All industries. From the chart, it appears that while a large range of pay setting methods are used in Food, Beverage and Tobacco manufacturing, there is still a higher dependence on awards for setting pay than compared to both Manufacturing and All industries as a whole. This may potentially be resulting in restricting businesses from maximum flexibility.

This variability in arrangements suggests that employers in the industry could benefit from a specific focus on workplace relations to both free up any existing impediments to productivity and competitiveness, and to protect existing flexibilities.

Chart: Pay Setting Methods for Food, Beverage and Tobacco, Manufacturing and All industries



Source: ABS Employee Earnings and Hours, May 2004, Cat No 6306.0, unpublished data.

Creating High Performance Workplaces

Research and experience suggests that the adoption of a high performance workplace employment model can contribute significantly to companies establishing and maintaining workplace arrangements that enhance their future competitiveness.

The high performance workplace employment model is productivity-centred, and can be used for collaborative and participative work systems. It favours a long-term view of business strategy and is based on strategic integration of enterprise objectives and employee commitment and participation. It is not prescriptive in terms of a workplace relations instrument, and so can form part of a larger strategy to enhance the competitiveness and hence longer term sustainability and profitability of the Agriculture and Food sector.

A number of simple strategies can be introduced to align a workplace with a high performance workplace model and enhance the value of the employee's contribution to the business, including:

- management with clear workplace reform objectives;
- alignment of employer and employee objectives;
- a comprehensive workplace relations communication strategy; and
- empowerment of employees.

Management with clear workplace reform objectives

Managers are more likely to set the agenda for change in the type of work arrangements required in order to meet business needs, as opposed to being reactive to industrial disputes. Managers identify the barriers to introducing optimal arrangements and communicate this to employees. Keeping employees informed maximises their engagement. The most important

element in managing reform is reported to be a commitment to address any and all issues that arise for employees as a result of the change.

Alignment of employer and employee objectives

This can be achieved in a number of ways. Some companies provide for employee share ownership. In this situation wages and condition negotiations occur in the context of employees making claims and decisions using a range of information and considerations such as how the company is performing and the resulting performance of the share price. Not all companies have the option of share plans. However, many link some part of pay to performance or personal output. These arrangements work best where employees can control the elements of production that impact on their ability to achieve a bonus.

Also, a further way to develop this culture is to move from status symbols or preferential consideration. For example, senior managers sharing the same parking and eating areas etc as other staff. In a number of manufacturing companies we noted a highly integrated classification structure with senior engineers and professional staff working alongside and under the same conditions as manufacturing, laboratory and production staff.

A comprehensive workplace relations communication strategy

It is important not to judge the success of an industrial arrangement solely on the level of industrial dispute or strike. A successful industrial relationship will indeed have low levels of dispute but it will also demonstrate a firm strategy aimed at obtaining best practice from employees in the workplace.

Whether communicating changes or negotiating workplace agreements, central elements of a successful communication strategy is likely to include senior management providing key information about the performance of the company to staff. In particular, this may be supported by small group information sessions (typically 10 -15 people), which provide opportunities for questions or to raise concerns. Consideration could be given to the specific characteristics of the workforce. For example, in culturally diverse workforces, communication works best when representatives of ethnic community groups are involved or at least consulted.

Empowering employees

Employees are empowered by a number of the strategies previously discussed such as provision of information and the opportunity to earn more when the company performs well. This reinforces the role the worker plays in the success of the company.

Other ways that employees are empowered include: opportunities for employees to obtain information from other sources which could include independent legal advice; an independent consultant managing workplace agreement negotiations; or employees visiting other workplaces that already incorporate flexible arrangements to see for themselves how it operates. These are all strategies that have been successfully used by manufacturing companies to date to assist the change process.

Establishing these types of arrangements reduces employees' reliance on outsiders to solve their problems, fight for pay increases etc. It can also serve to highlight to employees those

elements of a bargaining claim which focus primarily on a political or industry wide agenda and therefore are less likely to be supported by employees.

Opportunities for flexible workplace relations arrangements

Opportunities exist for considerable improvement in workplace relations arrangements for enterprises in the Agriculture and Food Processing industry. Companies could use the existing workplace relations framework to their advantage by among other things:

- seeking greater flexibility and direct engagement of staff;
- using secret ballots to manage the process of enterprise negotiations; and
- managing their workplace issues directly with employee.

The introduction of the *Workplace Relations Act 1996* (the Act) provided a range of agreement making options for employers and employees to enable them to implement flexible work arrangements. This reform recognised that the work environment has changed from the traditional Monday to Friday day shift operation to one in which production more often occurs 24 hours per day, 7 days a week.

Many companies, including those within the agricultural and food industry, are effectively utilising flexibilities currently available under the Act. This suggests that the barriers to flexibility and high performance workplace models are due to cultural rather than systemic limitations.

Implementing Flexibility

The type of flexibility sought within each workplace will vary according to a number of factors. Flexibility may be influenced by a range of factors. These may include the type of product or service, the hours of work required to deliver that product or service, the technology supporting production, the seasonality of demand, the breadth of employee skill etc.

Nevertheless, whatever choice an employer makes it is important this choice is informed by the goal of securing and maintaining a high performance workplace.

Formal arrangements

Of those Agricultural and Food manufacturing workplaces with collective agreements, many companies may benefit from reviewing the provisions in their agreements. This allows them to assess the benefits of those provisions to either the employer or employees to determine whether arrangements still work well for the company in an evolving business environment. Specific examples of some flexible arrangements are available at **Attachment A** for information.

Informal arrangements

A significant proportion of manufacturers operate using informal or above award arrangements. These arrangements can optimise flexibility and are most effective when based on an established record of strong employer/employee relations.

However, many employers with these kinds of arrangement are unaware that where an informal agreement attempts to reduce or remove an employee's entitlement under an award or formal agreement, the employee may have a right to claim any underpayment they should have received under instrument. (For example removing overtime loadings or penalty rates). This right may exist even where the employer has 'off-set' that entitlement with another payment many years ago. Employers should get legal advice if they wish to off-set obligations arising from awards or agreements.

Resources available to the Agricultural and Food Manufacturing Industries

Resources are available through industry bodies and employer organisations to assist employers to choose the workplace relations arrangements most appropriate to their circumstances. Organisations such as the Australian Industry Group provide dedicated industrial relations services with qualified professionals.

The Department of Workplace Relations' Office of Workplace Services in all states and territories provides free, personalised assistance to employees and employers about opportunities and choices in the Australian Government workplace relations system. Further information is available on a number of websites including www.wagenet.gov.au, www.workplace.gov.au, and www.oea.gov.au.

Summary

The Agricultural and Food industry needs to develop and implement a strategy for sustaining workplace flexibility. This may be through working with industry stakeholders and government to maintain and increase employer awareness of the high performance workplace employment model to ensure that existing flexibilities are preserved and any impediments to competitiveness are removed.

However, it is up to individual employers in the industry to embrace the range of opportunities available to them under the workplace relations framework. This will afford the Australian agricultural and food sector the opportunity to operate the most efficient and flexible workplaces possible, which will have a direct impact on the profitability, competitiveness and sustainability of the sector as a whole.

Examples of flexible arrangements

Overtime

Overtime represents a significant cost to production particularly in an industry that experiences seasonal demands. In negotiating either collective or individual agreements companies have the capacity to introduce a range of provisions such as rolling penalty rates into an overall salary or allowance. For the employer there is a benefit in simplifying bookkeeping and reduced chances of calculation errors. Employees benefit from greater certainty in take-home pay.

Annualised salaries

Annualised salary incorporates a range of allowances, overtime, and penalty rates. This simplifies administration for the employers. The total salary is used for the purpose of calculating superannuation.

Weekend rates at ordinary time

In some instances individual employees may prefer to work on weekends. For example, these hours may better suit students or people seeking to work on a part time basis or on weekends in lieu of weekdays. As long as the parties agree and the arrangement meets the no disadvantage test, weekend work can be paid at ordinary time. Employers and employees who wish to use this type of flexible option can negotiate an arrangement using an AWA to overcome agreement restrictions.

Public holidays

Some agreements provide for employees to work at the ordinary rate of pay with time off in lieu provisions. This type of arrangement can be attractive to employees from diverse cultural backgrounds that do not necessarily place significance on traditional Christian holidays but may wish to take time off in lieu to celebrate their own culturally significant events. Alternatively employers can offer a fixed allowance to employees for working on public holidays.

Shift loading and penalty provisions

Most agreements provide for 15% and 30% shift loading for afternoon and night shifts respectively. A few enterprises have rolled over a fixed shift allowance to the annualised salary while others pay a fixed weekly allowance to shift workers, the benefit being simplified bookkeeping and reduced costs.

Junior employees

Offering junior rates to employees under age 21 provides incentives and benefits to employers in terms of reduced labour costs. For junior employees, it enables them to gain job skills and develop better job opportunities. This initiative is important in reducing youth unemployment.

Redundancy pay

Standard redundancy provisions are in place to provide compensation to retrenched employees for lost non-transferable credits such as sick leave and annual leave loading and the immediate hardships they face when made redundant. In this industry provisions tend to be very generous normally providing 3-4 weeks per year of service, often

uncapped plus payment of other benefits such as accrued sick leave. These payments far exceed the community standard of eight weeks severance pay after four years service and can change employees' perceptions of redundancy. Higher severance payments can encourage employees to look forward to receiving redundancy pay when the business fails rather than support efforts to strengthen the business and retain jobs. Higher severance payments represent a major cost to restructuring and reorganisation, particularly when a business is faced with a downturn in demand for its product and changes are necessary to secure the longer-term viability of the business. Higher severance payments are particularly inappropriate in cases of insolvency when the business has very limited capacity to pay, and when higher payments are likely to seriously impede efforts to restructure to escape liquidation.

Employers recognise the need to address this issue. In some cases additional wage increases have been provided in exchange for reducing redundancy provisions. Alternatively, companies could consider separating redundancy provisions for insolvency situations from redundancies arising for other reasons, with standard payments applying to the former. Companies might also want to explore alternatives such as increasing superannuation contribution by one or two percent to offset a reduction in redundancy particularly as higher superannuation is more beneficial to an employee at retirement than a redundancy payment when the employee still possesses the capacity for future employment. If no retrenchment takes place, the employee still benefits from the increase in superannuation.

Contract of employment, labour hire and contract labour

Agreements which require management to consult with the union prior to engaging casuals or contractors potentially impede the employer's prerogative and capacity to manage the business in response to production requirements.

Grievance procedures

Employers could seek to move away from traditional adversarial procedures that give unions a privileged role in dispute resolution towards more cooperative procedures that ensure choice for all employees. Companies with non union agreements are using mediation as an effective means of resolving workplace disputes. Costs are minimal. Parties resolve their own disputes and the process is not damaging to the company's business or to the morale of the employees concerned.

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Comprehensive agreements

At present a number of agreements cross reference between the parent award, past awards and the agreement. Establishing a comprehensive agreement reduces confusion and allows for accurate wages payment. AWAs can operate alongside certified agreements. Employers should retain the option for providing AWAs for employees who may wish to consider arrangements that meet their individual circumstances.

Secret ballots

A number of companies have used consulting firms or the Australian Electoral Commission to conduct secret ballots to determine employees views on a company's certified agreement offer or prior to employees taking industrial action. Some companies include this provision in their agreements. Others simply arrange the ballot to occur as required.