FINAL EVALUATION OF THE PACIFIC SEASONAL WORKER PILOT SCHEME

Prepared for:

DEPARTMENT OF EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS

TNS Consultants:

Cheryl Reed
Angela Southwell
Mandy Healy
Neil Stafford

53197

September, 2011

290 Burwood Rd.
Hawthorn
VIC 3122
(03) 88625900
Mandy.Healy@tnsglobal.com

TABLE OF CONTENTS

TABLES

FIGURES

Acronyms

ABARE	Australian Bureau of Agricultural and Resource Economics
ABS	Australian Bureau of Statistics
AEs	Approved Employers
AFF	Agriculture, Forestry and Fishing
AFS	Accommodation and Food Services
ATO	Australian Tax Office
AusAID	Australian Agency for International Development
DAFF	Department of Agriculture, Fisheries and Forestry
Deed	Deed of Agreement
DEEWR	Department of Education, Employment and Workplace Relations
DFAT	Department of Foreign Affairs and Trade
DIAC	Department of Immigration and Citizenship
DRET	Department of Resources, Energy and Tourism
EFT	Equivalent Full Time
EOI	Expression Of Interest
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
FWO	Fair Work Ombudsman
IDC	Inter-Departmental Committee
LABs	Local Advisory Bodies
LHCs	Labour Hire Companies
MOUs	Memoranda of Understanding
NSCP	National Stakeholder Consultative Panel
NZ	New Zealand
OH&S	Occupational Health and Safety
PES	Pacific Engagement Strategy
PM&C	Department of the Prime Minister and Cabinet
PNG	Independent State of Papua New Guinea
PSWPS, the Pilot	Pacific Seasonal Worker Pilot Scheme
SPA	Special Program Agreements
WHMs	Working Holiday Makers

Executive summary

This document is the Final Evaluation of the domestic settings of the Pacific Seasonal Worker Pilot Scheme (the Pilot) conducted by TNS Australia for the Australian Government. A separate evaluation managed by AusAID and conducted by the World Bank assessed the developmental impact of the Pilot.

The Evaluation does not reflect the views of the Australian Government. The Evaluation is one of several sources of information that the government relies on in formulating its policies.

About the Pilot

The Pilot was announced by the Australian Government in August 2008 and concluded on 30 June 2012. The broad objective of the Pilot is to examine whether a seasonal worker program is able to:

- Contribute to Australia's economic development objectives in the Pacific region, in particular by enabling workers to contribute to economic development in their home countries through remittances, employment experience and training gained from participating in the Pilot.
- Assist Australian employers in the horticulture industry who have demonstrated unmet demand for labour.

Scope of this report

This report presents the domestic evaluation of the Pilot conducted by TNS. This evaluation includes elements of the evaluation of individual impacts for seasonal workers and domestic impacts for Australia.

The specific evaluation questions for the domestic evaluation are grouped into three key areas:

1. The performance of the Pilot (Chapter 2)	• Achievement of domestic objective • Demand for seasonal workers in Australia including the nature and level of unmet demand for seasonal workers • Effectiveness of Pilot parameters in delivering workers to growers including uptake of workers and participation by growers, AEs, and sending countries
2. The benefits of the Pilot (Chapter 3)	• Benefits to employers (cost effectiveness of seasonal workers as a labour source for growers) • Benefits to workers (financial and skills)
3. The future of a low-skilled seasonal labour mobility program in Australia (Chapter 4)	• Potential for displacement of local labour • Alleviations of local labour shortages • Pilot as a market-driven program • Potential number of visas in the event of implementation of a horticulture based low-skilled seasonal mobility program. • Transferability of the model (industries, countries)

Evaluation method

This evaluation used a mixed-methods design to collect evidence related to the evaluation objectives. Core activities included: a case study of growers in Yarra Valley (a postal survey of 82 horticulture growers); consultation with Pilot stakeholders; the use of secondary data sources; industry case studies focusing on future demand for a seasonal labour mobility program – construction, agriculture, forestry and fisheries and tourism (accommodation and food services); a weather case study focusing on the impact of weather events during the course of the Pilot; and community focus groups.

Limitations

The evaluation spans the period between 2009 and July 2011. Several factors occurred which limited the evaluation method and should be considered when reviewing this evaluation report. These factors are:

- The initial low take up of the Pilot limited aspects of the evaluation that required a critical mass of seasonal workers to review impacts or test that systems work at higher volumes
- The limited data from growers and AEs around the costs of employing seasonal workers
- The changing economic and climatic events which affected the horticulture industry during the period of the evaluation.

Key findings

The next section presents the key findings against the three major areas of the evaluation: performance of the Pilot, impacts of the Pilot and the future of the Pilot.

Pilot Performance

The Pilot has met its domestic objective of assisting Australian employers in the horticulture industry with demonstrated unmet demand for labour. Overall achievements have included increased uptake of workers, employment of return workers, benefits to workers (financial and development of skills) and increased engagement of growers, AEs and partner countries. Demand for the Pilot was limited by a number of economic and climatic events outside the control of the Pilot, and concerns from some growers over the use of Labour Hire Companies (LHCs). Some employers were also concerned over the guaranteed levels of employment initially required under the Pilot (30 hours per week over six months). As industry gained experience with the Pilot and economic conditions improved, there has been a strong increase in participation in the Pilot.

Level of demand for seasonal workers in the horticulture industry

While this report examines the potential demand for seasonal workers across a number of industries, the performance of the Pilot focused on the horticulture industry only. Generally, there was a lack of reliable and definitive data on unmet seasonal demand in the horticulture industry. While industry voiced strong views on the need for a labour migration program to prevent 'fruit rotting on the vine', the Senate Committee of 2006 found no empirical evidence of labour shortages leading to such losses but endorsed the need for a circular migration program to support workforce planning. The horticultural sector displayed high reliance on overseas visitors (accounting for up to 90 percent of seasonal workers in areas like Mundubbera) and was highly vulnerable to global events (such as the global recession). Industry reliance on itinerate workers was seen as resulting in lack of workforce planning, lack of access to a consistent reliable workforce, and low productivity. There were also anecdotal reports from

stakeholders interviewed about reliance on low cost, illegal and undocumented labour. Within this context, the Pacific seasonal workers provided a consistent, reliable, legal alternative workforce in situations where adequate Australian workers could not be sourced.

During 2009 and 2010 industry was not participating in the Pilot in great numbers and unmet demand was not apparent. This was attributed in part to global economic factors which decreased demand for seasonal workers, as more Australian jobseekers were willing to take up jobs in horticulture. During 2010 and into 2011, Australia experienced recovery from the global recession and economic growth has been predicted over the near to long term.[1] At the same time, major factors affected markets for primary production and export, namely floods and cyclones and the rising Australian dollar. While it was likely that the Pilot may have been affected by these factors before recovery into 2012, this report does not examine that issue due to data limitations beyond May 2011.

Based on DEEWR data, demand for labour through the Pilot increased from 56 workers in 2009 to 97 workers in 2010 then to 312 workers by May 2011. Demand for workers grew, with requests for workers doubling between January and April 2011. In addition, there was a demonstration that the Pilot had started to gain momentum by 2011 with growers seeking return workers and expanding future requests for workers based on their past positive experience. It was common for growers to take on only a few workers at first as a trial, and then to take on larger numbers as their confidence in the Pilot increased. This demonstrated that while participation in the Pilot was often made cautiously, positive experiences resulted in endorsement by the industry.

Impacts of the Pilot

Cost effectiveness of seasonal workers as a labour source for growers

Changes in Pilot parameters in December 2010 increased flexibility in minimum employment periods, limiting the potential financial risk to AEs, by enabling them to address industry needs while still ensuring a positive outcome for seasonal workers (modeling was undertaken to ensure that despite a shorter period of employment, the potential net benefit for seasonal workers remained at a reasonable level).

Ultimately, those costs not reimbursed by the seasonal workers were passed on to the growers by the AE through hourly rates or contract fees, depending on the employment arrangements. During the period in which the Pilot was conducted,[2] to hire a non-Pacific seasonal worker directly on a lawful hourly rate, growers paid the award rate plus on-costs which was $21.36[3] (hourly award rate of $17.88 plus statutory costs estimated to be $3.48[4]). In the Pilot, growers paid an increased hourly rate to the AE (e.g. $24 per hour as cited by one provider) or negotiated a piece rate or total contract fee. This hourly rate included the wage paid to workers plus the recovery of costs for AEs and was generally cited as being approximately 10 to 20 percent (or $2 to $4.80 per hour) more than the lawful rate.[5] Convincing growers of the value of Seasonal workers and encouraging acceptance of the higher cost per hour balanced with other savings remains a considerable barrier to Pilot participation.

The Pilot experience to date provides some evidence on effectiveness of workers and the potential to build a convincing business case around productivity outcomes. Obtaining quantitative data from AEs

[1] Treasury Budget papers, May 2011.
[2] Changes to the award took effect 1 July 2011.
[3] This figure does not include administrative or marketing costs.
[4] Statutory costs sourced from DEEWR and AE estimates and include Superannuation, Payroll tax, Workers compensation, and Public indemnity insurance.
[5] Derived as an estimate based on indications from a combination of sources including DEEWR, World Bank and an AE interview in which a grower based this amount on the actual amount paid to an AE.

and growers participating in the Pilot to demonstrate this was difficult, as it is not generally workplace practice to track productivity rates by worker cohorts.

Future of a low-skilled seasonal labour mobility program

The Pilot has demonstrated that there is capacity for a low-skilled seasonal labour mobility program to meet the horticulture industry's demand for seasonal labour. The Pilot is an effective option for ensuring the availability of a seasonal workforce in horticulture where demand for seasonal workers is driven by unmet supply of local Australian workers.

The report explores in more detail the sustainability of the current Pilot model, potential for Pilot growth in horticulture and other industries that could sustain a low-skilled seasonal mobility program.

Sustainability

There was a strong view from stakeholders that based upon the Pilot, a low-skilled seasonal labour mobility program could not currently be managed or sustained by the horticulture industry without some degree of management by Government. The Pilot was intended to be an industry driven scheme however this has not happened for several reasons, including the diversity and lack of cohesion of the horticulture industry. However, at a grass roots level, the Pilot is growing by word of mouth in local communities with Government marketing the Pilot to new areas and using existing growers and AEs in regions to spread 'good news' stories. It is likely that a low-skilled seasonal labour mobility program will become industry driven in the future as it becomes more established. To facilitate this growth, there is a need for capacity building within the industry and community, and establishment of a performance monitoring mechanism, to support less intensive Government involvement in the future.

Alternative industries with demand for seasonal labour

The evaluation examined the viability of introducing unskilled seasonal labour into a number of alternative industries. Of those examined, horticulture still remains the most viable for a low-skilled seasonal labour mobility program due to the size of the workforce, the predicted growth rates in demand for food supply, and the lack of pre-entry skills. This was supported by several sources of evidence including examination of the employment of working holiday makers (WHMs). WHM are visitors who undertake 88 days 'specified work' in regional Australia during their stay to acquire eligibility for a second working holiday visa. From 1 July 2008 to 31 March 2011, there were approximately 70,000 second working holiday visa grants for specified work undertaken across three industrial sectors. The majority of these visa grants have been in the agricultural sector (91 percent).[6]

Through discussions with stakeholders and review of aggregate labour market data, three cases studies were developed to identify industries with the potential to benefit from a low-skilled seasonal mobility program. The three industries selected were:

- Construction
- Accommodation and food services
- Agriculture, forestry and fishing.

While accommodation and food services and the construction industries, are expected to have strong levels of employment growth in the short term, both industries have higher levels of pre-entry - requirements than horticulture, although they may offer participating workers skills that are more

[6] Correspondence from Working Holiday Section / MVP Division, Department of Immigration and Citizenship. Data is not available on the annual proportion of agriculture work in horticulture.

transferable than horticulture to employment on their return to sending countries. With construction, there appears to be little variation in the number of positions in the industry across the year which raises questions about the appropriateness of whether it would be appropriate to sit within a 'seasonal'[7] mobility program.

Conclusion and key recommendations

Since its announcement in 2008, the Pilot has demonstrated capacity to respond to the significant external factors that have impact on its implementation. The Pilot is still formative in nature and likely to continue to evolve as the number of participating regions, employers, growers and workers increase.

The next stage for development should involve the refinement of arrangements if the Pilot is to be developed into a low-skilled seasonal labour mobility program. This requires additional data on take up and demand, investigation of new areas of demand and development of sustainable practices to reduce long-term reliance on Government for implementation.

Overall, the Pilot met the domestic objective despite significant barriers imposed by unprecedented global economic and weather events.

The major strengths of the Pilot were:

- **Recent growth in participation –** Pilot participation has grown over time, most notably since December 2010 when changes to some Pilot arrangement were made. In total 16 growers[8] and 11 AEs have participated in the program to May 2011. The Pilot appears to have made traction in particular regions and there are now repeat growers and AEs. There are seven[9] growers who have now taken on their third group of workers and one AE with their fifth group of workers[10]. Five growers have now become AEs.
- **Productivity –** There is some evidence on the effectiveness of seasonal workers and the potential to build a convincing business case around productivity outcomes. While only limited quantitative productivity data is available, early qualitative and anecdotal indications appear very promising with demonstration of productivity gains over 30 percent off-setting increased costs of up to 20 percent above award rates for growers.
- **Responsiveness of Pilot arrangements –** The Pilot has gone through a series of changes (including improvements to marketing and communication, employment arrangements and amendments to the AE cost sharing with workers). The ability of the Government to marshal these changes has seen a rapid increase in the numbers of workers participating in the Pilot from 56 workers in 2009 to 312 workers in the first four months of 2011.
- **Commitment to labour market testing –** The introduction of a migrant worker program in uncertain economic conditions had the potential to generate community concerns about displacement of local labour and the Government's commitment to Australian workers. Labour Market Testing has been put into place to ensure that local Australian workers are offered a position before approval was given to recruit off-shore (refer to Section 2.1.1).

---

[7] A definition of 'seasonal' work is not provided in the 2010 Horticulture Award however, it is generally described as seasonal industry activity within an economic sector in which the majority of operations take place during only part of the year.
[8] Includes growers who have become AEs.
[9] Includes growers who have become AEs.
[10] These groups were not necessarily return workers, although some may have been. Return workers are reported in section 3.1 and Table 3.

- **The Pilot meets the needs of Australian growers –** Overall, the Pilot is able to meet the needs of Australian growers in providing access to seasonal workers to satisfy unmet demand for labour, with existing growers and AEs taking on more workers in successive seasons and new growers and AEs continuing to join the Pilot. Endorsement of the Pilot as a continuing program will further build industry confidence in investing in the model.

> **Recommendation 1: Roll out a low-skilled seasonal labour mobility program to meet the needs of the Australian horticulture industry.**
>
> *Extending the Pilot (rather than rolling out a program) is not advisable as this may generate a lack of confidence and inhibit uptake by industry. Industry is more likely to invest in a program that is seen as having a secure future.*

- **Level of participation in the Pilot –** The number of seasonal workers employed was low, although growth has been rapid in the first quarter of 2011. The disbursement of workers has not allowed for testing of impacts that relate to volume and system stress, such as impacts on regional accommodation, transport, health services, and other infrastructure. In addition, the Pilot arrangements changed mid-term and seasonal workers have not yet had time to move through the Pilot under these new arrangements. As demand for the Pilot is growing and a number of visas have yet to be allocated, there remains a need to continue to review and monitor the operation of the program beyond the Pilot stage to ensure consideration of scalability and sustainability of processes.

> **Recommendation 2: Due to the small scale of the Pilot at the end of the formal evaluation period, evaluation and performance monitoring against the domestic objectives should continue until the end of the Pilot period in June 2012 and beyond this period in the event that a low-skilled seasonal labour mobility program is put into place.**

The following operational refinements are also recommended to support the key recommendations presented above. They identify opportunities to enhance performance of a low-skilled seasonal labour mobility program to meet the needs of the Australian horticulture industry.

- **Marketing to industry –** In the initial design of the Pilot it had been anticipated that the market would take ownership of the Pilot and generate membership interest through representative bodies. However, as this was slow to occur in the initial stages of the Pilot, a Government-led marketing approach to increase horticulture industry awareness and interest in the Pilot was undertaken. While growers and AEs have been included in marketing activities to promote the Pilot to their sector, this support has taken the form of professional recommendation rather than the provision of an overall cohesive marketing campaign to, among other things, inform all stakeholders in the community about the Pilot and change employment behavior. While the Government-led approach to marketing was initially necessary, many stakeholders felt that a targeted marketing campaign could now be effectively managed by one of the specialist commercial agencies with expertise in marketing to the horticulture industry.

Recommendation 3: Consider funding a specialist agency to deliver a targeted communications campaign to comprehensively and consistently market a low-skilled seasonal mobility program to the horticulture industry and other community based stakeholders.

- **Measuring return on investment to increase interest –** The evaluation has found that a low-skilled seasonal mobility program has capacity to fill unmet demand for seasonal horticulture workers and to provide a consistent, reliable, returning workforce that improves workforce planning and increases horticultural productivity. While there is some qualitative information on productivity (refer to Section 3.1), quantitative data is not available on the broader return on investment for growers or AEs considering participating in the Pilot. This type of quantitative data would assist AEs and growers in making an informed decision about the possible benefits of participating in a low-skilled seasonal mobility program. While repeated engagement demonstrates that the Pilot was attractive to growers and AEs who have participated, the marketing challenge is to engage growers and AEs for the first time. The survey of growers in the Yarra Valley demonstrated that awareness of the Pilot and need for workers alone were not sufficient to encourage growers to consider engaging in a low-skilled seasonal mobility program without further information on the benefits.

Recommendation 4: To support marketing activities, DEEWR should work closely with AEs and growers to develop a return on investment measure for participation in a low-skilled seasonal mobility program to demonstrate the business case for participation to industry.

Increase demand for seasonal workers by continuing compliance activities – A key limitation to the success of the Pilot (as reported anecdotally by stakeholders) has been the prevalence of alternative sources of cheap labour with illegal and undocumented workers. Overseas programs have been able to more easily address compliance issues due to the concentration of employers and workers in a small number of highly productive horticultural regions. Within Australia this has been more challenging with the geographic spread of regions participating in the Pilot. Compliance activities are currently undertaken by a number of Government departments and agencies to detect and deter the use of illegal and undocumented workers and improve workplace practices in horticulture. Coordination of these efforts and targeting of compliance activities to specific regions, where a low-skilled seasonal mobility labour program is about to be implemented, may help to further improve the effectiveness of compliance activities.

Recommendation 5: Target current compliance activities being undertaken by Government departments and agencies to specific locations when a low-skilled seasonal labour mobility program is about to be implemented to increase demand for the Pilot and other legitimate workers.

- **Commitment to Australian workers –** In order to ensure that Australian jobseekers and workers are not displaced Labour Market Testing arrangements have been put in place to ensure that appropriate local Australian jobseekers are provided with any employment opportunities before seasonal workers. The Labour Market Testing process conducted by growers and AEs has resulted in local Australian workers being offered employment, however, in some cases this was not sufficient to meet demand, resulting in the recruitment of seasonal workers (refer to Section 2.1.1).
- There is evidence to suggest that the continued commitment to Australian workers and job seekers has been effective in ensuring that seasonal workers do not displace Australian workers. This is an important arrangement which will be important in ensuring community confidence in a low-skilled seasonal labour mobility program.

Recommendation 6: Continue commitment to an 'Australian worker and job seeker'-first approach through ongoing Labour Market Testing arrangements in the Pilot and any future iterations of the Pilot.

1. Introduction

1.1 Background on the Pilot

The Pacific Seasonal Worker Pilot Scheme (the Pilot) will run to 30 June 2012 and will examine the viability of a low-skilled seasonal labour mobility program initially focused on the horticulture industry.[11] The launch of the Pilot was announced on 17 August 2008 by the Honorable Tony Burke MP, Minister for Agriculture, Fisheries and Forestry. The Pilot has been implemented by the Australian Government to test:

- Whether a seasonal work program could contribute to economic development in partner Pacific Island countries through seasonal workers' employment experience, remittances and training
- The benefits of seasonal workers to the Australian economy and to horticultural growers and other members of the horticulture industry who have demonstrated that they cannot source local labour.

Implementation of the Pilot has been undertaken through a coordinated whole-of-government approach that includes the Department of Employment, Education and Workplace Relations (DEEWR) as the lead agency, Australian Agency for International Development (AusAid), the Australian Tax Office (ATO), the Department of Foreign Affairs and Trade (DFAT), the Department of Immigration and Citizenship (DIAC), and the Fair Work Ombudsman (FWO).

On 24 November 2008, the Australian Government signed Memoranda of Understanding (MOU) with the governments of Kiribati, Tonga and Vanuatu. The MOU with Papua New Guinea (PNG) was signed on 8 July 2010. The MOUs established the arrangements between Australia and the respective countries which underpin this Pilot.

The Pilot's policy framework is underpinned by these MoUs with sending countries which establishes the sending arrangements; Deeds of Agreement (Deed) with AEs to engage Pilot workers; processes to ensure local Australian workers are not displaced; and Special Program Agreements (SPAs) with AEs to cover a variety matters related to seasonal workers (such as recruitment, pastoral care and visa requirements).

The Pilot policy framework species that:

- The Pilot is three years in duration, from 2009 to June 2012
- Seasonal workers will be employed in the horticulture industry
- The number of visas to be issued is up to 2500 distributed between Tonga (800 visas), Kiribati (250 visas), Vanuatu (800 visas) and PNG (650 visas)
- Seasonal workers are to spend up to seven months in any 12 month period in Australia
- Grower eligibility must be driven by demonstrated demand for low-skilled seasonal labour
- Arrangements are required to avoid displacement of Australian workers

[11] Horticulture, for the purposes of the Pilot, means work that includes:
- Agricultural holdings, flower or vegetable market gardens in connection with the sowing, planting, raising, cultivation, harvesting, picking, pruning, packing or treating of horticultural crops, including fruit and vegetables on farms, orchards and/or plantations
- Clearing, fencing, trenching, draining or otherwise preparing or treating land for the sowing, raising, harvesting or treating of horticultural crops, including fruit and vegetables
- Horticultural crops, including all vegetables, fruit (including wine grapes), grains, seeds, hops, nuts, fungi, olives, flowers or other specialised crops.

- Local Advisory Bodies are to be used to provide local advice to the Australian Government, assist seasonal workers and support community engagement[12]
- AEs will guarantee seasonal workers:
  - Four to six months work at with specified minimum weekly hours on average across the period of engagement (the longer the period of employment the less hours need to be guaranteed)
  - Engagement according to Australian work standards
  - Assistance in accessing health care, arranging for personal protective equipment, ensuring access to onsite facilities and on-farm induction, including on Occupational Health and Safety (OH&S) matters
  - Appropriate pastoral care
  - Support to ensure compliance with all visa conditions
  - Cooperation with the FWO and state authorities in monitoring the work standards of workers
- AEs will pay for:
  - A proportion of the return air travel costs for seasonal workers was set at a flat rate of 50 percent of the return airfare to be paid by employers irrespective of the sending country (under Phase 1).
- AEs organise for seasonal workers (at the cost of the workers):
  - Private health insurance
  - Accommodation (arranged by the AE)
  - Pastoral care
- Engagement in the Pilot must deliver financial benefits to both seasonal workers and Australian employers
- Workers should be able to return the following season to minimise risks of overstay and maximise employer productivity gains.

The Pilot was always intended to be a practical test of the settings; during its implementation changes were made to the Pilot at an operational level to improve efficiency and increase demand for the Pilot. In December 2010, key changes to the Pilot were announced by the Minister for Tertiary Education, Skills, Jobs and Workplace Relations, Senator Chris Evans, following the Australian Government's consideration of the Interim Evaluation Report (2010) and close consultation with growers, the horticulture industry, AEs and Pacific Island countries. These included:

- Varying the duration of employment, and the minimum hours of work guaranteed from six months at a minimum of 30 hours per week to allow for three options:
  - to guarantee six months work at 30 hours per week
  - to guarantee five months work at 35 hours per week
  - to guarantee four months work at 38 hours per week
- Replacing the flat 50 percent employer contribution towards return airfares for workers with a rate that varies by sending country to maintain relatively consistent employer contributions across sending countries
  - 35 percent of each i-Kiribati workers' airfare
  - 50 percent of each Tongan workers' airfare

[12] Australian Government (2009) *Local Advisory Body Terms of Reference.*

- 55 percent of each PNG workers' airfare
- 80 percent of each ni-Vanuatu workers' airfare

- Allowing employers to recoup up to $100 for transfers from the point of entry to the place of employment.

1.2 Scope of the Pilot evaluation

The Pilot's Evaluation Framework[13] identified key evaluation questions for each area of evaluation, and these areas are defined as:

- Evaluation of **demand for the Pilot** (which will also examine demand for seasonal labour in Australia more broadly).
- An evaluation of impacts **of participation in the Pilot on Seasonal workers**. Key areas to be examined include skills acquisition, adequacy of preparation for working life in Australia, seasonal worker satisfaction with the Pilot and incentives for returning in the future.
- An evaluation of **the domestic impacts** for Australia and any potential benefits of participating in the Pilot for both Australian Employers and the Australian economy.
- The **contribution to the Government's** Pacific Engagement Strategy (PES) arising from the Pilot.

1.3 Scope of this Report

The evaluation of the Pilot includes two parts: an interim evaluation and a final report. This final report presents the domestic evaluation of the Pilot conducted by TNS, with contract management by DEEWR. This evaluation includes elements of the evaluation of individual impacts for seasonal workers and domestic impacts for Australia. A separate evaluation, managed by AusAID and conducted by the World Bank, is assessing the development impact of the Pilot, which will include elements of the impact of the Pilot on seasonal workers and Pacific Island countries.

The specific evaluation questions for the domestic evaluation are grouped into three key areas:

1. The performance of the Pilot (Chapter 2)	• Achievement of domestic objective • Demand for seasonal workers in Australia including the nature and level of unmet demand for seasonal workers • Effectiveness of Pilot parameters in delivering workers to growers including uptake of workers and participation by growers, AEs, and sending countries
2. The benefits of the Pilot (Chapter 3)	• Benefits to employers (cost effectiveness of seasonal workers as a labour source for growers) • Benefits to workers (financial and skills)
3. The future of a low-skilled seasonal labour mobility program in Australia	• Displacement of local labour • Alleviations of local labour shortages • Pilot as a market-driven programPotential number of

[13] TNS Australia, *Pacific Seasonal Worker Pilot Scheme: Evaluation Strategy, 2009*, Unpublished document.

(Chapter 4)	visas in the event of implementation of a horticulture based low-skilled seasonal mobility program. • Transferability of the model (industries, countries)

1.4 Evaluation method

This evaluation used a mixed-methods design to collect evidence related to the evaluation objectives. Core activities included:

- ***Case study of growers in Yarra Valley –*** This case study examines the demand and supply of seasonal workers in the Yarra Valley horticulture region in Victoria based on a postal survey of 82 horticulture growers.
- ***Consultation with Pilot stakeholders –*** Qualitative consultations were conducted between September 2009 and March 2011 by TNS with representatives of key stakeholders to explore a number of topics related to the Pilot evaluation. Some groups, such as growers and AEs, were interviewed at several points in time to determine their experience at different stages of engagement with the Pilot and in response to changes to the parameters of the Pilot.
- ***Secondary data –*** Review of secondary data was used to measure any potential impact of broader economic and environmental conditions which may have affected the Pilot or that could be used to demonstrate the impact of the Pilot.
- ***Industry case studies –*** Industry case studies were conducted to identify additional areas of demand for unskilled workers. After consultation with Government stakeholders and a review of existing data on labour supply and demand, three industry case studies were conducted in January to April 2011 on construction, agriculture, forestry and fisheries and tourism (accommodation and food services).
- ***Weather case study –*** As the Pilot was potentially affected by major unexpected weather events, particularly in Queensland, a case study was conducted to identify the impact of this event.
- ***Community focus groups –*** In April 2011, TNS conducted regional focus groups to explore residents' perceptions and attitudes towards seasonal workers and the impact on the local community, both generally and in relation to the Pilot workforce. Participants in the focus groups were residents from each of three rural locations where the Pilot had been implemented (Mundubbera in Queensland and in Robinvale and Mildura, Victoria).
-

There are several limitations to the research method to consider when reviewing this evaluation report. These include:

- The low take up of the Pilot (56 seasonal workers in Phase 1 and 409 workers in Phase 2) limited aspects of the evaluation that required a critical mass of seasonal workers to review impacts or test that systems work at higher volumes (such as displacement of local labour, monitoring of AEs, visa violations, stress on regional infrastructure, etc). The number of workers required to reach a critical mass will vary depending on the impact or system being measured and the environment in which it operates.
- The lack of quantitative data available from growers on AEs around costs and productivity for a variety of reasons including, lack of business processes to collect this type of data, lack of time or resource to extract data in a format that could be used for the evaluation and concerns about the release of data that was considered confidential.

- The changing economic and climatic events which affected the horticulture industry during the period of the evaluation. These factors also had an impact on the timing of the research and industry responsiveness to participate. For example, TNS conducted a national survey of growers from November 2010 to April 2011 recruiting respondents through peak bodies and associations in the horticulture industry. The sample size received was considerably lower than desirable and the data was not reported.[14]

[14] A case study was used of the Yarra Valley region where significant support from the local council and other stakeholders in the region resulted in 82 of the 430 growers in the region responding to a mail survey (19 percent response rate).

2. Pilot Performance

This section examines the performance of the Pilot. This was assessed in relation to a number of key performance indicators which were:

- achievement of domestic objective;
- availability of quality labour supply within Australia;
- demand and uptake of seasonal workers under the Pilot; and
- participation by Australian Employers.

In summary, the Pilot has been effective in addressing the domestic objective of delivering seasonal workers to growers and addressing unmet demand. Demand was limited by a number of economic and climatic events outside the control of the Pilot. Demand was also limited by concerns about Pilot arrangements. For example, some growers were concerned over the use of AEs and AEs had concerns over the guaranteed levels of employment initially required under the Pilot (30 hours per week at six months). As industry gained experience with the Pilot and economic conditions improved, there has been a strong increase in participation in the Pilot. Optimism of the sector was further elevated as a result of changes to the Pilot parameters in December 2010 that provided greater levels of flexibility around employment arrangements for both AEs and seasonal workers.

2.1 Availability of quality labour supply

The economy and labour market in Australia has been considerably dynamic over the course of the Pilot, with increasing unemployment and underemployment in 2009, gradually subsiding, as the effects of the economic downturn seem to dissipate. These changeable local circumstances, together with global economic conditions, have influenced labour supply levels from a range of sources including both local and overseas labour pools. Demand for workers and participation in the Pilot is impacted by availability and quality of Australian workers including those returning to the workforce and the prevalence of the unemployed, overseas visitors, students, working holiday makers (WHM) and the alleged prevalence of illegal and undocumented workers or contract labour operating outside the formal workplace relations and taxation system. The Pilot placed workers in six out of 10 regions where unemployment rates were above the national average. In half of the 10 locations, the unemployment rate was actually increasing. This suggests that seasonal horticultural work is not attractive to many unemployed Australians.

2.1.1 Domestic (Australian) workers

Older workers – 'grey nomads' – global recession

The Interim Evaluation Report highlighted the impacts of the global recession on labour supply in Pilot regions. Stakeholders emphasised the challenging economic climate that prevailed over Phase 1, with the global recession mitigating much of the need to supplement labour supply in 2009. Stakeholders in Mildura in 2009, for example, observed an increase in the regional supply of seasonal labour, with Australian workers displaced by financial circumstances (particularly from other regional areas like Ballarat) prepared to travel for seasonal work. Similarly, growers and AEs reported increased numbers of self-funded retirees using seasonal work to supplement declines in their income, due to the impact on their superannuation and share funds.

Research conducted by CoreData[15] (2009) indicated that around half of self-funded retirees lost 25 percent or more of their assets, with one in four intending to, or planning to return to the workforce. ABS figures[16] released in June 2010 confirm that 144,000 people over 55 years of age re-entered the workforce from retirement during 2008-09 and that many of these (37 percent) did so for financial reasons. The mobile nature of grey nomads in particular, and their likely need for casual, temporary employment, may have added to the level of competition and availability of labour within the horticulture industry. This was supported by feedback from growers in Mildura and Griffith.

Changing unemployment during the Pilot

Availability of workers nationally would appear to have increased with the increase in unemployment rates over the middle period of the Pilot, however, this trend is already correcting with unemployment nationally now below full capacity. At the time of this report, the *unemployment rate* stood at 4.9 percent, decreasing gradually from highs of 5.8 percent in September 2009 (Table 1). *Underemployment* had also decreased, 12.1 percent at the time of this report compared with a high of 13.6 percent in August 2009. Corresponding to these trends, *advertised job vacancies* decreased dramatically into 2009, and had recovered somewhat at the time of this report but remain below 2008 levels.

Table 1: Unemployment, underemployment and vacancy trends, 2008-2011

	values				*Year on year change (%)*		
	Mar 08	Mar 09	Mar 10	Mar 11	Mar 08-09	Mar 09-10	Mar 10-11
Unemployment rate *(%)* (a)	4.1	5.5	5.3	4.9	+34.1%	-3.6%	-7.5%
Underemployment rate *(%)* (a)	10.2	12.4	12.9	12.1	+21.6%	+4.0%	-6.2%
Job Vacancies *(number)* (b)	266,849	151,631	164,377	195,913	-43.2%	+8.4%	+19.2%

Sources: (a) ABS Labour Force, Australia (Cat no 6202.0), Mar 2011

(b) ANZ Job Advertisement Series, Mar 2011

Data from the DEEWR Survey of Employers' Recruitment Experiences suggests availability of labour has been less of a challenge for employers in recent times, possibly reflecting a more accessible labour pool resulting from higher unemployment and underemployment. The most recent survey at the time of this report, conducted in the latter half of 2010, indicated that:

- There were significantly fewer employers who reported having positions they had been unable to fill in the twelve months preceding the survey in 2010 (22 percent), compared with 2007 (35 percent)

[15] *Self-funded retirees forced back to work*, Money Management, 15 July 2009 Available online at http://www.moneymanagement.com.au/article/Self-funded-retirees-forced-back-to-work/490445.aspx).
[16] ABS Social Trend. Available online at http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4102.0Main+Features60Jun+2010).

- Employers were significantly less likely in the 2010 survey to express difficulty undertaking recruitment. Overall, on a scale of 0 to 10, where 0 represented "no difficulty at all" and 10 represented "great difficulty", just under one half (47 percent) of employers reported a score of 6 or higher in 2010. This contrasts with 66 percent of employers reporting recruitment difficulty in 2007.[17]

While national labour market figures reflect a tightening of the market more recently into 2011, high unemployment rates persist in some regions. Analysis of labour market data at the local level in which the Pilot is operating indicates disparate conditions in different regions and the potential for available local labour. Unemployment rates are above the national average – some significantly so – in six of the 10 locations where the Pilot is placing workers, most notably in the Gin Gin (Kolan SLA) (9.2 percent), Robinvale (8.2 percent), Guyra (7.9 percent) and Swan Hill (7.0 percent). Furthermore, unemployment rates have increased between 2009 and 2010 in half of the locations, most notably in Guyra, Manjimup and Emerald, as well as the Swan Hill / Robinvale locale (Table 2).

Table 2: Labour market statistics for Pilot areas

Region	Labour force *(persons)* (a)	Unemployment rate Sep 2010 *(%)* (a)	Unemployment % change Sep 09 – Sep 10 *(%)* (a)	Proportion of agriculture businesses *(%)* (b)	Workforce in agriculture *(%)* (c)
Bowen	7,037	6.9	↓9.2	34.6	21.6
Bundaberg	23,880	7.0	↓1.4	13.2	5.8
Emerald	9,788	2.6	↑8.3	25.7	7.3
Gayndah	1,780	3.4	↓8.1	59.0	34.6
Gin Gin (Kolan)	2,173	9.2	↓6.1	56.3	28.1
Mundubbera	1,423	2.2	↓24.1	53.7	42.8
Guyra	2,317	7.9	↑33.9	65.8	33.0
Robinvale	2,073	8.2	↑2.4	51.9	41.9
Swan Hill	5,262	7.3	↑1.4	23.1	6.0
Manjimup	5,714	4.5	↑12.5	41.6	19.6

Sources: (a) DEEWR Small Area Labour Market Statistics, http://www.deewr.gov.au/lmip/default.aspx?LMIP/SALM

(b) ABS National Regional Profile, 2006 to 2009 (Cat no. 1379.0.55.001) – data available from 2007 shown

(c) ABS Census of Population Community Profile (Cat no. 2001.0), 2006

[17] *DEEWR Survey of Employers 2007 and 2010,* weighted data, unpublished. Comparisons between 2007 and 2010 data presented are statistically significant at the 95 percent confidence level.

Community focus groups from a sample of Pilot areas highlighted the unattractive nature of much of the fruit picking work, explaining why local unemployed workers may choose not to apply.

> *'It's very hard work… with poor conditions. It's not work most people would do if they had a choice.'* (Female, Mundubbera community focus group)

A key element of the Pilot arrangements is the need for commitment to Australian workers to be demonstrated. One of the ways this is achieved is through the use of labour market testing. A sample of 17 labour market tests is shown in Table 3 below. All positions were advertised through the Harvest Trail website and advertisements are required to be active for at least two weeks. The 17 labour market tests advertised a total of 370 positions and received 1,000 applications (an average of 2.7 applications for each position) with 241 (24 percent) of these applications from Australians.[18] Around one third of the Australian applicants (35 percent) were found to be suitable for employment. However, it is important to note that the overall result is likely to be that more Australians were employed as a result of the labour market testing than would have occurred otherwise due to the requirement to give preference to local labour (over other sources including overseas visitors).

Table 3: Labour market testing results

	TOTAL	MEAN (per test)	MEDIAN (per test)
Number of positions advertised	370	23.13	15
Total number of applicants	1,000	58.82	20
– *Number Australian applicants*	241	14.18	11
Number of applicants suitable	159	9.35	0
– *Number Australian applicants suitable*	104	6.12	0
Number of applicants rejected	841	49.47	18
– *Number Australian applicants rejected*	137	8.06	5

Source: Data provided by DEEWR, sample of 17 labour market tests

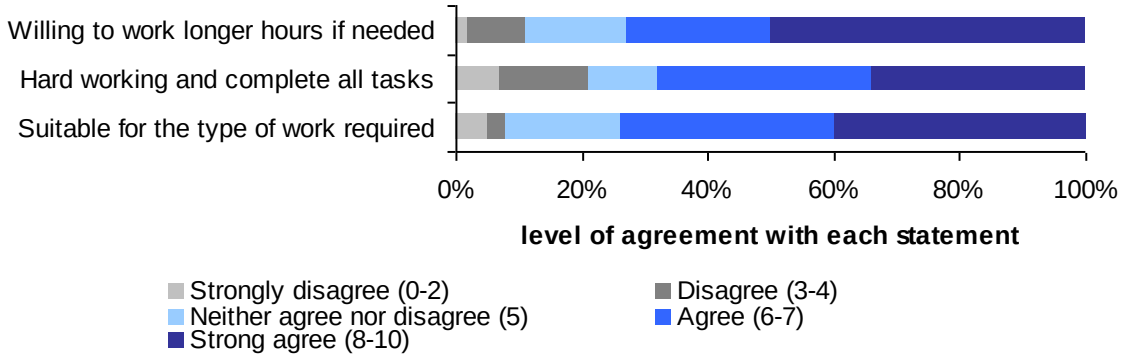
The quality of workers, specifically their reliability and productivity, remains a key consideration when hiring Australian workers. Many growers complain of poor work ethic and attitude, particularly of long term unemployed Australians. Therefore, despite these high unemployment levels, growers maintain that suitable seasonal workers are not available in their local area.[19]

While attitudes vary across the sector, when asked to rank their level of satisfaction with seasonal workers from different sources, growers in the Yarra Valley tended to report slightly higher levels of satisfaction with their overseas workers. The median satisfaction ranking for overseas visitors was 7.1, compared with 6.2 for Australian workers. In comparison, participating growers rate the seasonal workers very highly, in particular the return workers, with reliability of the workforce being a major benefit.

[18] As information on labour market tests varied further detail on the composition of these applicants is not available.
[19] Mares, P., Maclellan, N. and Ewing. S. (2006). '*Pacific Labour and Australian Horticulture*'. Available online at www.sisr.net/cag/projects/pacific.htm.

Based on the Yarra Valley sample, horticulture growers tended to view the quality of their existing seasonal workforce in favourable terms with more than two thirds agreeing that their current workers were suitable for the type of work required (74.2 percent), were hard working and completed all tasks (67.9 percent), and were willing to work longer hours if required (73.2 percent) (Figure 1).

Figure 1: Attitudes towards existing seasonal workers

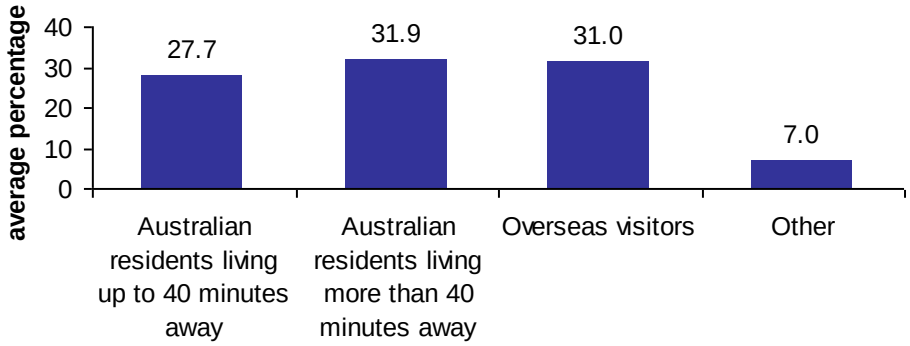


Source: Survey of horticulture growers 2011

While satifsfaction appears high overall, this still leaves approximately 25 percent of growers hiring a workforce which is overall below suitable quality for the work required. Yet growers hire these workers in order to achieve desired harvests on time. This inevitably impacts productivity, training and supervision costs, as well as levels of wastage from poor quality picking.

While for some growers a worker living outside the region is a barrier to his/her employment, growers in other regions rely on labour from outside the local towns for a considerable proportion of their workforce. On average, more than half of the seasonal workers (59 percent) employed by Yarra Valley horticulturalists were Australian residents but this includes an average proportion of 31.9 percent who were living outside the locality (more than 40 minutes away[20]). The average proportion of seasonal workers who were overseas visitors was 31.0 percent. As indicated in Figure 2 only a minority of workers came from within the local area.

Figure 2: Major source areas of seasonal workers (average proportion of seasonal workers)



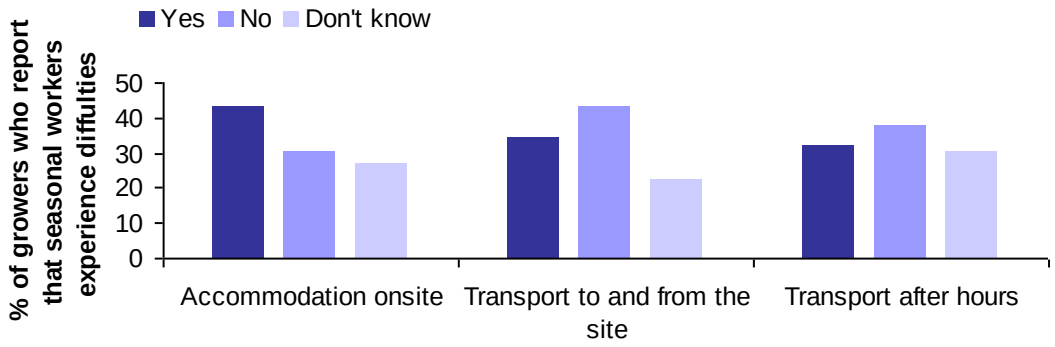
[20] This figure is based on the horticulturists own assessments of locality and proximity to other towns.

Source: Survey of horticulture growers 2011

Given this high reliance on workers from outside the area, both Australian and overseas visitors, labour supply is impacted by the infrastructure available for these non-local workers. This may be a significant barrier limiting labour supply. Again reflecting the diversity of the horticulture industry this issue varies widely with some areas close to the urban fringe within a commutable distance from nearby major cities or regional centers. Whereas for other geographic locations, workers stay in the area and for some locations travel to the farms can be a considerable distance from major towns. Previous regional studies have identified issues of availability of infrastructure, namely accommodation and transport as major barriers preventing labour supply reaching the remote locations and towns when the needs are at the peak levels.[21] Even if labour was available, accommodation and transport to and from farms remains limited (see Figure 3).

Accommodation appeared to be problematic for seasonal workers in the Yarra Valley. More than 4 in 10 horticulture growers thought that their seasonal workers experienced problems finding accommodation, while approximately one third indicated that their workers experienced difficulties obtaining transport to and from the premises and after hours (Figure 3).

Figure 3: Growers' perceptions of seasonal workers' experience with accommodation and transport



Source: Survey of horticulture growers 2011

Where seasonal workers are providing an alternative labour source to local residents, accommodation and transport are not likely to be any more or less in demand than would be required to support other workers. Growers and AEs have also demonstrated that the reliability of the seasonal workers can act as an incentive to invest in accommodation and transport infrastructure. In Pilot locations accommodation has been provided through three main sources – caravan parks, home stays and rented accommodation. Accommodation has not been a barrier to participation in the Pilot for AEs or growers at current levels of demand.

2.1.2 Overseas visitors, backpackers and students

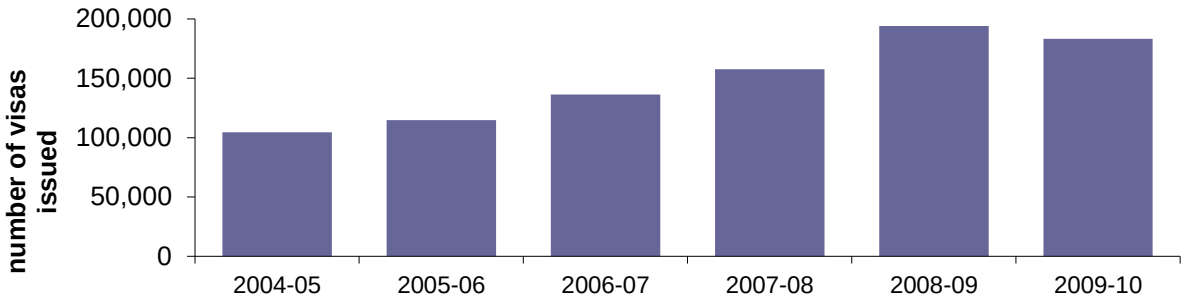
Global economic conditions together with opportunities for eligible visitors to work while holidaying in Australia, under the Working Holiday Program (WHP) (comprised of both visa Subclass 417 and Subclass 462) have increased the inflow of overseas labour. Growers and AEs interviewed in 2009 commented on trends for organised groups of self-funded seasonal workers from overseas to return in

[21] Meinhardt Infrastructure and Environment Pty Ltd (2006) *Budget Accommodation and Transport for Seasonal Workers in the Yarra Valley*. Report prepared for Centre for Agriculture and Business Yarra Valley Ltd.

successive harvests providing a reliable, predictable source of skilled labour. Stakeholders also noted a general increase in seasonal workers who arrived on work and holiday visas[22], student visas and the extension to WHM visas for holders working in rural areas, which may have increased the available workforce prior to the global recession.

Given the speed at which the Australian economy is recovering and growing relative to other countries, overseas workers are seeking job opportunities in Australia. Overseas WHMs in Australia covered under the WHP have increased in recent years and are directly impacting the agriculture sector labour supply. While this labour source has increased substantially since 2004-5, there is evidence that it has begun to decline in the last year or so, from 194,103 WHM visa grants in 2008-9 to 183,161 in 2009-10 (Figure 4).

Figure 4: Total Working Holiday and Work & Holiday visa grants: 2004-5 to 2009-10



Source: Department of Immigration and Citizenship (2010)

http://www.immi.gov.au/media/statistics/pdf/visitor/2005-06-to-2009-10-whm-wah-visa-grants.pdf

Previous analysis highlighted a high prevalence of WHMs engaged within the agriculture industry. More than 40 percent of the total number of WHM jobs related to farm work[23], and qualitative consultation with growers undertaken in the evaluation frequently identified this as a key labour source. Similarly, almost one third of horticulture growers in the Yarra Valley (31 percent) reported that overseas visitors were the major source of seasonal workers. Further still, first time working holiday visa holders who undertake 88 days 'specified work' in regional Australia during their stay can acquire eligibility for a second working holiday visa. From 1 July 2008 to 31 March 2011, there have been approximately 70,000 second working holiday visa grants for specified work undertaken across three industrial sectors. The majority of these visa grants have been in the agricultural sector (91 percent), construction (8 percent) and mining (1 percent).[24] Similarly, growers on the urban fringe, where working holiday visa holders are not eligible for a second working holiday visa, have complained that this provision makes their work less attractive to visitors wishing to extend their stay.

[22] In Australia, the Working Holiday Maker program is comprised of the Working Holiday (Subclass 417) visa and the Work and Holiday (Subclass 462) visa. The term Working Holiday Maker (WHM) in this report refers to both visa sub classes.
[23] *Evaluation of Australia's WHM program*, National Institute of Labour Studies, Flinders University.
[24] *Correspondence from Working Holiday Section* / MVP Division, Department of Immigration and Citizenship.

2.2 Demand for the Pilot

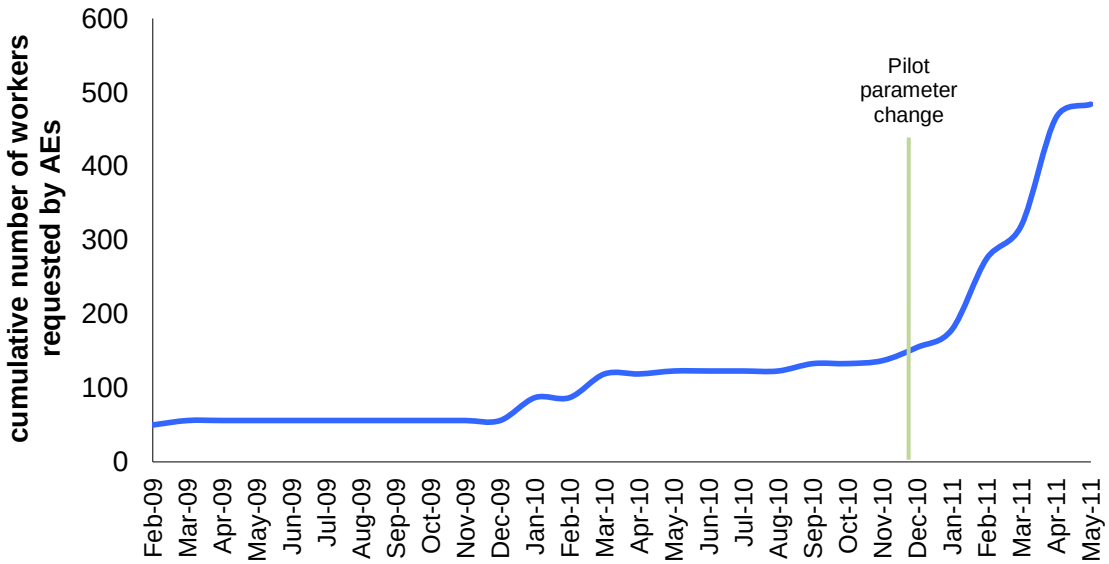
The Interim Evaluation Report highlighted the lack of reliable and definitive data on unmet seasonal demand as a key issue for the Pilot, given industry was not participating in great numbers and unmet demand was not apparent. Discerning the level and nature of unmet need for seasonal workers in horticulture in Australia is a challenging task. No definitive demand datasets exist and the disparate and unpredictable nature of the industry, that is highly sensitive to changes in economic and climatic circumstances, makes relying on historical demand and labour market figures problematic. Both the Farm Institute of Australia and Agrifood Skills Australia advocated for analysis which studies current industry issues and conditions rather than the plotting of past figures as the best way to understand future labour needs.[25]

This section describes grower participation in the Pilot and the underlying conditions of demand and supply factors impacting on participation rates.

From December 2010, there has been a marked increase in demand for workers (Figure 5). This could be the result of a combination of factors including:

- Improved climatic and economic conditions
- Changes in Pilot parameters announced in December 2010
- Grower positive experience with worker productivity and return workers
- Increased industry engagement.

Figure 5: Cumulative number of workers employed by Approved Employers



Source: DEEWR data, 2011

[25] 2010 Environmental scan, *Towards a Better Understanding of Current and Future Human Resource Needs of Australian Agriculture*, Agrifood Skills Austrailia and Farm Institute Australia, 2010.

2.2.1 Level of industry participation in the Pilot

Industry participation in the Pilot in the early stages was low with only a handful of growers participating at the time of the interim evaluation analysis of late 2009. Despite a wide range of factors external to the Pilot being a barrier to take up (the global recession, severe climatic impacts, increased alternative labour supplies, rising dollar etc), Pilot participation has grown over time, most notably since December 2010 when changes to some Pilot parameters were made. In total 16 growers and 11 AEs have participated in the program during the evaluation period. The Pilot appears to have made traction in particular regions and is gaining momentum via a few repeat participants. There are seven growers who have now taken on their third group of workers and one AE with their fifth group of workers. Five of these growers initially utilised a labour hire model to recruit workers but at time of the report have now become AEs.

Figures obtained for this report show 465 visas were issued to workers as at end April 2011 (56 visas in 2009, 97 visas in 2010 and 312 visas in 2011). Workers were located throughout locations in Australia in four States (Table 4).

Table 4: Initial placement location of seasonal workers

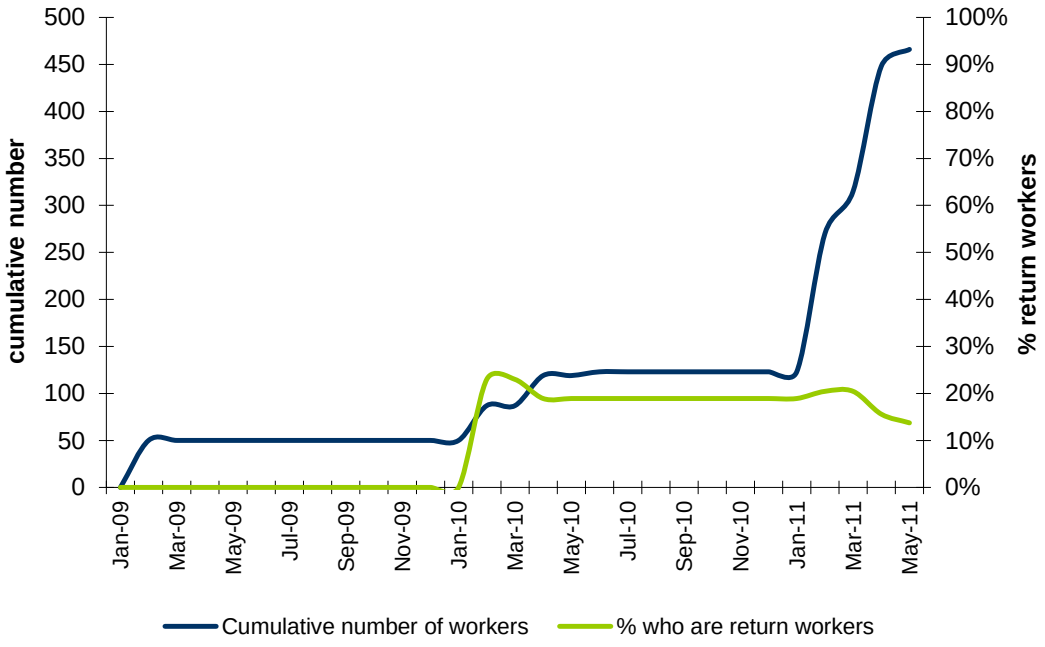
Location	Number of workers
Victoria	
Robinvale	170
Swan Hill	12
Queensland	
Mundubbera	146
Bowen	37
Bundaberg	1
Emerald	40
Gayndah	9
Gin Gin	10
NSW	
Griffith	6
Guyra	29
West Australia	
Manjimup	5
Total	465

Source: DEEWR. 2011

Notes: Includes return workers

As shown in Figure 6 below the number of visas grew significantly from January 2011. Over all of 2010, around 20 percent of the current visas issued were to return workers.

Figure 6: Cumulative number of visas issued (workers participating) including return workers to the end of the evaluation data collection period May 2011.



Source: DEEWR data, 2011

Visas were issued to workers from three sending countries initially to various locations as shown in Table 5, in a range of cohorts (as requested by AEs or growers or arriving at different times).

Table 5: Number of workers placed per location by sending country (January 2009 to May 2011)

Sending country	Location initially placed in	No of workers arriving in Australia	No of return workers
Kiribati	Robinvale (Vic)	11	0
	Robinvale (Vic)	16	8
	Gayndah (QLD)	2	0
Total Kiribati		*29*	*8*
Vanuatu	Griffith (NSW)	6	0
	Swan Hill (Vic)	4	0

Sending country	Location initially placed in	No of workers arriving in Australia	No of return workers
	Swan Hill (Vic)	7	
	Swan Hill (Vic)	1	0
Total Vanuatu		*18*	*0*
Tonga	Robinvale (Vic)	50	0
	Robinvale (Vic)	20	20
	Mundubbera (QLD)	24	1
	Mundubbera (QLD)	8	0
	Mundubbera (QLD)	4	0
	Guyra (NSW)	9	0
	Guyra (NSW)	10	0
	Mundubbera (QLD)	7	0
	Emerald (Qld)	24	0
	Robinvale (Vic)	68	26
	Emerald (QLD)	1	0
	Guyra (NSW)	10	0
	Mundubbera (QLD)	30	1
	Gayndah (QLD)	5	0
	Manjimup (W.A) & Robinvale (Vic)	10	1
	Mundubbera (QLD)	20	0
	Bowen (QLD)	37	0
	Mundubbera (QLD)	22	7
	Gin Gin (QLD)	10	0
	Bundaberg (Qld)	1	0
	Mundubbera (QLD)	31	3
	Gayndah (QLD)	2	1
	Emerald (Qld)	15	0

Sending country	Location initially placed in	No of workers arriving in Australia	No of return workers
Total Tonga		*418*	*60*
Total all countries		465	68

Source: DEEWR program data, 2011

2.2.2 Impact of external factors on demand for seasonal workers

A number of external factors had impacts on the demand for the Pilot. These include economic, climatic, and industry related factors which are explored in further detail in the following sections.

Overview: global, national and local

The Pilot was launched at the onset of the global recession which had a significant impact globally and on the Australian economy. Impacts included increased rates of unemployment (peaking at 5.8 percent nationally in 2009, from lows of 4.0 percent in 2008) and reduced job vacancy advertisements in 2008 and 2009.[26] Stakeholders emphasised the challenging economic climate that prevailed over Phase 1, with the global recession attributed with mitigating much of the need to supplement the labour supply in 2009.

During the latter half of 2010 and into 2011, Australia experienced economic recovery. Economic growth is predicted over the near to long term[27], but at this same time, major factors are impacting negatively on markets for primary produce and export, namely floods and cyclones and the rising Australian dollar. This has given rise to a patchwork economy where some sectors will experience decline, others growth, and at varying speeds.

Considerable variability in economic conditions also occurred across the Pilot communities. With the exception of the more populous regional towns of Bundaberg, Bowen, Emerald, and Swan Hill, the Pilot towns include a significant proportion of agricultural businesses which are vulnerable to the economic impacts of the global recession.

Impacts of climate

Over the period of the Pilot from 2008 to 2011, growers in different regions experienced the full gamut of extreme climate conditions from drought to floods and cyclones. While variable climate is part of the horticulture industry, it impacts demand for labour. It also represents a considerable barrier to participation when growers and AEs must make commitments in advance.

The impact of several natural disasters in Australia in late 2010 and early 2011, including extensive flooding in Queensland, parts of Victoria and Western Australia, cyclone activity in Queensland and the Northern Territory, and bushfires in Western Australia has created an air of uncertainty over future economic growth, activity and labour demand in Australia. Many farms have experienced crop losses and delays to market due to these events, with estimated crop losses due to the Queensland floods

[26] ANZ Job Advertisements Series, http://www.anz.com/corporate/economics-markets-research/australian-industry-economics/job-advertisement-series.
[27] Treasury Budget papers, May 2011.

alone totalling $1.6 billion.[28] Fruit and vegetable farmers are likely to experience revenue declines of 10 percent, or around one third of the overall crop losses due to the floods.

Farms in Victoria have also been seriously damaged. Estimates are more varied however, with costs to farmers ranging from "at least $500 to $600 million"[29] and "between $1.5 and $2 billion in lost production, damage to infrastructure and stock losses".[30]

Queensland in focus

Queensland grows approximately a third of the nation's produce, with more than 120 types of fruit and vegetables grown.[31] There is an estimated 100,000 hectares of land under fruit and vegetable production in Queensland.

Heavy rainfall in 2010 had widespread immediate effects on agriculture production in Queensland, as the quality of produce declined and delays to harvest occurred. The impact of flooding, though severe, tended to be localised, impacting significantly on individual businesses. However, its effects on infrastructure in general, and transport networks in particular, significantly affected the flow of produce to market. This has been the case for grain and livestock.

Flooding in January 2011 was expected to reduce agricultural production by $500-600 million, with fruit and vegetables, cotton, grain sorghum and winter crops affected. The fruit and vegetable sector alone was expected to incur losses equivalent to $225 million.[32] Agriculture provides 10 percent of jobs in the flood affected regional areas in comparison to 3.4 percent state-wide.[33]

While significant, there is the perception that the impact of flooding and rainfall on agriculture is short-term. In the medium to long-term however, it is expected that the increased soil moisture and water storages will provide a strong benefit to Queensland agriculture.[34] While the area affected by flooding has been focused on the central and southern regions of Queensland, Cyclone Yasi's impact has been concentrated to the northern regions – prime growing regions for banana and sugarcane. Although premature, some suggest that the Cyclone's impact on agriculture in the region is at $1 billion.

There was some evidence from growers in the Pilot areas that climatic factors directly affected Pilot participation. In late 2010 and early 2011 a number of growers withdrew their requests for seasonal workers following heavy rain or floods. This included growers of a range of crops and areas such as tomato farmers in Queensland, asparagus farmers in Victoria and banana growers in Western Australia and the Northern Territory.

Conversely, adverse weather conditions may in some circumstances increase demand of seasonal workers. For instance, the Queensland floods reportedly decreased visitor numbers in Mundubbera, which resulted in a reduced number of backpacker seasonal workers, driving up demand for seasonal workers.

---

[28] *Queensland Floods: the Economic Impact*, Ibisworld, January 2011, p2.
[29] Poole, L., 24 January 2011. ABC website. Available online at www.abc.net.au/rural/vic/content/2011/01/s3120374.htm.
[30] Walsh, P. 25 January 2011 Media Release. Available online at www.peterwalsh.org.au/_blog/Media_Releases/post/Coalition_Government_steps_up_flood_response/.
[31] *Horticulture for tomorrow; Overview for horticulture industry*. www. Horticulturefortomorrow.com.au.
[32] Australian Bureau of Agriculture and Resource Economics (ABARES), *The impact of recent flood events on commodities: ABARES special report*. 21 January 2011.
[33] Westpac Economics, January 2011. *The Big Wet – an economic overview of the Queensland floods*.
[34] ABARES, *The impact of recent flood events on commodities: ABARES special report*. 21 January 2011.

Industry factors

Industry factors present challenges for grower engagement and Pilot participation. These factors include the wide array of production issues influencing the level of demand for any one crop in any one geographic area as well as the nature and characteristics of the industry itself. There is huge diversity across the sector and many different crops types and combination of crops. The unpredictable nature of crop growth and sometimes very short harvesting times can lead to acute labour need, for example, wine grapes may need to be picked in a window of a few days with only a day or two notice in order to meet precise requirements of wine makers. Necessarily the culture of short term assessments and decision making for many growers centers around current crop performance, yields and weather conditions (i.e. responsive), running counter to workforce planning cultures requiring more consideration, forethought and longer lead times.

The Pilot experience so far shows that seasonal workers were engaged in a range of subsectors of the industry including fruit, nuts and vegetables. The production of horticulture and hence labour needs are highly changeable and unpredictable season to season. Impacted by a range of factors including climatic conditions, production rates during the course of the Pilot have not reached those predicted by industry prior to 2008 and Pilot commencement.

The Pilot was initially designed to accommodate increasing levels of production. On a national level, industry data from Horticulture Australia Limited released in 2005[35] indicated that a majority of horticultural growers expected to increase production levels "over the next three years", and that significant labour shortages would result. While such industry forecasts were an important consideration in the formation of program models to meet the predicted demand for labour, the basis of continuing need is somewhat challenged by the early Pilot experience, albeit small in comparison. In addition, analysis of climate conditions for local areas in the early stages of the Pilot indicated production could be negatively impacted by lower than average rainfall, further reducing labour demand. A series of climate conditions have recently impacted production including heavy rain and flooding during 2010 and the residual effects of floods and cyclones in 2011.

Fruit production in particular appears to have decreased in the past couple of years, from a high in 2007 of $3,739 million gross value of production (GVP), to $2,907 million GVP in 2009.[36] Flood and cyclone impacts are not yet fully realised but estimates of impacts are highly significant as outlined above.

Further, official Australian Bureau of Statistics (ABS) data on crop production significantly lags industry estimates and the changeable nature of weather leaves estimates precarious and short lived. Further still, the national production figures do not adequately reflect the nuances across local markets and the needs for labour in discrete areas.

In addition to production issues, the forecasting of labour needs and the engagement with the industry on this issue is problematic given the disparate and dispersed nature of the industry. The horticulture industry is represented by multiple industry bodies. While there are exceptions, regional areas are not joined in cooperatives or through regional alliances or representative bodies. Planning for regional and industry workforce needs is not coordinated and there are no clear channels to communicate with growers. The Rural Industries Research and Development Corporation acknowledged the widespread problems in attracting labour to rural Australia and advocated for more regionally based workforce planning.[37]

---

[35] *Horticulture Australia Limited and Growcom Report (2005)*.
[36] ABARE, *Australian Commodity Statistics*, 2009.
[37] *Australia's Rural Workforce – An analysis of labour shortages in rural Australia*, RIRDC Publication No. 09/008, 2009.

> *'Perhaps one of the most significant factors limiting the success of locally derived and implemented strategies was the frequent lack of coordination of efforts at a regional scale, particularly with regards education and training, and attraction and retention strategies. In some cases, this lack of coordination resulted in significant gaps, or duplication of efforts, competition within regions and an overall decreased level of efficiency. An approach for overcoming this limitation is to establish coordinating groups at the regional level. The objective of these groups would be to ensure efficiency in localised efforts and minimise detrimental competition between different businesses and industry sectors. This group could consist of representatives from major employment sectors, local business groups, training providers and relevant Government agencies.'*

Stakeholder interviews reiterated the view that the horticulture industry is not well articulated and centrally represented. Diverse and geographically dispersed businesses spread over wide areas makes cohesion difficult. This is one major difference between Australia and New Zealand (NZ) and one reason why programs may be more successfully implemented in NZ compared to in Australia.

3. Impacts of the Pilot

3.1 Benefits to employers of using seasonal workers

In its early stages, the Pilot was criticized for low up take and there was a perception that it was not meeting the needs of growers. This included concerns that costs of workers was relatively high compared to other sources of labour, and misconceptions about the six month work requirement. Low participation also raised questions on the underlying levels of unmet labour demand and the level of transparency over costs of labour in the industry.

With the evolution of the Pilot and the experience of growers receiving return workers, conclusions regarding costs and productivity can be better informed. The changes in Pilot parameters, the learnings from AEs and growers and in particular, clarification that AEs could pay piece rates in addition to hourly rates – have positively impacted the return on investment and AE and grower enthusiasm to be involved. Productivity gains however are the most telling positive outcome for the Pilot. The increased take up of workers in the first quarter of 2011 has partly informed this analysis, however, it is anticipated greater learnings and more concrete and longer term productivity outcomes will become available through the experience of those growers involved in the Pilot from February and March 2011 and onwards.

3.1.1 Cost and productivity

Business viability for AEs, given the design features of the Pilot, was raised as an issue in the Interim Evaluation Report. Costs of participation are outlined here. A limitation to this section was the lack of availability of financial data from AEs and growers. In part this reflected the ad hoc way many businesses monitored the performance of their businesses (e.g. “We tally-up at the end of the season and see if we have made a profit or not”). Compounding this many growers used seasonal workers to supplement their existing workforce and used existing pre-Pilot processes and costs for recruitment, administration, training and management of workers. This limited access to data on comparative labour costs.

AE set up costs

Participation in the Pilot for AEs included a range of direct and indirect costs to join the Pilot, bring out seasonal workers to Australia and support the workers in Australia:

- Applying to join the Pilot included time required to prepare an EOI and time developing early relationships with growers (although it should be noted that there is no direct costs)
- Recruitment of seasonal workers sometimes involved overseas travel (although it should be noted that this is not mandatory), participation in briefing sessions, assessment and selection of workers, and work preparation training
- Supporting the seasonal workers in Australia involved organising transport, accommodation and pastoral care requirements, training and induction of seasonal workers, and ongoing workplace supervision.

While AEs pay for seasonal workers international airfare upfront, and can recoup a portion of this back from workers, this still requires a considerable amount of capital to be invested. For other expenses, such as costs associated with purchase of food and appropriate clothing, the AE may loan the seasonal worker money for these expenses and recover this through deductions from their salary.

AE set up costs were reported to be significant. Typically AEs lost money in the early stages of the Pilot. Much has been learned about the business viability and importantly the changes in Pilot parameters have contributed to better financial outcomes for AEs. The scenario outlined below shows

the considerable investment that can be made by a large grower operating as an AE planning on reaping productivity gains from the investment. This AE joined the Pilot in late 2010 and has had three cohorts of workers at the time of this report. Interestingly, little specific data was available on the return on this investment. However, the AE was highly supportive of the benefits of the Pilot in general, and provided some indicative estimates (see productivity discussion on page 34).

Example AE investment

One AE interview reported investing $750,000 in infrastructure to facilitate their involvement. This investment covered a full time HR person paid competitive rates against pressure from the resources sector – half this person's time was allocated to administrating the seasonal workers. Temporary buildings for accommodation, kitchens, and common areas with gym and sports equipment (ping pong, etc) were established as there was limited accommodation available in town. They have also purchased two buses for transporting the workers to town and to work. The AE charges nominal rent – sufficient to cover the interest costs of the investment and to begin to pay off the investment.

The set up costs and the covering of airfares were the major considerations for AEs. The model has evolved to include local growers becoming AEs.

Grower labour costs

Ultimately, those costs not reimbursed by the seasonal worker are passed on to the grower, either directly (where the grower is an AE) or through hourly rates or contact fees depending on the employment arrangements (where the grower employs workers through an AE). It has been estimated that the Pilot results in an increase of up to 10 percent on the cost of labour (or $2 per hour). However, the actual cost will vary subject to the number of seasonal workers employed and whether the AE is a grower or a LHC. For growers, costs are reported to be as much as 20 percent (or $4.45 per hour) higher when using an AE than direct employment.[38]

Productivity, wage costs and payment arrangements (piece rates or hourly rates) are key issues for growers and AEs in achieving positive business outcomes. An important aspect of the relationship between growers and AEs is establishing who bears the additional and variable costs involved while still ensuring viability and benefit of involvement for both growers and AEs. This is balanced with the need to ensure benefits for workers and to make the Pilot attractive for workers.

For growers, the overall costs, and comparative costs for seasonal workers relative to other workers, depends on the contract they have with seasonal workers (if they are an AE) or type of arrangement they have with the AE (if they are not directly employing seasonal workers). Growers have contracted with AEs for seasonal workers in a number of ways which may place variable costs on growers depending on the productivity of workers. These have included:

- Hourly rates
- Piece rates (e.g. bin rates)
- Contract delivery rates (e.g. fee per paddock).

To hire any non-Pacific seasonal worker directly on an hourly rate, employers would pay the rate plus on-costs which is $21.36[39] (hourly award rate of $17.88[40] plus statutory costs estimated to be $3.48[41]).

[38] In another case a grower reported paying $4.80 per hour to an employer.
[39] This figure does not include administrative or marketing costs.
[40] Horticulture Award 2010, Level 1, with casual loading

In the Pilot, growers paid an increased hourly rate to the AE (e.g. $24 per hour as cited by one provider) or negotiated a piece rate or total contract fee. This hourly rate includes the wage paid to workers plus the recovery of costs for AEs. Recovery costs[42] to AEs were reported in the area of 10 to 12 percent of total wages for piece rates or $4.45/hr where hour rates were used (25 percent of the Award rate).[43]

Convincing growers of the value of seasonal workers and encouraging acceptance of the higher cost per hour balanced with other savings remains a considerable barrier to entry of the Pilot. After growers have some experience with the Pilot (usually through an AE initially) 32 percent (5 out of 16 to date) have chosen to employ workers directly by becoming an AE. This alleviates growers concerns about AE mark-up on labour costs (i.e. profit) and ensuring workers received at least equivalent pay to other workers on the holding.

AEs and stakeholders reported that the use of rates below the legal minimum in the industry hinder participation:

> *'Growers can get illegal workers for as little as $10 an hour and legitimate labour hire companies have to charge three times that for Pacific workers. This issue will only be addressed if the Government makes a real effort to crack it and starts to prosecute.'* (AE interview)

The failure of growers to appreciate the full costs of workers, including on-costs beyond the Award hourly rate, has prevented greater participation in the Pilot. Growers frequently cited the $17.88 per hour Award rate when faced with $24 per hour for seasonal workers. AEs found that the cost issue needed to be tackled head on and sought to provide education to convince growers of the realities of labour costs in the sector.

> *'They cost more than Australian workers – there is no getting away from it – so I address this up-front.'* (AE interview)

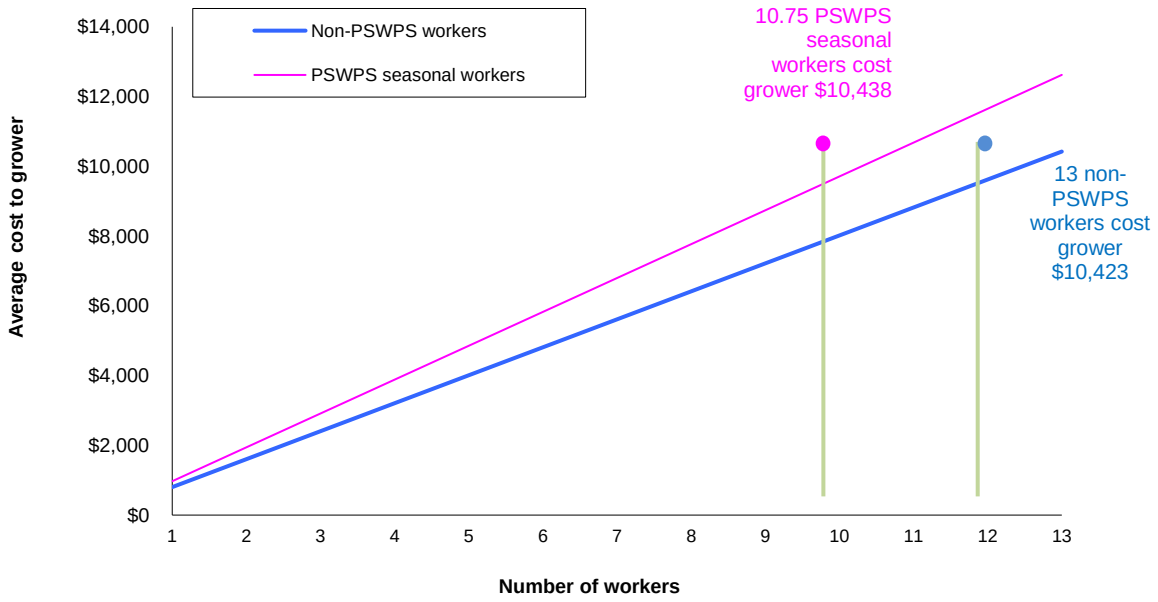
Figures canvassed anecdotally from grower and AE interviews indicated that for the cost of 10 seasonal workers, growers could employ 12 or 13 workers locally (Figure 7). AEs argued however that less downtime, no replacement/worker turnover recruitment and training costs and significant productivity gains from seasonal workers, were worth more than two extra workers. This is further supported by low turnover and low absenteeism rates for seasonal workers.

AEs argued that while the initial cost was higher, this could be more than recovered by the gains in productivity resulting from the reliability, efficiency and skill of the seasonal workers that resulted in more crops picked with less wastage. Once AEs addressed these issues, and growers had tried a few workers, a high proportion of growers increased the number of seasonal workers in subsequent seasons.

---

[41] Statutory costs sourced from DEEWR and AE estimates and include Superannuation, Payroll tax, Workers compensation, and Public indemnity insurance.
[42] Recovery costs are an additional element that an AE must charge to cover their costs and meet profit margins. Costs are different between piece and hourly rates as one is based on a volume payment and the other on hours worked.
[43] Derived as an estimate based on indications from a combination of sources including DEEWR, World Bank, AE and grower interviews.

Figure 7: Example of labour costs PSWPS v other sources



Source: PSWPS participating grower

NOTE: Non PSWPS workers figures based on Award rate of $17.88 per hour plus statuary costs of 18 percent. PSWPS seasonal workers figures based on Award rate of $17.88 per hour, statuary costs of 18 percent and labour hire charge (from AE) of $4.45 per hour.

Piece rates verses hourly rates

The comparative rates for piece work would depend on the productivity and efficiency of workers relative to other labour sources and the overall rate negotiated – if the set price is low this benefits the grower, however, the AE risks a loss if productivity is too low for this set price.

The commitment of Mundubbera and Robinvale growers to retake workers across seasons was a positive indication of benefits for these businesses. In these instances growers in Phase 1 had a contract based on paddocks picked (payment per outcome) rather than a rate of pay per hour or volume. Therefore, efficiency was not a key consideration in their decision to reuse seasonal workers and these growers were satisfied with the overall fees and outcomes. However, productivity remained an issue for the AEs involved, as they pay the seasonal workers by the hour and the volume picked per hour of payment affected their operating results. Changes for Phase 2 have increased the paying of piece rates and the increased productivity of seasonal workers. This has resulted in increased profitability for AEs and increased pay for workers. Overall, seasonal workers have earned above the industry mandated average for pieces rates – the award rate plus 15 percent - indicating that they are very productive workers.

Improved productivity

Growers reported favourably on their experience with the Pilot and saw it as contributing to their bottom line. This raises an important question – Why are there not more growers involved? The AE experience together with stakeholder views and grower perceptions on attitudes of other growers provided vital feedback on this issue. Selling the benefits to growers appears to be a challenge, although once growers have used seasonal workers for one season, they are highly likely to continue. Recent data from growers can contribute to a business case.

As shown earlier from the Yarra Valley survey, among growers not involved in the Pilot, many growers report being satisfied with their current workers. While satisfaction with current workers appears high

overall, this still leaves approximately 25 percent of growers hiring a workforce which is overall below a suitable quality for the work required. Yet growers hire these workers in order to achieve desired harvests on time. The high reliability and productivity of seasonal workers highlights deficiencies in other labour supplies. This hiring of unsatisfactory workers to meet picking requirements inevitably affects productivity, training and supervision costs, as well as levels of wastage from poor quality picking. Many growers simply do not calculate these costs and impacts, but instead accept them as a reality of the status quo.

The Pilot experience provided some evidence as to the effectiveness of workers and the potential to build a convincing business case around productivity outcomes. Obtaining data was difficult as it is not generally workplace practice to track productivity rates, nor is productivity tracked by workers cohorts. While only limited productivity data is available, early indications appear very promising. One grower indicated that picking rates for Pacific seasonal workers were as high as 300 percent that of backpackers. Another grower provided data from a snapshot of a two-day period of work demonstrating very high rates of productivity for Tongan workers relative to others.

As is the case with many returns on investment calculations from workforce development strategies, some figures at first appear to lack credibility where impacts are particularly large – business tends to question the credibility of 300 percent improvement impacts such as the three to one bin picking ratios. Growers should be encouraged and supported to collect this data as part of the continued Pilot experience in 2011. This type of data, tracked over time, would assist AEs to develop sales material for grower engagement and improve testimonials, supporting development of a market driven program design. AEs interviewed for the evaluation were unaware of any specific productivity data.

3.1.2 Other benefits to employers of using seasonal workers

Compared with the earlier stage of the evaluation, interviews with growers and AEs in early 2011 revealed high levels of endorsement for the Pilot. All those interviewed supported the Pilot and reported they would definitely continue participating as long as it was available.

> *"Once they've been convinced to try these workers, they never look back."* (AE interview, speaking of grower endorsement)

Growers participating in the Pilot spoke highly of the seasonal workers. In particular, compared to other workers, both Australian and overseas workers, seasonal workers were rated most favourably for their work ethic, motivation, willingness to learn and productivity. The key benefits of seasonal workers reported from growers and AEs are summarised in Table 6.

Table 6: Benefits of seasonal workers (growers and AEs)

Good attitude to work	▪ They are selected from a pool of potential workers in their homeland and they are excited to come to a first world country and want to be successful ▪ They are highly motivated and keen to work, they do not like not working, unlike tourists they prefer to work continually because they want to take / send as much money home as they can ▪ They care about the quality of their work
Hard working, healthy and more productive	▪ They are physically fit and strong – both the men and the women ▪ They are more willing to do strenuous work and are used to hard physical labour so can cope with it ▪ They work consistently and are more reliable ▪ They work hard – often friendly rivalry between them and their compatriots / 'defending the honour' of their respective villages: who can work hardest / better ▪ Some are noticeably more productive
Good learners	▪ They are quick to learn, want to learn and succeed, competitive and ambitious ▪ They are often subsistence farmers so are used to growing things - they understand what plants need, the growth cycle, the effects of nutrition and weather etc. ▪ They build skills over time so that while they may not be overly efficient on their first visit, on subsequent visits they become proficient more quickly ▪ They pick up what is required quickly and do not require any additional training
Legal workers - peace of mind	▪ You know they have the proper visa and are entitled to work ▪ Don't bring any trouble
Reduced supervision and management time	They are easier to work with and take less management because they: ▪ Are motivated and willing to work ▪ Understand and follow instructions

Source: Grower and AE interviews, 2011

Examples of major benefits to the business

- **Less supervision cost –** The supervision benefits were explained by one grower, who believed a smaller ratio of supervisors to workers was required to support seasonal workers. Around 10 years ago the ratios of supervisors to workers was around one to 24-30 people because they had reliable and regular workers seasonal picking. Recently the ratio has been more in the range of one supervisor to 10-16 workers because the high daily and weekly turnover of workers necessitated constant training and close supervision – *"Every day there are 6 new workers to train"*. This grower anticipated that in the long term, the use of seasonal workers would enable the ratios to extend out again.

- **Less downtime –** One grower revealed that the absenteeism figures for his workforce over most months averaged at 2.6 percent. He believed it was actually very good being better than industry norms. However, among the Tongans for the month that he had measured, the absenteeism rate was zero.
- **Forward planning –** One large grower in the Pilot identified benefits they had not foreseen beyond basic costs and productivity measures. Seasonal workers – through their reliability and consistency – provided capacity for management to forecast and forward plan the entire process from picking to delivery to buyers. Predictions about progress through the supply line could then be made with a high degree of accuracy so that the infrastructure needs were planned in advance (e.g. trucks for delivery, storeroom space, stock control, etc). This impacted the costs of other parts of the business, allowing for better direct cost management and streamlined operations. This highlights the benefits of the Pilot for larger employers who have capacity to save considerably on overheads.

Comparisons between Pilot seasonal workers and overseas workers from other sources

In comparison, growers involved in the Pilot reported finding overseas workers from other sources less reliable. While they needed workers from all sources to fill labour demand, they commented on noticeable differences in attitude and work ethic from those seeking regional work in order to obtain an extended visa:

> *'They need to be based in a rural area for three months to extend their visas, so that is their main motivation for seeking a job. They are not really interested in the job so much as assuring their visa for the next 12 months so as soon as they have met their criteria they leave.'* (Grower interview)

Similarly, backpackers were seen as unreliable and often didn't stay long. Turnover of workers was an accepted everyday occurrence for some growers. The Yarra Valley survey showed that of those growers employing seasonal workers, the majority indicated that they experienced some turnover in their seasonal workforce during a season. This tended to involve a small proportion of the workforce, with more than one third of growers reporting that they experienced a seasonal workforce turnover of up to 20 percent.[44] A relatively small proportion (8.3 percent) indicated that they experienced turnover of greater than 60 percent during a season (Table 7).

Table 7: Proportion of workers who are replaced during a season

What proportion of your seasonal workers would you replace during a season?	N=60	%
Don't use seasonal workers		
No replacement	14	23.3
Up to 20%	22	36.7
21-40%	8	13.3
41-60%	11	18.3

[44] Growers and AEs were not able to quantify the costs associated with this turnover such as the cost of recruitment, training, lost productivity and the like.

More than 60%	5	8.3
Total	60	100.0

Source: Survey of horticulture growers 2011

In comparison, the guarantee of availability of workers from AEs, the high rates of worker attendance, and the consistent hard work from the group were major benefits to growers. The lower supervision costs and increased productivity gains realised by signing up seasonal workers were even greater for growers taking on return workers. Those growers who had taken return workers were keen to continue to take the same workers year after year, as they were trained and had performed well. The hours worked and pay data for return workers reflected this higher productivity and loyalty (see Section 3.1.1).

3.2 Benefits to seasonal workers

Benefits to seasonal workers included two main areas – skill development and income generation. Return workers had higher income due to their increased productivity, demonstrating an additional benefit to this group.

3.2.1 Worker tasks and skills development

Through interviews and exit surveys, seasonal workers consistently reported that the main non-financial benefits of participating in the Pilot were what they learned. The main areas of learning mentioned by workers included budgeting, personal independence, time management and meeting expectations of others. Many seasonal workers felt that the general skills gained would make them more employable when returning home.

Workers also mentioned specific skills directly related to on-the-job-training including using equipment, pruning and grading produce. The main tasks and duties for workers were picking and across the various crops this included a range of different techniques from hand picking to machine operation. Workers were also involved in other maintenance tasks including pruning of trees. For some crops, a wider range of maintenance activities were mentioned. For example, in growing tomatoes hydroponically workers were required to clean glasshouses, wash and disinfect surfaces, as well as be involved in replanting, pruning, suspending plants in substrate, pollinating, and cleaning up. Some workers also gained added skills in machinery and operating equipment e.g. driving machines to pick almonds, driving sweeping machines and pruning with chainsaws. Several growers also employed workers in the packing side of the business.

Some workers also had the opportunity to undertake TAFE programs as a part of the Pilot. These courses were particularly valued by workers as improving their employability and providing a portable qualification.

> *'The basic skills I have learned from this experience are being able to work according to the time limit given by the farmers and not taking a break whenever I feel like taking one. When I'm in Tonga, I don't work according to the time, I take a break whenever I want to. So when I go back, I will make sure that I will use this experience to work on time, and time management will be very important.'* (Seasonal worker)

> *'[I learned]… being able to allocate your time wisely and learning how to save the money you earn from your job*.' (Seasonal worker)

Some AEs reported that it was difficult to organise training in remote locations due to a lack of accredited providers and familiarity with the system. Alternative arrangements may need to be considered for these workers including partnerships with Vocational Education and Training providers to develop specific programs or flexible delivery options.

3.2.2 Average earnings and expenditure

Analysis of available data related to worker income, deductions and expenditure was conducted. It should be noted that this was based on worker pay data provided to DEEWR by AEs for consenting seasonal workers, along with financial diary data, which was completed by a small cohort of workers. This data was used to ascertain average levels of pay and expenditure, which are likely to vary considerably depending on crop type, piece rate, location and length of employment.

Table 8 below shows the pay data which was used in this analysis and is referenced in this section.

Table 8: Pay data sources[45]

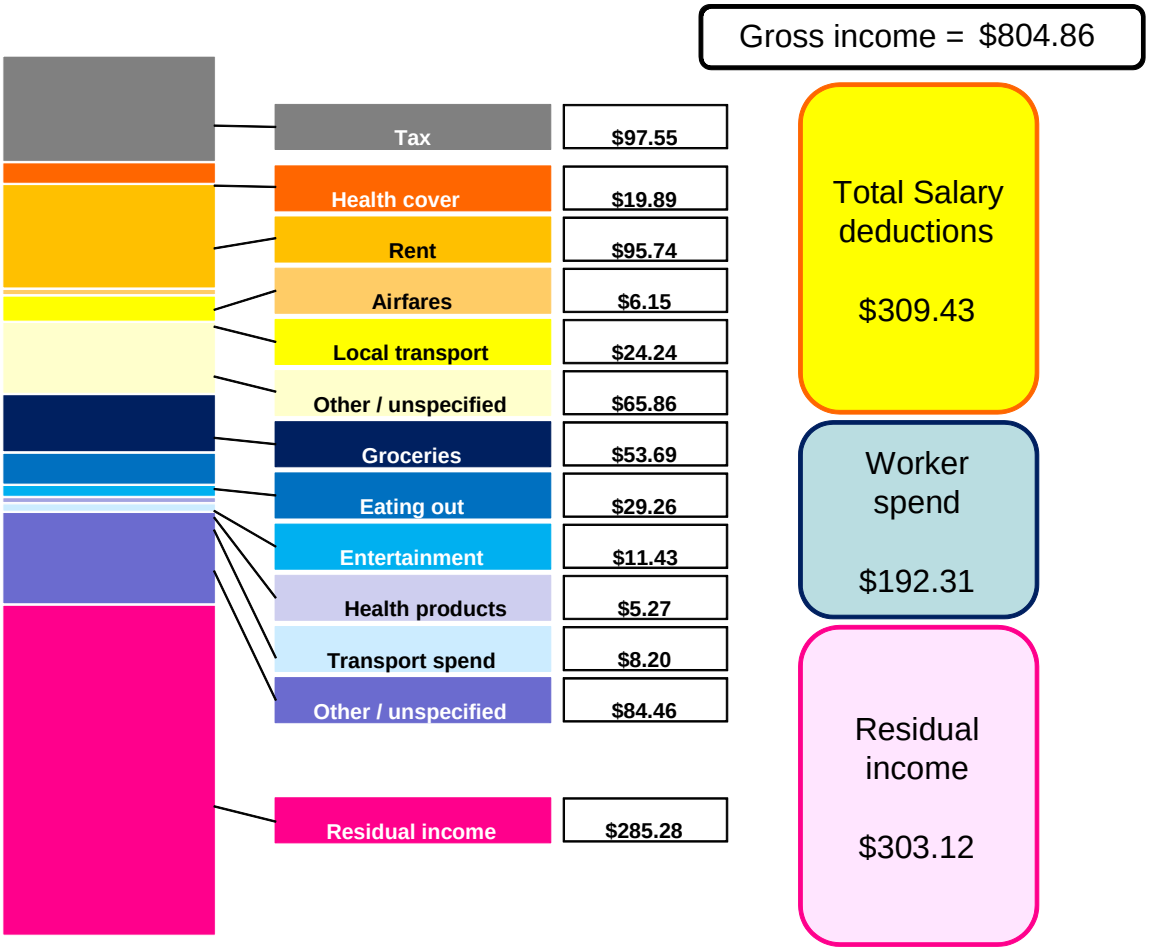
Reference	Site location	Date*	Approved Employer
ROBIN	Robinvale (VIC)	01/08/10 – 05/09/10	MADEC
GUYRA1	Guyra (NSW)	31/10/10 – 27/02/11	MADEC
GUYRA2	Guyra (NSW)	12/12/10 – 27/02/11	MADEC
MUND1	Mundubbera (QLD)	11/04/10 – 19/09/10	All Recruiting Services
SWAN1	Swan Hill (VIC)	16/11/10 – 22/02/11	Connect Group

* Note: Data corresponds to dates for which pay data was available and used for analysis, and not necessarily the date of placements for workers at these sites.

Figure 8 below summarises key variables related to earnings and expenditure of workers. Due to the ongoing nature of the program – meaning data from some cohorts of workers is only partially complete (i.e. they were still engaged in the program at time of analysis) – it is not possible to report overall total hours, earnings and expenditure for all workers. Instead, an average weekly total has been calculated, taking into account number of workers and number of weeks worked per worker at the end of February 2011. Rates of tax are not included as only actual before tax amounts were provided in the data submitted for analysis.

[45] Analysis of data is not included for placements for which there was less than one month of pay data available.

Figure 8: Average income and expenditure per worker per week



Source: Employment data provided by DEEWR and PSWPS worker financial diaries.

Overall, the average weekly gross wage per worker was $804.86. Approximately 40 percent of that income was reduced through deductions made by employers directly from wages. A further quarter was then used for expenditure by workers on items such as groceries, entertainment etc. Essentially this left an *average* residual income per week per worker of approximately $300 per week, which equated to 38 percent of total gross income.

There was variability in deductions, expenditure and potential residual income emerging for individual workers. Overall, the average maximum salary deductions per worker per week was $354, which would potentially reduce residual income by around $50.

Using the averages to project over a 16 and 26 week period, this equates to an average residual income of approximately $4,500 for 16 weeks and $7,500 for 26 weeks.[46]

The following section provides a further overview of worker participation, earnings and expenditure.

[46] These figures are based upon payslip data provided to TNS. This data did not necessarily cover an entire contracted period of employment and the timing and amounts of deductions for airfares, loans etc. may vary across the period of employment. Further more detailed analysis are not possible as limited detail was provided in the data to TNS.

Worker participation – hours engaged in employment

As displayed in the following table, the large majority of workers (83 percent) (based on data from the sites identified in Table 9 below) in the program worked in excess of 40 hours per week. The average median number of hours worked per worker per week stood at 43.2. Fewer than one in ten workers overall (7.5 percent) participated for less than 30 hours per week on average[47] – this was predominantly driven by a small number of individuals engaged in Robinvale.

Table 9: Worker participation

(hours)	Average per worker	ROBIN	GUYRA1	GUYRA2	SWAN1
Median hours worked per worker per week	**43.6**	46.2	45.8	41.6	40.8
Minimum weekly average	**36.4**	22.4	45.7	39.9	37.4
Maximum weekly average	**48.8**	63.3	47.9	41.7	42.6
% workers average less than 30 hours per week	**7.5**	13.3	0.0	0.0	0.0
% workers average 40 hours or more per week	**83.0**	76.7	100.0	90.0	75.0

Source: Data from DEEWR

Note: Hours worked not recorded for a number of growers due to payment via piece rates

Gross income

The median weekly gross income per worker was $811, ranging from $970 per week in Robinvale to $564 for the 2010 Mundubbera cohort. There was significant variability in weekly average incomes across different workers in many of the placements, notably Robinvale and Mundubbera. Weekly earnings were highly consistent among workers in both Guyra placements (Table 10).

Table 10: Gross income per worker

($)	TOTAL Average per worker	ROBIN	GUYRA1	GUYRA2	EMRLD	MUND1	SWAN1
Median weekly gross income	**811**	970	858	779	925	564	770
Minimum weekly average	**668**	471	857	749	824	400	705
Maximum weekly average	**1,061**	1,328	898	781	1,005	1,550	803

Source: Data from DEEWR

[47] These figures are based upon payslip data provided by to TNS. This data did not necessarily cover an entire contracted period of employment for all workers. Data was voluntarily provided by employers, who did not always provide complete data sets.

* Note: Caution should be taken in interpreting total income figures, due to several placements still in progress at time of calculation – total is based on income at time of report

Total salary deductions and net income

Examining deductions taken by employers directly from wages, the median weekly level of total deductions made was $250, this ranging from $191 to $304 across worker placement locations (Table 10). Consequently, net income stood at a median of $557 per week across all workers. There was some variability evident in the median net income level across placements (from $373 per week to $705), likely related to hours available/worked and type of deductions made by employers in these locations (e.g. whether rent was deducted etc) (Tables 11 and 12 below).

Table 11: Total deductions per worker

($)	Average per worker	ROBIN	GUYRA1	GUYRA2	EMRLD	MUND1	SWAN1
Median total deductions*	**3,234**	1,453	4,028	3,349	1,662	4,953	3,958
Median weekly deductions	**250**	242	252	304	277	191	235
Minimum weekly deductions	**186**	82	242	300	264	0	228
Maximum weekly deductions	**296**	339	253	311	420	208	247

Source: Data from DEEWR

* Note: Caution should be taken in interpreting total income figures, due to several placements still in progress at time of calculation – total is based on income to date

Table 12: Income per worker after total deductions

($)	TOTAL	ROBIN	GUYRA1	GUYRA2	EMRLD	MUND1	SWAN1
Median total net income*	**6,904**	4,227	9,834	5,225	3,828	9,363	8,948
Median weekly net income	**557**	705	615	475	638	373	535
Minimum weekly average	**438**	270	606	446	561	267	477
Maximum weekly average	**824**	996	645	480	714	1,550	556

Source: Data from DEEWR

* Note: Caution should be taken in interpreting total income figures, due to several placements still in progress at time of calculation – total is based on income to date.

Breakdown of deductions and discretionary spend

Further breakdown can be made on worker pay deductions and discretionary spend. This is based on available data recorded in payslips and average spend data per week from worker financial diaries. Overall, the average deduction and expenditure per worker per week is slightly over $500. Around 60 percent of this ($309.43) encompasses deductions direct from salary. The remainder ($192.31) is made up of worker expenses (e.g. food) and discretionary spend. Overall, accommodation and subsistence (i.e. food) accounts for approximately one third of all deductions/expenditure (Table 13).

Table 13: Average weekly seasonal worker deductions and spend

Expenses	Average total per worker per week ($)
(A) PAY DEDUCTIONS	
Health cover	19.89
Rent and subsistence	95.74
Airfares	6.15
Local travel	24.24
Other deductions*	65.86
PAYG Tax	97.55
Subtotal (A)	*309.43*
(B) WORKER SPEND	
Groceries	53.69
Eating out	29.26
Entertainment	11.43
Health / prescriptions etc	5.27
Local transport	8.20
Other discretionary spend	84.46
Subtotal (B)	*192.31*
TOTAL	**501.09**

Source: Data from DEEWR and Worker Financial Diaries

* Note: Deduction breakdown not available from data for all placements – recorded as 'other deductions'. From letters of offer to workers these other deductions include items such as advances for accommodation bond, clothing, work equipment, food, visa costs, etc.

3.2.3 Benefits for return workers

One of the benefits for workers appears to be additional income attained – upon returning to the program for a second or third time. Data is available for workers operating in Robinvale in August and September 2010, which included 20 return workers and 11 new workers. Analysis of seasonal worker income and expenses, broken down between return and new workers indicates significantly higher averages for hours worked – and subsequent pay – for return workers (Table 14).

Table 14: Participation and earnings for new and return workers – Robinvale

	All workers	Return workers	New workers
Median hours worked per worker per week	46.2	48.1	41.8
Median gross income per week ($)	969.50	1,009.75	876.75
Median total deductions per week ($)	242.08	224.58	293.08
Median net income per week ($)	693.30	786.25	523.40

Source: Data from DEEWR 2011.

In addition to greater income, returning seasonal workers appeared to be subject to fewer deductions. In particular, for example, some returning workers had established links with the community and organised private accommodation within the community (generally at no charge). Furthermore, the return workers also generally worked longer hours due largely to the additional skills they had gained on previous visits and could therefore more easily manage tasks (such as picking and pruning).

4. Future of a low-skilled seasonal labour mobility program in Australia

The Pilot has demonstrated that it can meet the needs of the horticulture industry for seasonal labour. Participation rates are still increasing, however, it is difficult to predict the industry participation in the Pilot as the market is still adjusting to the changed design parameters and external factors that have affected uptake are yet to stabilise. Compared to potential alternative industries, horticulture remains the most viable industry to host a low-skilled seasonal mobility program, due to the size of the workforce, the predicted growth rates in demand, and the lack of pre-entry skills required. All indications are that with the improving of the global economy and recovery from climate events, demand for seasonal workers in horticulture will continue to increase.

4.1 Impact in local areas

Access to a low-skilled seasonal mobility program is likely to continue to have importance to rural communities where agricultural businesses dominate the local economy. With the exception of the more populous regional towns of Bundaberg, Bowen, Emerald, and Swan Hill, the Pilot towns included a significant proportion of agricultural businesses. Agriculture accounts for more than half of all businesses in these areas with the exception of Manjimup, which is slightly lower (41.6 percent). The highest concentrations of agri-businesses are in Guyra (65.8 percent), Gayndah (59.0 percent), Mundubbera (53.7 percent) and Gin Gin (Kolan SLA) (56.3 percent). This suggests likely continued demand for workers in the sector in these areas, with a significant agriculture workforce already present.

In the smaller towns of Mundubbera and Robinvale, community groups reported the overall sustainability of the local economy as being reliant on the success of the horticulture industry. Horticulture has been driving employment opportunities, attracting people to the town for work, attracting and sustaining retailers and boosting the local hospitality industry. There was a strong view that these small towns would not exist without a robust horticulture industry.

> *'If we have a bad season then shops close up immediately and [the main street] starts to look different. A couple of years back when things were going well there were four hair dressers in town and now there is just one… the impact on the local economy is swift.'* (Community focus group)

In contrast, in Mildura community focus group participants thought that the horticulture industry was one of a few important industries upon which the local economy depended. They also mentioned that the tourism and hospitality industries were important employers in the region. Others noted that as a large regional centre, Mildura afforded opportunities for employment in large companies, Government departments and agencies which service the region. However, the importance of horticulture in sustaining local businesses and boosting the local economy was also strongly emphasised.

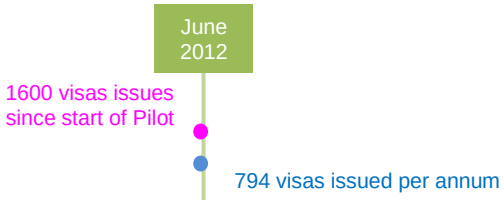
4.2 Pilot growth and future demand in horticulture

Horticulture remains the strongest market for a seasonal labour mobility program. From 1 July 2008 to 31 March 2011 there have been approximately 70,000 second working holiday visa grants for specified work undertaken across three industrial sectors. The majority of these visa grants have been in the agricultural sector (91 percent).[48]

Up to 2,500 visas were available to the Pilot until June 2012. It was projected that by the end of the Pilot in June 2012 1,600 visas would have been issued with 794 visas issued in the final year of the Pilot (Figure 9).

[48] Correspondence from Working Holiday Section / MVP Division, Department of Immigration and Citizenship.

Figure 9: Project Pilot growth on current trends



Source: Model based on data provided by DEEWR

A model was developed to test two scenarios for a period of five years assuming the Pilot continued as a scheme following June 2012 (i.e. from 2013 to 2017). These two scenarios demonstrate the levels of growth required that would be necessary to meet a target of between 5,000 - 10,000 Pacific seasonal workers by 2017. The figures refer to the total number of workers in Australia in the year 2017. The assumption is that each worker requires a new visa each year. The figures are cumulative by the year 2017.

The modeling has been done at a regional rather than individual grower level. In the model, the focus is on the number of regions so that the predictions of growth are related to the growth in regional participation. In the absence of more detailed data, it has been assumed that the regions are relatively homogeneous in terms of growers and that the participation and uptake of workers amongst the growers within any given region will be standard. The assumption was made because the model was developed using the regional data provided by the DEEWR. The model has been built using the "regional" assumption to allow for the possibility of extending the model to a more sophisticated one that will allow monitoring and evaluation of the program on a region by region basis through to 2017.

The model assumes similar growth patterns for old and new regions and growers and that growth rates accelerate as more regions and growers participate. This is a hypothetical model based on the following assumptions developed in consultation with Government and the horticulture industry:

- The Pilot worker uptake to 2012 is expected to cover 27 regions and 17 growers. These growers will continue in the program and will require increased numbers of seasonal workers.
- In 2013[49], 20 new growers will participate in the program and these numbers will grow at the rate projected in the two scenarios, one conservative at 10 percent and the other optimistic at 30 percent respectively. The participation of 20 new growers by 2013 is an assumption based on a

[49] The basis for the projection for 2013 was data provided by DEEWR for 2012.

projection of grower numbers up to 2012. All of the projections in the model are based on an assumption of an annual increase in grower and worker numbers.

- Growers will initially require an average of 20 workers and this will increase to an average of 50 workers. The timeframe for the growth in the number of workers per grower is within the timeframe of the model, (that is 2017). However, some growers may achieve this rate earlier than others. This dynamic is included in the model.
- Workers will work a 40 hour week and over the five years this will increase to 44 hours.
- On average workers will earn $800 a week for a 40-hour week and this will increase to $1,150 a week for a 44-hour week. The payment of $800 a week was based on an actual hourly rate of $20 for a 40 hour week in 2011 and then an assumption that this would increase to $26 an hour for a 44 week in 2017. This increase constitutes an allowance for inflation, (which includes projected increases in the minimum wage rates) and a moderate gain of productivity. There has been no provision in the model for payment by piece rates.
- The workers will have accommodation and living costs of $300 per week and will pay tax at a rate of 15 percent. There has been no new provision in the model for discretionary spending above the $300. Cost of living increases have not been built into this figure.[50]
- The remainder of the income after accommodation and living costs and taxation have been taken out is deemed to be "remittable income". Labour hire costs were calculated at 23 percent, tax rates have been calculated at 15 percent and other workers costs (including accommodation) at 36 percent.
- Once a grower has enrolled in the program, word-of-mouth effects will lead to other growers in the same region enrolling. It is likely that this will be aided by growers sharing workers during down times. This is based upon informal indications that growers in some regions move workers around to meet labour demands within the region. However, to reach the growth rates required to meet both the 5,000 and 10,000 target figures by 2017, it will be necessary for efforts to recruit growers to continue.

Simulation results

By 2017 the current 27 regions will have 120 participating growers under the optimistic growth scenario and these will constitute approximately 60 percent of participating workers. The remaining demand will be from new regions and growers participating in the program. This scenario sees the number of workers growing to an annual figure of 10,000 by 2017. Similarly, by 2017 the conservative scenario has 53 growers in the current regions with the total number of workers growing to just under 5,000. Under the optimistic scenario there will be $460 million of remittable income by 2017. Under the conservative scenario this figure will be $287 million. The figures used in the model to calculate the remittable income are covered above. These figures assume that the remittable income is 25 percent of gross income. This does not take into account any extra discretionary spending on the part the workers.[51] The figures used in the models allows for an increase in hours worked and the hourly rate. Anecdotal evidence suggests that a shift to piece rates would lead to significant increase in these figures (Section 3.1.1). The figures in Table 15 for the years 2011-2017 are annual figures. The total figures are the cumulative totals for 2011-2017.

[50] While it is possible to model variations and increases in discretionary spending, based upon the available data it appeared that this would be highly speculative.
[51] The World Bank has presented the figure of $2,600 per worker per season. This assumes a remittable rate of around $100 per week or approximately 12 percent.

Table 15: Growth scenarios

	Scenario 1: 10,000 workers within 5 years			Scenario 2: 5,000 workers within 5 years		
	Average % growth rate		30	Average % growth rate		10
	Regions		35	Regions		35
	Growers per region		7	Growers per region		4
	Total Remittable revenue		$ 460m	Total Remittable revenue		$ 287m
Year	**Workers**	**Growers**	**Remittable Income $(m)**	**Workers**	**Growers**	**Remittable Income $(m)**
2011	680	22	7	680	22	7
2012	1,570	36	17	1,350	31	15
2013	2,714	66	31	2,116	54	24
2014	5,008	100	61	3,888	78	47
2015	6,511	130	84	4,276	86	55
2016	8,121	162	111	4,704	94	64
2017	10,215	204	149	5,174	103	75
Total	**34,819***	**720***	**460***	**22,188***	**468***	**287***

*These are cumulative totals

There is considerable qualitative and anecdotal evidence and some (albeit limited) quantitative data (see section 3.1.1) to suggest that seasonal workers are more productive than alternative labour sources, where there is an incentive payment reflective of productivity. These productivity gains have the effect of off-setting the additional costs for AEs and growers participating in the Pilot, they increase the income available to seasonal workers and they reduce the overall demand for labour. This last point is particularly important in estimating future demand for labour. If for example seasonal workers are 50 percent more productive than other sources of labour and they constitute 50 percent of a workforce, then the number of positions for seasonal workers (from any source) will decrease accordingly (25 percent) to do the same volume of work. Long-term patterns in agricultural production show that while production volumes have been increasing, the number of agricultural establishments and employees within the industry has been falling over time due to intensification, mechanisation and increased productivity.[52]

[52] ABARE, Australian Commodity Statistics, 2009.

4.3 Other areas demonstrating unmet demand for unskilled workers

Through discussions with stakeholders and review of labour market data, three cases studies were developed to identify industries with the potential to benefit from a seasonal migration scheme. The industries selected were construction, accommodation and food services and agriculture, forestry and fishing. However, while there is likely to be some demand for low-skilled migrant workers in each of these industries, the potential demand does not match that of horticulture industry due to lower levels of unmet demand. In addition, the need for a high level of English language proficiency is likely to be a significant barrier to some seasonal workers, particularly in roles which rely upon sound communication for customer service or where a safety risk may result from miscommunication.

4.3.1 Case Study: Construction

Overall, indicators suggest that the construction industry is one in which a low-skilled seasonal mobility program may have some value. It is likely to grow in terms of activity and employment numbers over the next few years and continue to experience generally high employment turnover rates and increased demand for labour. It is anticipated that over 80,000 jobs will be created in construction in the next year, albeit many of these requiring specific skills, many of which are already in demand from employers. However, given the size of the sector and growth in activity including anticipated projects, lower skilled positions are also likely to be continually sought by employers, with demand potentially increased by reconstruction and recovery projects in several Australian regions.

While demand is likely, there appears to be a number of structural issues that would need to be carefully considered, particularly for programs involving low-skilled overseas workers. The workforce structure is heavily male dominated, with many roles requiring significant fitness and endurance.

While many roles are low-skilled, a minimal level of experience and core competencies are likely to be required by the majority of employers, especially bearing in mind occupational health and safety. This includes the handling of equipment and communication with colleagues. An examination of health and safety issues shows that workers in the construction industry have a higher incidence of serious injuries compared with other industries. Induction and training programs would be a necessary part of any labour supply program put in place, and may be prohibitive to up take if high costs are incurred by business, especially if other sources of low-skilled labour become readily available. However, given appropriate economic circumstances and structures to ensure basic job readiness of individuals, a supply of overseas workers is viable within certain occupations. Specifically, the role of building and plumbing labourers, for which future employment growth is likely and skills and entry requirements are not overly prohibitive. Opportunities for placements in these roles are likely in Western Australia, Queensland and some metropolitan centers, notably, Melbourne where construction activity remains strong.

Workforce supply and demand in construction

This section examines levels of demand for labour in the construction industry, including growth projections and vacancy levels, and the labour supply sources and mechanisms used by employers to attempt to fill vacancies. Overall, the analysis indicates the likelihood of growth in construction employment and use of multiple sources and avenues to address expected vacancies. More specifically:

- Forecasts indicate anticipated growth in construction activity, particularly in relation to residential construction and infrastructure projects. The impact of extreme weather events in Queensland seems likely to add further impetus to this expected growth.

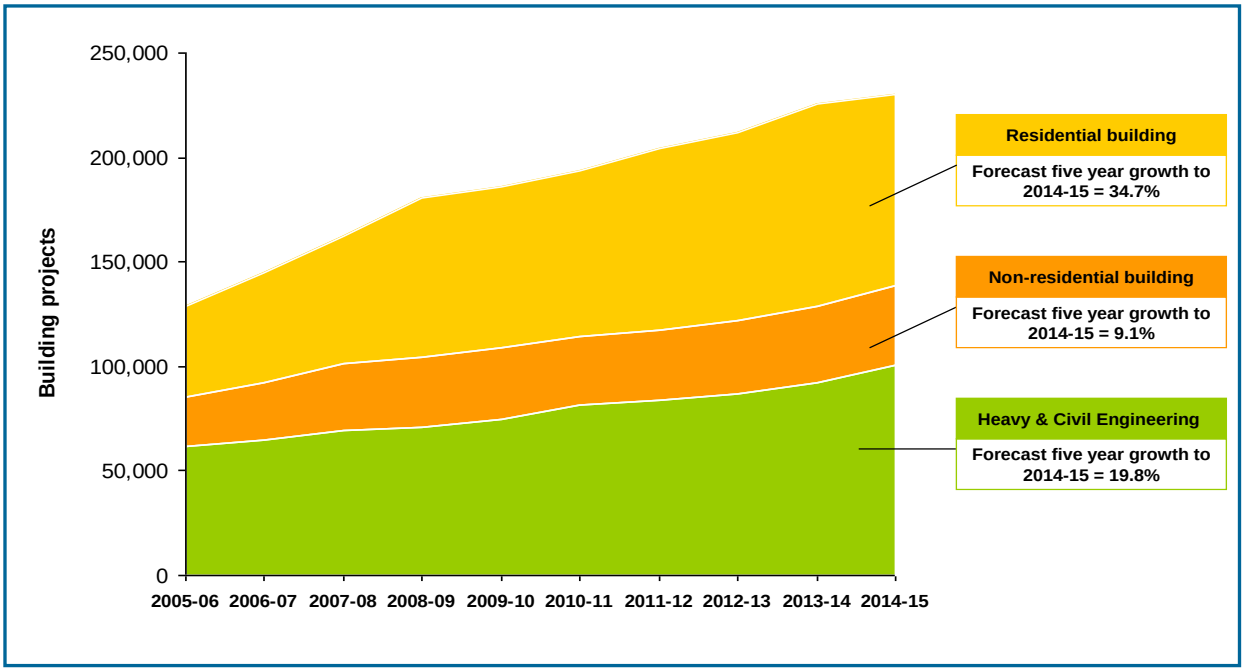
- With expected economic growth patterns, businesses within construction anticipate growth in employment levels of over 6 percent in the next year, with a strong rise in subcontracted labour (+10 percent).
- The number of job vacancies in construction has fluctuated around the 12,000 mark over the past year, with some evidence of a slight decline in vacancy levels over this period. However, almost four in ten employers in construction express some difficulty in filling vacancies and over three-quarters expect to increase staff numbers over the next year.
- Overall projections are that an additional 82,500 construction jobs will be created in the next year, with largest growth in the construction services sector, and steady growth in residential construction building employment.
- Labour supply appears to be drawn from a variety of sources. The industry has higher than average employment of apprentices and trainees, with apprenticeships increasing by 30 percent between 2008 and 2010. Construction also makes significant use of temporary skilled migration, accounting for around 12 percent of all temporary business visas (Subclass 457), and use of employees from this source increased by 88 percent over the past year.

i) Workforce demand

Forecast economic growth

A number of peak bodies within the construction industry, forecast continued economic growth in this sector over the coming years, based on building approvals and commissioned infrastructure projects. As illustrated in Figure 10 below, the Constructing Forecasting Council anticipates growth in all forms of building activity until 2014-15, most notably in residential construction (34.7 percent), followed by heavy and civil engineering (19.8 percent) and non-residential building (9.1 percent).

Figure 10: Projected building growth to 2014-15

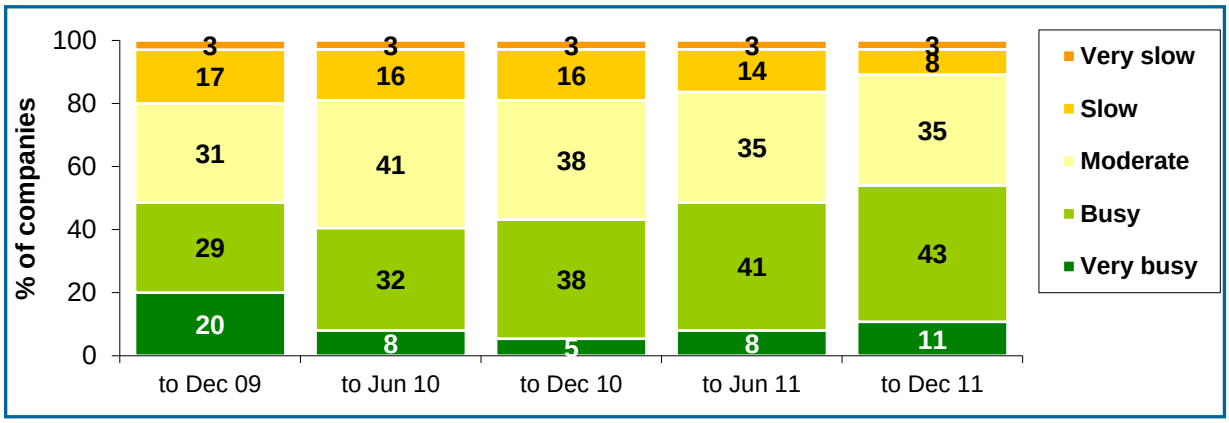


Source: The Constructing Forecasting Council, data derived from private dwelling investment from ABS National Accounts plus public building activity from ABS Building Activity (see http://www.cfc.acif.com.au/forecasttotal_results.asp)

The Australian Industry Group, in association with the Australian Constructors Association, also projects economic growth over the next two years in terms of financial turnover, anticipating a 5.9 percent increase in the 2010-11 financial year, followed by an increase of 7.9 percent in 2011-12. For 2011-12, areas of construction in which there is projected to be significant growth include mining construction work (up 14.3 percent), roads and freeways (up 10.4 percent), energy plant construction (up 10.3 percent), and transmission and telecommunications (up 9.1 percent).[53]

The same study also indicated an anticipated upturn in activity among construction companies, increasing from 40 percent of businesses reporting that they were busy or very busy in the six months to June 2010 to 54 percent, with similar expectations for the six months to December 2011 (Figure 11). This pattern was reflected in anticipated employment demands, with businesses envisaging on average, a growth of 6.2 percent in employee numbers in the 2010-11 financial years. Interestingly, the largest increase was expected to be in sub-contracted labour (up 9.8 percent).

Figure 11: Current and anticipated level of business activity – construction companies



Source: Construction Outlook, Australian Industry Group and Australian Constructors Association, October 2010

Impact of recent natural disasters on the construction outlook

The impact of several natural disasters in Australia in late 2010 and early 2011, including extensive flooding in Queensland, parts of Victoria and Western Australia, cyclone activity in Queensland and the Northern Territory, and bushfires in Western Australia has created an air of uncertainty over future economic growth, activity and labour demand in Australia. While many construction projects have been delayed or directly impacted by these events, it is anticipated that the construction industry will experience something of a 'mini-boom' in the short to medium term.

A special report into the Queensland floods produced by IBISWorld outlines the impact on construction activity and labour demand. Overall, it states that reconstruction efforts are "*expected to exacerbate already strong demand for construction workers and engineers, generated by an intensifying mining investment boom*".[54] The damage caused by this event includes approximately 18,000 properties affected by significant flooding, damage to 70,000 – 90,000 km of public roads, significant impact on rail, port, sewerage and other utility infrastructure. The report indicates that the cost associated with rebuilding includes:

- A $10 billion boost to infrastructure reconstruction activity in the next 30 months

[53] *Construction Outlook*, Australian Industry Group and Australian Constructors Association, October 2010.
[54] Queensland Floods: the Economic Impact, Ibisworld, January 2011, p2.

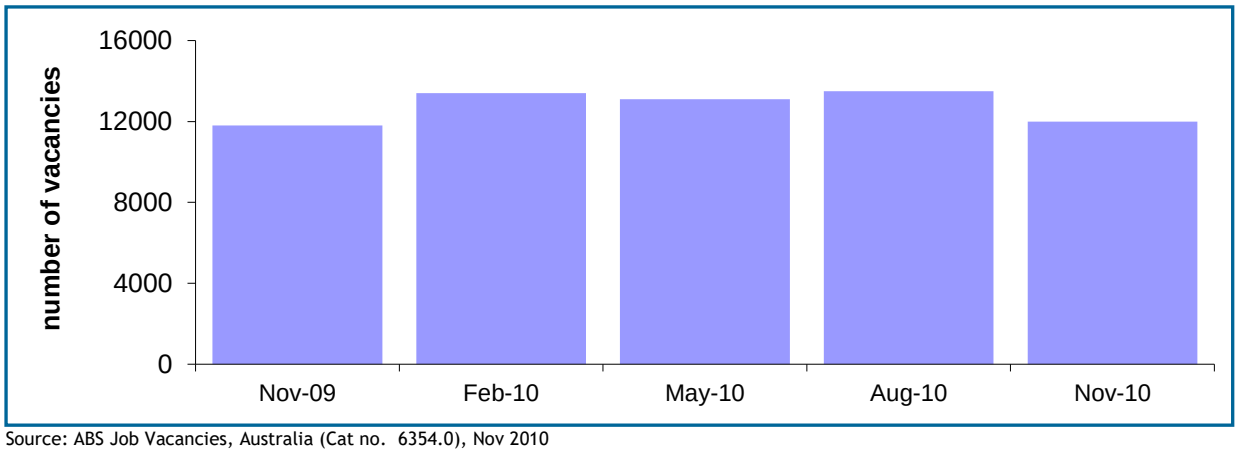
- Expenditure of $4 billion on new housing construction to June 2013
- Approximately $1-2 billion to address damage to non-residential properties.[55]

The timing of the reconstruction activity will be staggered and potentially necessitates longer-term prospects for additional labour demand. Initial work will focus on immediate infrastructure and safety priorities, including reconnecting utilities, major roads and bridges, along with demolition and clean-up of damaged properties. Over the medium to longer-term, construction activity will likely focus on new constructions, including homes and non-residential properties, along with continued work on transport infrastructure.

Vacancy levels and employment growth

Overall, the number of job vacancies in the construction industry has hovered around 12,000, with little change in these numbers between November 2009 and November 2010 (see Figure 12).

Figure 12: Number of Vacancies – construction



Source: ABS Job Vacancies, Australia (Cat no. 6354.0), Nov 2010

A number of data sources point to there being some challenges in filling vacancies within the construction industry. The DEEWR Survey of Employers' Recruitment Experiences indicates that the unfilled rate for the 12 months to October 2010 in the construction industry surveyed stood at 7.4 percent, slightly higher than the all industry average of 6.9 percent. This was notably higher among construction trades workers (10.9 percent) than construction and mining labourers (4.8 percent).[56] [57]

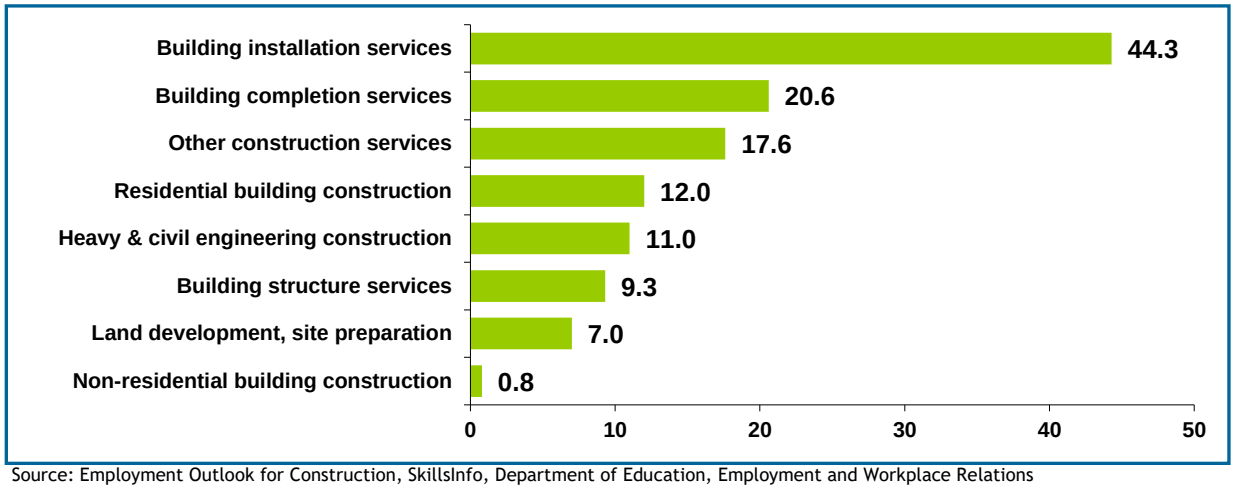
There is some evidence to suggest that vacancies in construction fell over the 2010 calendar period. The Internet Vacancy Index for January 2011 points to a small annual decrease in the number of job advertisements for both construction trades workers (down 1.9 percent) and construction and mining labourers (down 0.9 percent).[58] However, expectations and projections are for continued strong increases in the number of employees within the construction industry, for example:

[55] Queensland Floods: the Economic Impact, Ibisworld, January 2011, p5-6.
[56] *Survey of Employers' Recruitment Experiences: Combined survey results for the Construction industry and occupations – 12 months to October 2010 dataset*, Department of Education, Employment and Workplace Relations.
[57] However, as a cautionary note, this survey is conducted in identified Priority Employment Areas and may not provide an accurate description of the industry as a whole
[58] *Vacancy Report*, Department of Education, Employment and Workplace Relations, Feb 2011.

- Employment in construction is forecast to grow an average of 2.4 percent per annum until 2014-15[59]
- 78 percent of employers anticipate recruiting to increase staff numbers in the next twelve months[60]
- The construction industry is forecast to add 82,500 new jobs in 2011-12.[61]

Growth is not expected to be uniform across the industry, with the largest projected rises reported by DEEWR forecasts to 2014-15 in the construction services sector – notably building installation services (44,300 new jobs), building completion services (20,600), and other construction services (17,600). While residential building construction is expected to provide an additional 12,000 new jobs, the non-residential construction sector looks set to only experience minimal growth according to these forecasts (800 new jobs) (Figure 13).

Figure 13: Forecast growth for construction industry sectors to 2014-15 ('000)



Source: Employment Outlook for Construction, SkillsInfo, Department of Education, Employment and Workplace Relations

ii) Potential sources of labour

In meeting labour demand in the construction industry, there appear to be a number of options that may be considered, by employers. These include increasing capacity within the current workforce, investing in training and skilling of apprentices and trainees, and looking to alternative labour pools including overseas labour sources.

Current workforce and labour market capacity

Capacity within the current construction workforce appears limited, with an underemployment rate of 5.8 percent, below the all industry average of 7.4 percent.[62] Job applications for positions in the construction industry are also lower than in all industries. The Survey of Employers' Recruitment Experiences data indicates that there were an average of 5.9 applicants for each construction and

[59] *Employment Outlook for Construction*, SkillsInfo, Department of Education, Employment and Workplace Relations, p6.
[60] *Survey of Employers' Recruitment Experiences: Combined survey results for the Construction industry and occupations – 12 months to October 2010 dataset*, Department of Education, Employment and Workplace Relations.
[61] *Construction Outlook*, Australian Industry Group and Australian Constructors Association, October 2010.
[62] Source: ABS Australian Labour Market Statistic (Cat no. 6105.0), Jan 2011.

mining labourer position advertised, with 2.2 of these deemed 'suitable'. The rate for construction trades workers was lower, with an average of 2.7 applicants, and 1.1 considered suitable. This compares to an average for all lower skilled occupations of 8.8 applicants per vacancy, of which 2.7 are deemed as suitable.[63]

New entrants and apprentices

Compared to other industries, employers in the construction industry are more likely than average to have recruited apprentices or trainees. Other evidence verifies an increased number of apprenticeships completed within the industry, with the Construction and Property Services Skills Council reporting that this sector is "*more likely to employ additional apprentices and trainees to overcome skill shortages than other sectors*". The Council go on to state that the number of apprentices working in the industry "*has almost doubled since 2002 – accounting for more than half of the rise of Australian Apprenticeship numbers*".[64] The most recent data from the National Centre for Vocational Education Research corroborates this view, with completed apprenticeships in construction trades rising from 2,330 in 2008 to 3,040 in 2010, an increase of 30 percent (see Table 16). The 2010 data also shows that while less than half (47 percent) of completed construction apprentices stayed with the same employer, the large majority (82 percent) remained in construction. Although recent information on the provision of training and skilling of apprentices was not available at the time of this report, the relatively high utilisation of this labour source suggests that investing in training and skilling of apprentices and trainees could be a potential strategy to meet labour demand in the industry.

Table 16: Construction trade apprenticeships – 2008 v 2010

	2008	2010	% change
Number of completed apprenticeships	2,330	3,040	*+30.5%*
Number of non-completed apprenticeships	1,750	1,170	*-33.1%*
Proportion of completed apprenticeships *(%)*	57.1	72.2	*+26.4%*
Proportion of completed apprenticeships where employment was main reason for taking apprenticeship *(%)*	58.5	72.2	*+23.4%*
Proportion of completed apprenticeships where still with same employer *(%)*	52.7	46.9	*-11.0%*
Proportion of completed apprenticeships where still in same occupation *(%)*	77.0	81.5	*+5.8%*

Source: Apprentice and Trainee Destinations, National Centre for Vocational Education Research, 2010

[63] *Survey of Employers' Recruitment Experiences: Combined survey results for the Construction industry and occupations – 12 months to October 2010 dataset*, Department of Education, Employment and Workplace Relations.
[64] *State of Play: the Australian Construction Industry in 2008*, Australian Industry Group, November 2008.

Overseas sources

Despite a lower than average proportion of overseas-born workforce, the construction industry utilises skilled temporary labour from overseas sources. Just over 12 percent of all temporary skilled business visa grants (Subclass 457) in the last year, were granted to individuals sponsored by employers in the construction industry, second only to health care and social assistance (13.4 percent). Overall, 2,300 grants were made in construction up until the end of November 2010, an increase of 88 percent on the previous year. A significant proportion of these grants (37 percent) were made to employers nominating positions in Western Australia.[65]

The use of WHMs was less prominent within the construction industry. Evidence indicates that 3.6 percent of WHMs were engaged in temporary employment in the construction industry, generally engaged in construction and plumbing labouring roles.[66]

4.3.2 Case Study: Accommodation and Food Services

Indicators suggest that the accommodation and food services (AFS) industry is likely to grow in terms of employment numbers over the next few years, with almost 80,000 new jobs created by 2014-15. On top of this, the industry experiences significant turnover of staff and substantial employment vacancies will continue to exist as a result. The largest sector, and areas in which most new jobs and vacancies are expected is in the cafes, restaurants and takeaways sector.

The industry presents a number of opportunities for low-skilled seasonal mobility programs given the industry is characterised by high proportion of low-skilled positions, lower than average levels of educational qualification, lower than national averages, and a predominance of casual and part-time positions. There is also a seasonal factor at play, which appears to result in increased vacancy levels and demand at peak periods, such as summer holidays. However, while pockets of demand exist and vary, the industry does not face challenges with filling these positions to the same extent as some other industries, with availability of labour from various sources, including a significant supply via WHMs.

While many roles in the industry are low-skilled, there remain some barriers in place, including requirements for certification and adherence to food or workplace safety regulations in some occupations. Workplace cultures appear diverse, with a high proportion of younger workers, high turnover and level of casual work, backpackers and variations in gender across different occupations.

Specific occupations that appear to have viability for a low-skilled labour supply program include kitchen hands, fast food cooks, cafe workers, housekeepers, bar attendants and baristas, and waiters. However; integration of workers into these occupations will still require certain competencies to be in place or developed, including communication skills, customer service orientation and physical dexterity. Kitchen hands and housekeepers would appear to be the most viable for unskilled and untrained workers, though minimal growth is anticipated in the housekeeping workforce.

Opportunities for placements in these roles tend to reflect population distribution in Australia, given their service and customer-orientated nature. The large majority of positions and vacancies are situated in the capital cities, with Melbourne and Sydney featuring as the primary centers for AFS occupations. That is not to say however that other locations would not be suitable, with many centers across Australia featuring a prominent workforce. The other point to note is the seasonality of some of this work, and the potential for a mobile workforce operating in line with seasonal requirements in different regions.

[65] Subclass 457 State/Territory summary report 2010-11, Department of Immigration and Citizenship.
[66] Evaluation of Australia's Working Holiday Maker (WHM) Program, National Institute of Labour Studies (2009).

Workforce supply and demand in accommodation and food services

This section examines levels of demand for labour in the AFS industry, including growth projections and vacancy levels, and the labour supply sources and mechanisms used by employers to attempt to fill vacancies. Overall, the analysis indicates the likelihood of growth in AFS, this seems particularly susceptible to events and changes in the local and global economic climate. More specifically:

- Economic growth in the industry is projected to be reasonably strong over the long-term, however this is partly dependent on favourable circumstances being maintained. A number of recent challenges to growth have been apparent, including the impact of floods and other severe events on tourism numbers, the economic downturn in Australia, and the strength of the Australian dollar impacting the behaviour of Australian and international travellers.
- There is some variability in supply and demand for workers in the industry, with vacancy levels appearing to drop substantially in low season. Overall, AFS does not appear to have as significant a problem as some other industries in filling positions, with an unfilled rate of 4.5 percent compared to an average across industry of 6.9 percent.
- One of the challenges for employers in the industry appears to be high turnover and replacement rates, with over three-quarters of employers expecting to recruit in the next year in order to replace staff who have left.
- On top of replacement rates, the forecast employment growth is positive and slightly higher than the forecast average to 2014-15 of over 10 percent. This will mean an additional 79,000 jobs are created, with the majority of these in the *Cafes, Restaurants, and Takeaways* sector.
- Labour supply appears to be drawn from a number of sources. In particular, the industry is also a prominent employer of WHMs, with over a third of all working holidaymaker jobs undertaken in AFS.

i) Workforce demand

Forecast economic growth

Given its focus on tourism and hospitality it should be noted that the AFS industry appears to be particularly susceptible to broader economic trends, especially during periods of slow growth or decline. Tourism in particular is prone to external events, including the economic climate, environment and traveler perceptions. For instance, internal research conducted by TNS during the economic downturn indicated a 'tightening of belts' in the domestic travel and hospitality market, with two in five Australians cutting back or intending to cut back on holidays at home.[67] More recently there is uncertainty on the impact the strong Australian dollar will have on the AFS industry, with a number of businesses concerned at falling international visitors, as well as more Australians taking holidays overseas.[68] Climatic conditions are volatile and subject to change and can present a variety of challenges to the industry in both the supply and demand for workers.[69]

While subject to such variations, the AFS industry as a whole is projected to be strong over the longer term, both in economic growth and employment levels. Research conducted by Access Economics[70] on behalf of Skills Australia used scenario planning and economic modeling to calculate the future skills demand for the Australian economy to 2015 and 2025. Within the three scenarios tested (an open

[67] Media release: *GFC batters tourism but fuels longing for a break*, TNS, March 2009.
[68] For example: *Strong Aussie Dollar could weaken local tourism*, ABC, Oct 2010 http://www.abc.net.au/local/stories/2010/10/19/3042504.htm.
[69] For example: *Queensland floods prompt travel slump*, Sydney Morning Herald, Jan 2011 http://www.smh.com.au/small-business/queensland-floods-prompt-travel-slump-20110112-19nox.html.
[70] *Economic modeling of skills demand,* Access Economics (2009).

global economy, low trust globalisation, and more protectionist policy), the AFS industry was projected to grow above the average rate for all industries in the period up to 2015, although it would be harder hit in the longer term (to 2025) if protectionist global trade policies were in place.

Impact of recent natural disasters on the AFS outlook

The impact of several natural disasters in Australia in late 2010 and early 2011 (previously outlined in the Construction Case Study), has impacted on tourism operators who have suffered substantial immediate cancellations due to disaster impacts. Despite this, there is some optimism that the industry will "bounce back" in the coming year.

The flooding and severe weather in Queensland has had a serious effect on some AFS businesses. Daniel Gschwind, of the Queensland Tourism Industry Council, says that losses will range from $50 to $100 million from tourism businesses in the Fitzroy, Rockhampton and Bundaberg regions.[71] However, the effect does not appear to be lasting, with numbers already returning to normal.

A report from IBISWorld notes that the effects of the floods exacerbate problems already faced by tourism operators arising from the unfavourable exchange rates for international tourists.[72] Additionally, speculation that the freshwater runoffs from the floods would damage the Great Barrier Reef have not yet been borne out in the form of lower numbers or negative reports, but may yet be an issue in the near future. IBISWorld estimates that revenue to the industry in 2010-11 will fall by 0.7 percent, or $590 million, but that the industry will rebound in 2011-12 due to limited damage to tourism infrastructure in key areas, the fading memory of the floods, and positive experiences such as Oprah Winfrey's visit, in promoting tourism to Australia.

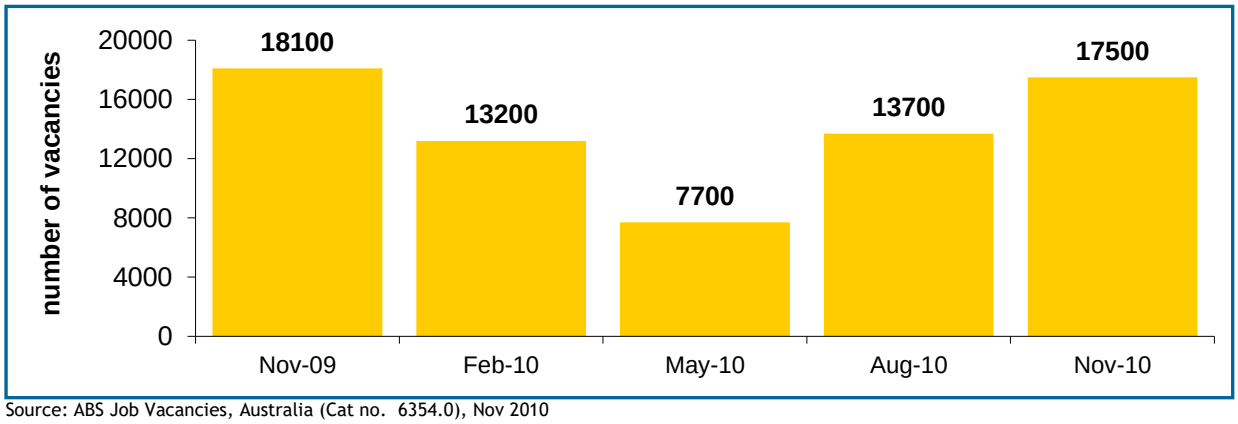
The effects of the Victorian floods on tourism and AFS have been less widely publicised, probably due to Queensland's existing status as a tourism hub.

Vacancy levels and employment growth

Overall, the number of vacancies within the AFS industry appears to fluctuate according to seasonality. While longer-term trend data is not available, Figure 14 below indicates declining vacancy levels towards the Australian winter, with less than half the number of vacancies than in summer peak periods. Comparison with other industries indicates this trend is unique to accommodation and food services.

[71] *Tourism suffers as floods wreak havoc in central Queensland*, ABC, Jan 2011
See http://www.abc.net.au/pm/content/2011/s3107786.htm?site=midnorthcoast.
[72] *Queensland Floods: the Economic Impact*, Ibisworld, January 2011.

Figure 14: Number of Vacancies – AFS



Source: ABS Job Vacancies, Australia (Cat no. 6354.0), Nov 2010

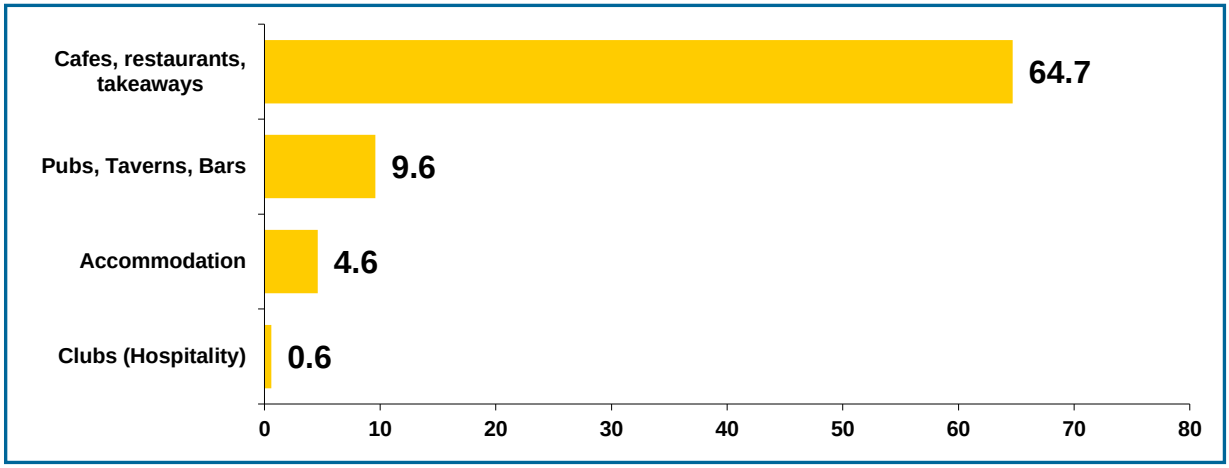
As a whole, AFS industry does not appear to experience particularly severe challenges in terms of filling positions compared to other industries. For instance, according to the DEEWR Survey of Employer Recruitment Experiences, tourism related industries had more success in filling vacancies, with an unfilled rate of 4.5 percent compared with 6.9 percent for all industries surveyed.[73]

One of the notable trends with employment positions and vacancies in the AFS industry is the high turnover of staff and seasonality of some positions, with greater demand in peak periods. While one half of employers anticipated recruiting staff for newly created positions, a larger majority (77 percent) anticipated recruiting in the next twelve months to replace staff lost due to workforce turnover (compared with 69 percent in all industries). Additionally, 15 percent anticipated recruiting due to seasonality (compared with 9 percent in all industries).[74]

This level of turnover seems likely in part to contribute to increased employment demand in the industry. This is on top of projected growth to 2014-15 of 2 percent per annum, equating to approximately 79,000 new jobs. As illustrated in Figure 15, most of this growth is anticipated to be in the *Cafes, Restaurants and Takeaway* sector, with 64,700 new jobs created.[75]

[73] *DEEWR Survey of Employer Recruitment Experiences: Combined survey results for tourism related industries and occupations – 12 months to October 2010 dataset*, Department of Education, Employment and Workplace Relations.
[74] *DEEWR Survey of Employer Recruitment Experiences: Combined survey results for tourism related industries and occupations – 12 months to October 2010 dataset*, Department of Education, Employment and Workplace Relations.
[75] *Employment Outlook for Accommodation and Food Services*, Department of Education, Employment and Workplace Relations.

Figure 15: Forecast growth in employment for AFS industry sectors to 2014-15 ('000)



Source: Employment Outlook for AFS, SkillsInfo, Department of Education, Employment and Workplace Relations

ii) Potential sources of labour

In meeting the volatile demand for labour in the AFS industry, there appear to be a number of options for employers. These include managing turnover by drawing on a low-skilled, often casual and temporary workforce, looking at a wide range of labour pools and sources including overseas sources.

Current workforce and labour market capacity

There would appear to be significant capacity within the current AFS workforce given a high underemployment rate of 17.2 percent, the highest within any industry and significantly higher than the all industry average of 7.4 percent.[76] This likely reflects the prominence of casual and part-time work in the industry. Additionally, there appear to be above average levels for vacancy applications within the AFS industry. The Survey of Employers' Recruitment Experiences data indicates that there was an average of 10.0 applicants per low-skilled vacancy within tourism-related businesses, compared with 8.8 for all lower skilled occupations. However, of these 10 applicants, only an average of three were considered suitable for the position, although this is still higher than the average for all low-skilled positions (2.7).

Overseas sources

In terms of skilled migrant workers, the AFS industry accounts for 6.7 percent of employer sponsored temporary visas (subclass 457) in Australia which is the fifth highest industry to sponsor such visas.[77] In the year ending 2010, a total of 680 employer sponsored visas were granted to AFS businesses, representing a 32.5 percent increase of applications granted in the industry compared with the prior year.

The Accommodation and Food Services Industry features prominently in the employment of WHMs. Data indicates that around one-third (34.6 percent) of all WHM jobs are in AFS, the highest of any industry.[78,79] Many of these (21.6 percent of total jobs) are within the *Cafes*, *Restaurants* and *Takeaway*

[76] Source: ABS Australian Labour Market Statistic (Cat no. 6105.0), Jan 2011.
[77] *Subclass 457 State/Territory summary report 2010-11*, Department of Immigration and Citizenship (p 12).
[78] *Evaluation of Australia's Working Holiday Maker (WHM) Program*, National Institute of Labour Studies (2009).

Food sector. The specific types of occupation in the industry commonly filled by WHMs include waiters (13 percent of all WHM jobs), cleaners (8 percent), kitchen hands (5 percent), and bar staff (5 percent).

4.3.3 Case Study: Agriculture, Forestry and Fishing

Overall, indicators suggest that the agriculture, forestry and fishing (AFF) industry is likely to grow in terms of activity and employment numbers over the next few years and, with an ageing labour force and a heavy reliance on seasonal labour, is one in which labour supply programs may have some value. In addition, many occupations within the industry require no formal qualifications or minimal on-the-job training suggesting they may be suitable for low-skilled workers.

While demand is likely, there appear to be a number of structural barriers that would need to be carefully considered in the application of any possible labour schemes, particularly in matching employees to specific roles. The workforce structure is male dominated, with roles often requiring physical fitness and strength. The work can be demanding with high importance placed on being able to work outdoors and exposed to the weather. Therefore, the physical aspects of the occupation may not be suitable for some overseas labour sources. A consideration of occupational health and safety is also important when considering the appropriateness of a seasonal workers scheme. An examination of health and safety issues shows that workers in AFF have a higher incidence of serious injuries compared with other industries.

Additionally, while many roles are low-skilled, a minimal level of experience and core competencies are likely to be required by the majority of employers. This includes the handling of heavy equipment and a high level of communication with colleagues (which is important to OH&S).

A review of the skills needs and labour market profile within the industry suggests a supply of overseas workers is viable within certain occupations. Specifically, the role of livestock farm worker, for which future employment growth is likely and skills and entry requirements are not overly prohibitive. Opportunities for placements in these roles are seemingly more likely in regional hotspots in New South Wales, Victoria and Queensland.

Workforce supply and demand in agriculture, forestry and fishing

This section examines levels of demand for labour in the Agriculture, Forestry and Fishing industry, including growth projections and vacancy levels, and the labour supply sources used by employers to attempt to fill vacancies. Overall, the analysis indicates likelihood of growth in AFF employment. More specifically:

- Forecasts indicate anticipated moderate growth in the AFF industry. Specific occupations predicted to experience strong growth include other livestock farmers (3.0 percent), sheep, beef and grain farmers (2.6 percent), and dairy cattle farmers (2.0 percent).
- Agriculture, Forestry and Fishing also makes significant use of WHM and accounted for an estimated 26 percent of all working holiday makers in 2008.
- The ageing of the AFF labour force, with 31 percent of workers aged 55 and over means that a considerable proportion of the labour force are likely to retire in the next five to ten years. This may mean that new sources of labour will be required to fill the gap from the retirement of a substantial proportion of the existing workforce.

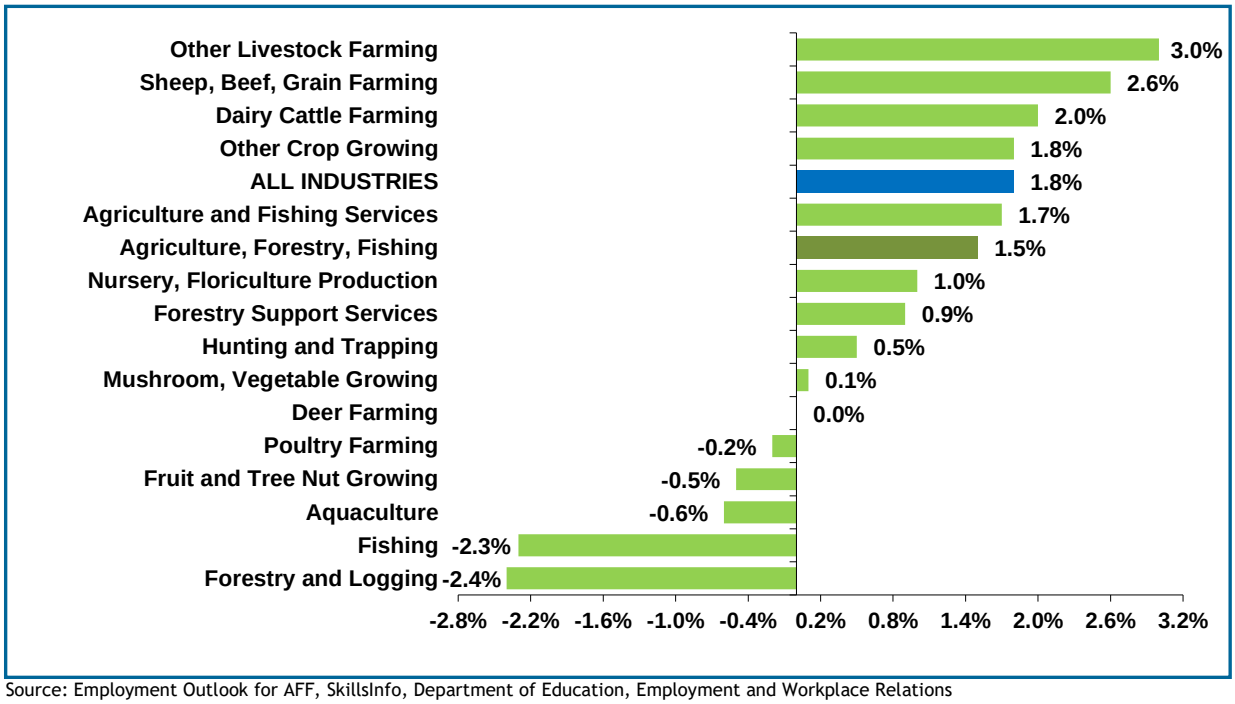
[79] Accommodation and food services' and 'Agriculture, forestry and fishing' were the two dominant industries that employed WHMs, at 34.6 percent and 26 percent respectively. (see National Institute of Labour Studies (2009) p.II).

i) Workforce demand

Forecast economic growth

DEEWR predicts[80] that the AFF industry will grow at the modest rate of 1.8 percent p.a. in the years until 2014-15. When comparing specific occupations, the largest employment growth is predicted in other livestock farming (3.0 percent between 2010 and 2014), sheep, beef and grain farming (2.6 percent) and dairy cattle farming (2.0 percent). In contrast, fishing (down 2.3 percent) and forestry and logging (down 2.4 percent) are expected to experience negative growth between 2010 and 2014-15 (Figure 16).

Figure 16: Projected employment growth in agriculture (% pa) between 2010 and 2014-15



Source: Employment Outlook for AFF, SkillsInfo, Department of Education, Employment and Workplace Relations

Vacancy levels and employment growth

The AFF industry has the oldest workforce of any Australian industry, and will therefore experience the effects of an ageing population before other industries. The ageing workforce means that the majority of vacancies in this industry will come from replacement requirements, not from industry growth. However, vacancies, as measured by DEEWR's Internet Vacancy Index fell in this industry over the year to February 2010 by 13.5 percent, a larger decrease than the Australian average. ABS information on vacancies was not available for this industry.

ii) Working holiday makers in Agriculture, Forestry and Fishing

[80] *Employment Outlook for Agriculture*, SkillsInfo, Department of Education, Employment and Workplace Relations.

Despite a lower than average proportion of workforce born overseas, the AFF industry appears to make significant use of WHMs. Evidence indicates that 25.8 percent of WHMs were engaged in temporary employment in the AFF industry.[81] This is the second highest proportion behind the AFS industry (34.7 percent of WHMs). Overall, 40 percent of WHMs had been employed on a farm at some stage during their stay in Australia. Within this industry, 7,631 WHMs were employed as farm hands, the majority of these were fruit, vegetable and nut pickers (4,915 or 20 percent of all WHMs) (Table 17).

Overall, WHMs were estimated to comprise 9.5 percent of the total workforce employed as fruit, vegetable and nut pickers, which is the highest representation of any occupation. WHMs also accounted for 6.7 percent of workers employed in other farm hand roles.

Table 17: Working holiday makers employed as farm hands by job role and location

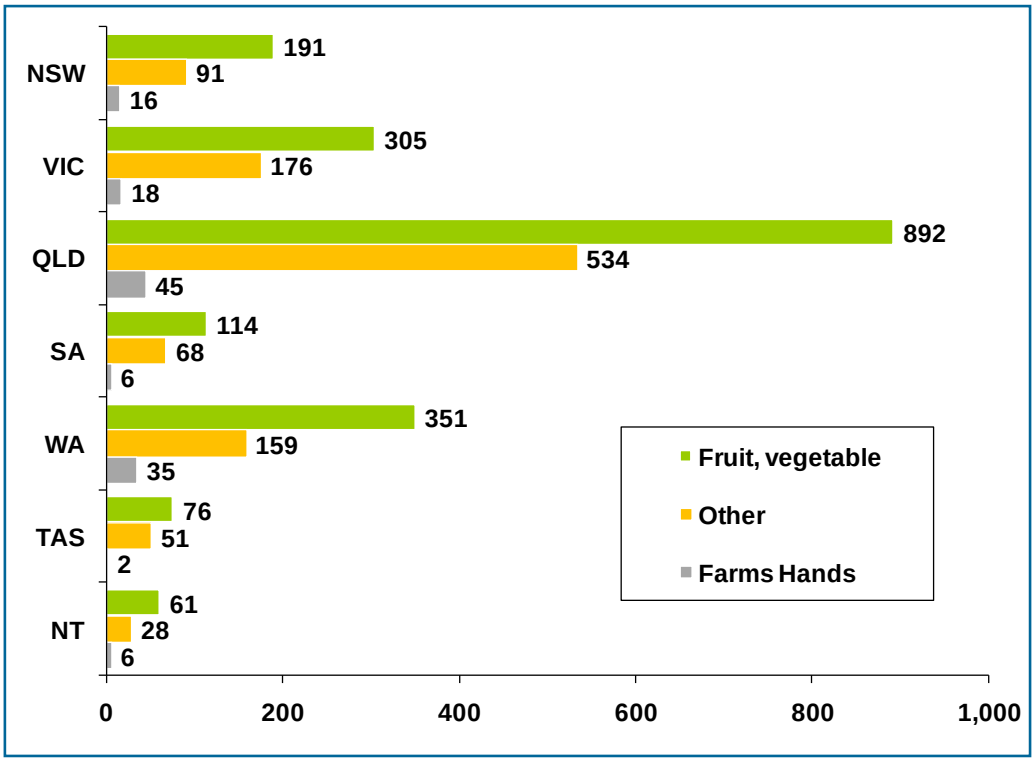
	Regional	Urban	Total
Fruit, vegetable or nut picker	*4,915*	*769*	5,684
Other	*1,664*	*283*	1,947
TOTAL	6,579	1,052	7,631

Source: NILS. Evaluation of Australia's Working Holiday Program, 2008

The vast majority of WHMs who were employed as farm hands were located in regional areas (86 percent). Overall, 78 percent of all farm hands were employed in Queensland, West Australia and Victoria (Figure 17).

[81] *Evaluation of Australia's Working Holiday Maker (WHM) Program*, National Institute of Labour Studies (2009).

Figure 17: Working holiday makers by State/Territory, 2008



Source: NILS. Evaluation of Australia's Working Holiday Program, 2008

The main source countries for WHMs who were employed as farm hands were Korea, Germany, the UK and France, which altogether accounted for approximately 60 percent of farm related jobs. Information on recruitment methods shows that just under one third of WHMs employed as farm hands utilised the National Harvest Labour Information Service or Harvest Trail to look for farm work.[82]

[82] *Evaluation of Australia's Working Holiday Maker (WHM) Program*, National Institute of Labour Studies (2009).

5. Conclusion

The following section presents the key findings from the evaluation followed by the relevant recommendation. Two key recommendations are presented which relate to the ongoing need for a low-skilled seasonal mobility program to address the current and future needs of the horticulture industry and the need for this program to be subject to monitoring and evaluation.

Additional recommendations that relate to operational issues which support the key recommendations are also included.

5.1 Key findings and recommendations

Since its announcement in 2008, the Pilot has demonstrated capacity to respond to the significant external factors that have impact on its implementation. The Pilot is still formative in nature and likely to continue to evolve as the number of participating regions, employers, growers and workers increase. The Pilot has involved considerable expenditure of Government resources to date – relative to the number of visas issued. However, it has always been positioned as a long-term strategy to address an ongoing need for a semi-skilled, reliable workforce to address the seasonal needs of the horticulture industry.

The next stage for development should involve the refinement of arrangements as the Pilot is developed into a low-skilled seasonal labour mobility program. This requires investigation of new areas of demand and development of sustainable practices as the program matures, reducing the reliance on Government for implementation.

Overall, the Pilot met the domestic objective despite significant barriers imposed by unprecedented global economic and weather events.

The major strengths of the Pilot were:

- **Recent growth in participation –** Pilot participation has grown over time, most notably since December 2010 when changes to some Pilot arrangement were made. In total 16 growers[83] and 11 AEs have participated in the program to May 2011. The Pilot appears to have made traction in particular regions and there are now repeat growers and AEs. There are seven[84] growers who have now taken on their third group of workers and one AE with their fifth group of workers[85]. Five growers have now become AEs.
- **Productivity –** There is some evidence on the effectiveness of seasonal workers and the potential to build a convincing business case around productivity outcomes. While only limited quantitative productivity data is available, early qualitative and anecdotal indications appear very promising with demonstration of productivity gains over 30 percent off-setting increased costs of up to 20 percent above award rates for growers.
- **Responsiveness of Pilot arrangements –** The Pilot has gone through a series of changes (including improvements to marketing and communication, employment arrangements and amendments to the AE cost sharing with workers). The ability of the Government to marshal these changes has seen a rapid increase in the numbers of workers participating in the Pilot from 56 workers in 2009 to 312 workers in the first four months of 2011.

[83] Includes growers who have become AEs.
[84] Includes growers who have become AEs.
[85] These groups were not necessarily return workers, although some may have been. Return workers are reported in section 3.1 and Table 3.

- **Commitment to labour market testing –** The introduction of a migrant worker program in uncertain economic conditions had the potential to generate community concerns about displacement of local labour and the Government's commitment to Australian workers. Processes have been put into place to ensure that local Australian workers are offered a position before approval was given to recruit off-shore.
- **The Pilot meets the needs of Australian growers –** Overall, the Pilot has demonstrated that it is able to meet the needs of Australian growers in providing access to seasonal workers to satisfy unmet demand for labour, with existing growers and AEs taking on more workers in successive seasons and new growers and AEs continuing to join the Pilot. Endorsement of the Pilot as a continuing program will further build industry confidence in investing in the model.

Recommendation 1: Roll out a low-skilled seasonal labour mobility program modeled on the Pilot to meet the needs of the Australian horticulture industry.

Extending the Pilot (rather than rolling out a program) is not advisable as this may generate a lack of confidence and inhibit uptake by industry. Industry is more likely to invest in a program that is seen as having a secure future.

- **Level of participation in the Pilot –** The number of seasonal workers employed was low, although growth has been rapid in the first quarter of 2011. The disbursement of workers has not allowed for testing of impacts that relate to volume and system stress, such as impacts on regional accommodation, transport, health services, and other infrastructure. In addition, the Pilot arrangements changed mid-term and seasonal workers have not yet had time to move through the Pilot under these new arrangements. As demand for the Pilot is growing and a number of visas have yet to be allocated, there remains a need to continue to review and monitor the operation of the program beyond the Pilot stage to ensure consideration of scalability and sustainability of processes.

Recommendation 2: Due to the small scale of the Pilot at the end of the formal evaluation period, evaluation and performance monitoring against the domestic objectives should continue until the end of the Pilot period in June 2012 and beyond this period in the event that a low-skilled seasonal labour mobility program is put into place.

5.2 Recommended operational refinements

These recommendations are operational in focus and support the key recommendations presented above. They identify opportunities to enhance performance of a low-skilled seasonal labour mobility program to meet the needs of the Australian horticulture industry.

- **Marketing to industry –** In the initial design of the Pilot it had been anticipated that the market would take ownership of the Pilot and generate membership interest through representative bodies. However, as this was slow to occur in the initial stages of the Pilot, a Government-led marketing approach to increase horticulture industry awareness and interest in the Pilot was undertaken. While growers and AEs have been included in marketing activities to promote the Pilot to their

sector, this support has taken the form of professional recommendation rather than the provision of an overall cohesive marketing campaign to, among other things, inform all stakeholders in the community about the Pilot and change employment behavior. While the Government-led approach to marketing was initially necessary, many stakeholders felt that a targeted marketing campaign could now be effectively managed by one of the specialist commercial agencies with expertise in marketing to the horticulture industry.

Recommendation 3: Consider funding a specialist agency to deliver a targeted communications campaign to comprehensively and consistently market a low-skilled seasonal mobility program to the horticulture industry and other community based stakeholders.

- **Measuring return on investment to increase interest –** The evaluation has found that a low-skilled seasonal mobility program has capacity to fill unmet demand for seasonal horticulture workers and to provide a consistent, reliable, returning workforce that improves workforce planning and increases horticultural productivity. While there is some qualitative information on productivity (refer to Section 3.1), quantitative data is not available on the broader return on investment for growers or AEs considering participating in the Pilot. This type of quantitative data would assist AEs and growers in making an informed decision about the possible benefits of participating in a low-skilled seasonal mobility program. While repeated engagement demonstrates that the Pilot was attractive to growers and AEs who have participated, the marketing challenge is to engage growers and AEs for the first time. The survey of growers in the Yarra Valley demonstrated that awareness of the Pilot and need for workers alone were not sufficient to encourage growers to consider engaging in a low-skilled seasonal mobility program without further information on the benefits.

Recommendation 4: To support marketing activities, DEEWR should work closely with AEs and growers to develop a return on investment measure for participation in a low-skilled seasonal mobility program to demonstrate the business case for participation to industry.

- **Increase demand for seasonal workers by continuing compliance activities –** A key limitation to the success of the Pilot (as reported anecdotally by stakeholders) has been the prevalence of alternative sources of cheap labour with illegal and undocumented workers. Overseas programs have been able to more easily address compliance issues due to the concentration of employers and workers in a small number of highly productive horticultural regions. Within Australia this has been more challenging with the geographic spread of regions participating in the Pilot. Compliance activities are currently undertaken by a number of Government departments and agencies to detect and deter the use of illegal and undocumented workers and improve workplace practices in horticulture. Coordination of these efforts and targeting of compliance activities to specific regions, where a low-skilled seasonal mobility labour program is about to be implemented, may help to further improve the effectiveness of compliance activities.

Recommendation 5: Target current compliance activities being undertaken by Government departments and agencies to specific locations when a low-skilled seasonal labour mobility program is about to be implemented to increase demand for the Pilot and other legitimate workers.

- **Commitment to Australian workers –** In order to ensure that Australian jobseekers and workers are not displaced Labour Market Testing arrangements have been put in place to ensure that appropriate local Australian jobseekers are provided with any employment opportunities before seasonal workers. The Labour Market Testing process conducted by growers and AEs has resulted in local Australian workers being offered employment, however, in some cases this was not sufficient to meet demand, resulting in the recruitment of seasonal workers (refer to Section 2.1.1).
- There is evidence to suggest that the continued commitment to Australian workers and job seekers has been effective in ensuring that seasonal workers do not displace Australian workers. This is an important arrangement which will be important in ensuring community confidence in a low-skilled seasonal labour mobility program.

Recommendation 6: Continue commitment to an 'Australian worker and job seeker'-first approach through ongoing Labour Market Testing arrangements in the Pilot and any future iterations of the Pilot.