

Minimum Wage Review 2015 – Consultation Questionnaire

Name of Organisation: Horticulture New Zealand

Contact Leigh Catley
Communications Manager
leigh.catley@hortnz.co.nz

Introduction

Horticulture New Zealand is the peak industry body representing New Zealand's 5500 commercial fruit and vegetable growers.

New Zealand's horticulture industry is this country's fourth largest exporter, has a total value of more than \$5 billion and employs 60,000 people.

Our major competitors are Chile, South Africa, China and various South East Asian countries. These competitors all have lower labour costs than New Zealand and receive significant government support.

Labour is the single largest cost for growers making up between 40 to 60% of costs.

Questionnaire

1. What impacts have you observed as a result of changes to the minimum wage?

Over the last five years growers have seen their incomes stagnate and their costs increase.

Their single biggest cost is wages. The gradual but steady increase in the minimum wage has had the effect of reducing their margins. Growers are price takers, not price setters, so the maintenance of a business sustaining margin is paramount.

Since 2011, the number of grower businesses represented by Horticulture New Zealand has reduced from 7000 to 5500. Many of those exiting the industry are doing so because the costs of staying in business are unsustainable.

2. What gains or positive impacts are likely from a moderate increase in the minimum wage rates for you or the people you represent?

None. Last year's increase was 3.5% (from \$14.25 to \$14.75) and this was on top of the previous year's increase of the same amount. HortNZ sees no gains or positive impacts to be made from a further increase at this time. Five years ago the minimum wage was \$13. Now it is close to \$15 – more than a 15% increase in five years.

3. What costs or negative impacts are likely from a moderate increase in the minimum wage rates for you or the people you represent?

See point 2 above. Growers are exiting the industry as their margins are getting squeezed. Increases in the minimum wage have had a very significant impact on the viability of our members and our international competitiveness.

Most workers in the horticulture industry are paid according to their productivity. It is possible for workers to take the attitude that they do not have to increase productivity as they can rely on the minimum wage, and rely on it increasing.

As the minimum wage has increased, grower employers have become more cautious about employing people with no experience due to concerns that they will not achieve the required productivity levels.

4. How do you see the minimum wage working with other employment and income-related government interventions?

Growers will be concerned to see how the impact of the new paid parental leave obligations impact on their businesses. Not only does the leave expand out to 18 weeks next year, it also changes to allow it to apply to a “primary carer” as opposed to a parent, which could have a huge impact on grower packhouses where older women have been employed for a long time, and can now be called away by their families to do ‘grandparent’ parental care. This will undoubtedly cause problems for employers and will have a very significant effect on productivity.

And as we have said in previous years, the relatively between the minimum wage and the unemployment benefit is a significant issue for horticulture. As an industry we see many New Zealanders that have a very poor work ethic and have been rejected by other industry sectors like hospitality and tourism.

We need to ensure that any policy or change to minimum entitlements encourages people to work and be productive. It is critical that the relativity between the minimum wage and the unemployment benefit does not further reduce.

5. What sector or industry-specific issues related to changes in the minimum wage are you aware of? In what circumstances or types of work?

The more the minimum wage rate increases, the more staff are employed on it. Increases in the minimum wage rate have a compressing effect on all wages paid within a business.

In horticulture, harvesting and pruning staff are paid on a piece rate basis where the rate of pay is determined by the worker’s productivity. Piece rates are set by individual growers at a level that enables a reasonably competent and diligent worker to earn well above the minimum wage.

Employees on piece rates that do not achieve the expected productivity levels have their pay “topped up” to the level of the minimum wage. Many growers put new staff on a fixed hourly rate or “top up” piece rate earnings during the initial training period and while workers become accustomed to the work.

The effect of this “topping up” when workers are new is that the employer is spending more on wages, without a corresponding increase in productivity. Therefore the employer keeps the wage rates of other workers down, to offset the additional cost.

This has the effect of reducing morale in other staff as they are unable to be rewarded for their efforts. Turnover is higher in senior staff because they do not feel they are adequately rewarded for the work they do, relative to new staff.

6. Do you think there are additional issues relating to minimum wage rates that are relevant to you or the specific groups you represent or work with?

Horticulture must compete for staff with other major primary sector employers in regional centres and with hospitality and tourism employers in semi-urban centres. Horticulture is a very significant employer of young people, semi-retired people and people who can only work part time (often women). It is not in the interest of the wider community or the national economy for it to become more difficult for these people to get work. But it will be harder for horticulture employers to take on people from these groups if they become too expensive to hire, especially for short term work like picking and packing.

7. What would you consider an appropriate setting for the 2016 adult minimum wage? Why?

Horticulture New Zealand's members would prefer not to see a further increase in the minimum wage rate for 2016. Further increases in the minimum wage will reduce our industry's international competitiveness. New Zealand's horticulture exports are worth \$2.5 billion.

8. Are there any other issues you would like to raise in relation to changes to the minimum wage rate?

HortNZ would like to encourage wider promotion and education about the use of the 'starting out worker' rate. We believe better understanding of this rate would encourage grower employers to hire young people more often.

9. Of the people you represent or employ:

a. What portion of workers are directly affected by the minimum wage?

The vast majority of our members are impacted by the minimum wage as they either directly or indirectly (through labour contractors) employ staff that do not have a high level of formal qualifications and undertake manual seasonal tasks such as harvesting, pruning, grading and packing of produce. In general the majority of these workers earn between the minimum wage and \$20 per hour.

Full time staff are not generally affected by the minimum wage as they are on salaries well above the minimum.

b. How long do people tend to remain on the minimum wage? What factors affect the length of time someone is paid the minimum wage?

As described above, the minimum wage rate is applied to work in horticulture that is of a relatively short duration through a season of harvesting, picking and packing. Workers generally are incentivised to learn and improve their productivity, and therefore will be paid more than minimum over time.

c. Are the wages of people earning above the minimum wage increased as a result of minimum wage increases? Please describe.

Yes. Where 'piece rates' are based on the minimum wage rate, an increase in the minimum will mean an increase in the rate paid to all workers doing that task. Other roles not linked to piece rates may not increase.

d. Are any changes made to improve productivity to adjust for the cost of a minimum wage increase? Please describe.

The horticulture industry constantly focuses on improving productivity. Increasing wage costs have the effect of encouraging grower businesses to look at other types of technology which will replace human workers.

e. What effect has increases to the minimum wages had on business growth?

Wages are horticulture's biggest cost. Cashflow diverted into increased wage bills is money which could have been used to retire debt, or further invest in capital development, science research or applying technical innovation. An increase in the minimum wage rate de-incentivizes business development, and therefore growth.

f. What effect have increases to the minimum wage had on the hours worked by workers?

None. Fruit and vegetables must be picked. Horticulture is a growing industry. New Zealand's fourth largest export earner. Workers will always be needed.