

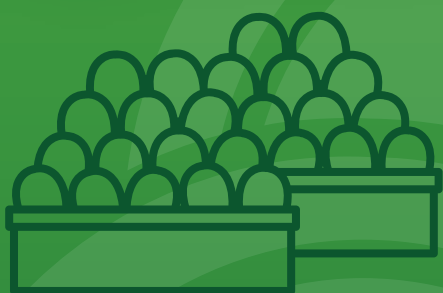
New Zealand Kiwifruit Labour Shortage!!!



Presented by

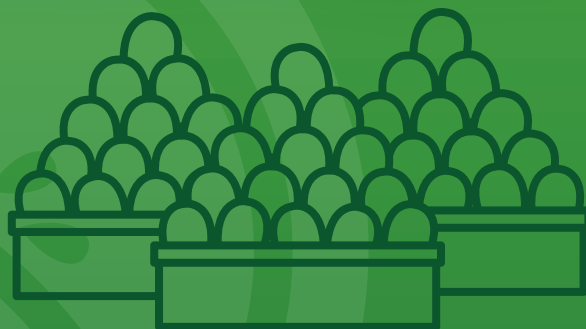
NZKGI
NEW ZEALAND KIWIFRUIT GROWERS

Kiwifruit is New Zealand's largest horticultural export



New Zealand Kiwifruit Production

2017 =
123 million trays



New Zealand Kiwifruit Production

2027 =
190 million trays



\$2.1 billion
Revenue

New Zealand Kiwifruit Industry

in 2017



\$4 billion
Revenue

New Zealand Kiwifruit Industry

by 2027



New Zealand Kiwifruit Growers Incorporated (NZKGI)

NZKGI is the representative body which advocates for New Zealand's 2,500 kiwifruit growers. NZKGI commissioned this Kiwifruit Industry Seasonal Labour Analysis, recognising that severe labour shortages were likely over the next decade. As it happened, the New Zealand kiwifruit industry was 1,200 staff short at the start of the 2018 harvest – the predicted labour shortage has hit our industry earlier and more severely than anticipated. Without intervention, the shortages are going to become even more severe as the kiwifruit industry strives to take advantage of increased global demand. This document outlines the challenges the industry faces in securing staff and possible opportunities for the industry and Government to work together to ease the shortage.

Critical labour shortage could hinder growth in New Zealand's kiwifruit industry

The New Zealand kiwifruit industry is braced for enormous expansion in the next decade – growers are investing big to double industry value by 2027 to meet extraordinary global demand. A Waikato University report predicted GDP contribution from kiwifruit would reach \$6 billion by 2030.

However, a critical labour shortage could severely hamper industry growth. New Zealand kiwifruit growers may fail to make the most of the remarkable opportunity before us because of an inability to find seasonal staff.

In 2018, we were 1,200 workers short at the start of the harvest. Growers struggled to find pickers to get their valuable crops off the vines at the optimum time. Packhouses had hundreds of vacancies. And growers are looking to next season and into the future with deep concern: will there

be enough staff around when their valuable fruit reaches pick-ready perfection?

The 2018 situation is worrying enough. But extrapolate the worker shortage out over the next decade, as numerous new orchards come into production to meet growing global demand for New Zealand kiwifruit, and it is plain the labour shortage could seriously hinder industry growth.

The industry is eager for government assistance in preventing this shortage from worsening.

Situation critical:

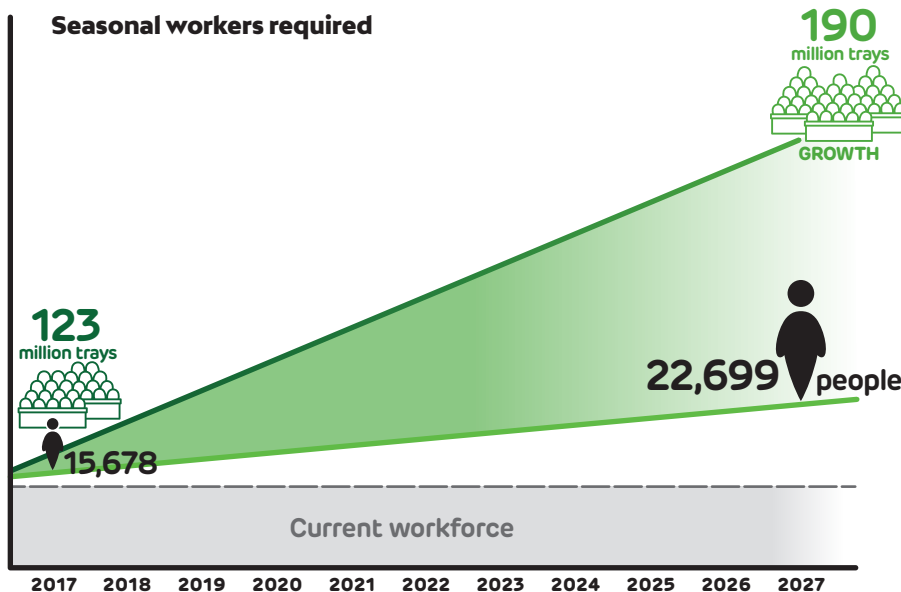
Our research reveals the New Zealand kiwifruit industry will require an additional 7,000 seasonal workers by 2027.

NZKGI's labour analysis has found staff shortages are due to:

- ▶ **Low unemployment rates**, which show no sign of abating.
- ▶ **Fewer people on working holiday visas** choosing to work in the industry.
- ▶ **The short-term nature** of the roles on offer.
- ▶ **Outdated preconceptions** around pay rates and worker welfare.

The industry is working to rekindle interest in seasonal kiwifruit work. These efforts include:

- ▶ Improved worker welfare and pay rates.
- ▶ Planning for increased accommodation and transport to attract employees.
- ▶ Working with the Ministry of Social Development to employ New Zealanders, particularly those who are under-utilised in the workforce.
- ▶ Initiatives to improve attractiveness of roles including improved flexibility (part-time work), reliability of work hours and extended seasonal work contracts.
- ▶ Increased training, qualifications and pathways into the industry through schools and tertiary organisations.
- ▶ Investment in research and technology to ease the burden of future staff shortages.



The industry's efforts need to be complemented by government initiatives to fill job vacancies, so the booming kiwifruit industry can make the most of the growth opportunities ahead.

The kiwifruit industry’s 2018 labour crisis will not be a unique event

Strong demand for New Zealand’s Zespri kiwifruit has led to increased production. In the 2018 season, around 140 million trays will be produced – 20 million more than 2017. This figure is forecast to increase to 190 million by 2027.

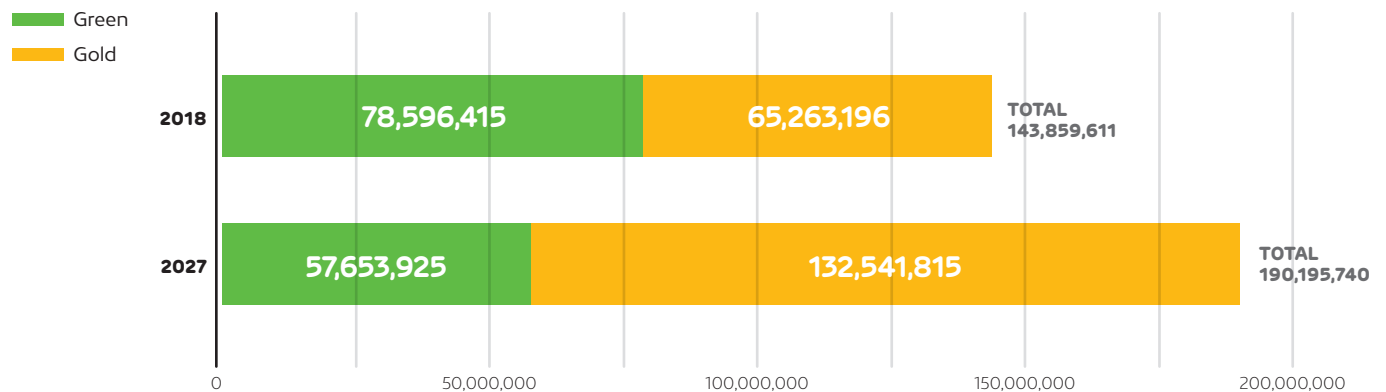
The Ministry of Social Development declared a seasonal labour shortage in May, identifying 1,200 vacancies as almost 70 per cent of the season’s total kiwifruit crop remained on vines awaiting picking.

The increased production of kiwifruit combined with a severe shortage of labour in New Zealand has created the perfect storm for a crisis. It is concerning to note that without swift intervention from the kiwifruit industry and Government, this crisis will not be isolated to 2018.



Looking ahead

Growth plans (trays)



What’s behind the shortage?

The current labour crisis has eventuated because of several converging factors:

- ▶ **Low unemployment:** Bay of Plenty unemployment rates are low at 5.1 per cent, leaving fewer people available for work than in previous seasons.
- ▶ **Decreases in international students** following the closure of some international schools.
- ▶ **Decreases in employees with working holiday visas**

The last two categories usually fill 20 to 30 per cent of vacancies.

Further challenges complicating the appeal of employment in the kiwifruit industry include:

- ▶ The inconsistency and seasonality of work.
- ▶ Inaccurate perceptions surrounding pay rates and worker welfare.
- ▶ The types of employees the industry attracts with vastly varying efficiency rates.

This places a greater dependence on the Recognised Seasonal Employer (RSE) scheme, which attracts workers from the Pacific Islands, but is currently capped at 11,100 nationally.

The kiwifruit industry labour shortage: a closer look

New Zealanders are the priority workforce

The kiwifruit industry is working hard to attract New Zealanders; it is our priority to employ Kiwis. Various initiatives are underway to build the profile and accessibility of the industry for local jobseekers and school-leavers.

Under the Pipeline Project, kiwifruit employers have been working with the Ministry of Social Development to place unemployed clients into work. Large employers provide in-work training through Polytechs, the Primary ITO or independent training providers. The industry is also working with the Kiwi Leaders programme, which aims to build a skilled Māori workforce in the primary industries to attract young people into jobs.

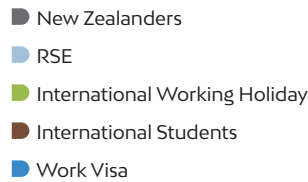
Various other initiatives include work in secondary schools to promote opportunities and leadership and development programmes to encourage workforce retention and transition to full-time roles.

Inconsistency and seasonality of work

For many people seeking full-time work, the kiwifruit industry does not appeal because full-time work is not available all year. Kiwifruit pickers and packers are also on casual contracts, meaning they do not get paid when work stops. Their income is hampered by wet weather and during other hold ups in the supply chain. More consistent employment options in other industries, such as hospitality and construction, are often deemed more attractive.

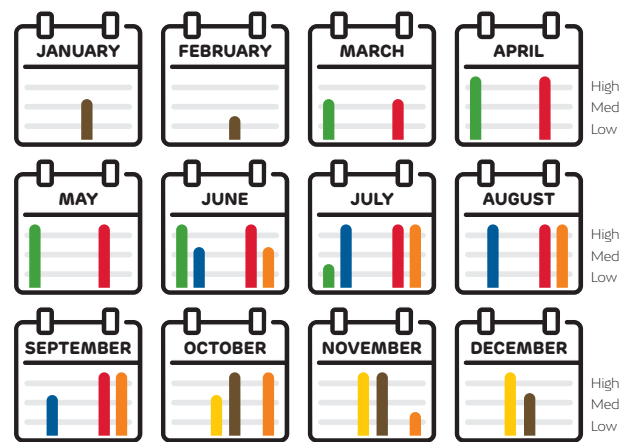
There is also a very short window – a matter of days or weeks – for picking kiwifruit before winter weather takes hold. New Zealand's \$2.1 billion kiwifruit industry is centred around the Zespri brand being associated with high quality fruit. If kiwifruit are left on the vine too long, or if they become affected by frosts or hail, the quality changes, and the fruit becomes unsuitable for export.

Source of workers
(combined orchard and packhouse)



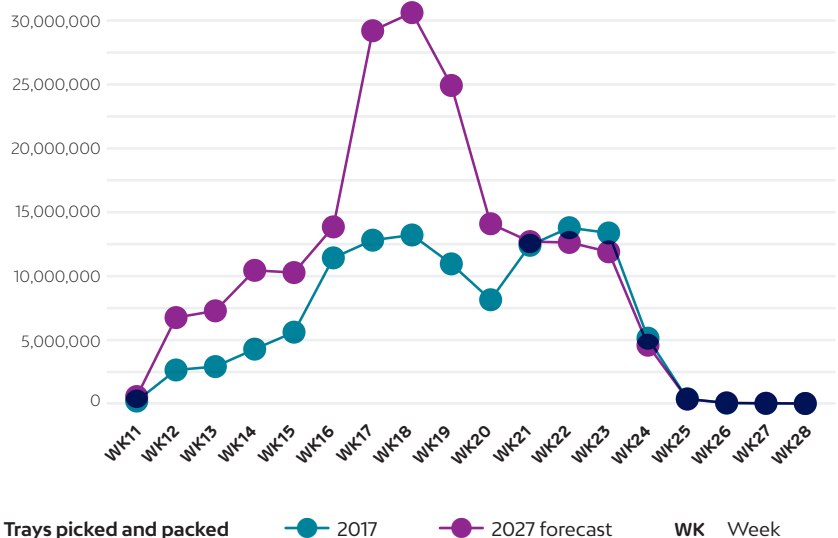
Orchard/packhouse pressure timeline

Activity by month



Over the next 10 years, New Zealand kiwifruit production is scheduled to grow rapidly. Gold kiwifruit, which is more labour intensive than Green, will account for two-thirds of the industry by 2027. Not only will the industry require more workers in 2027, there will also be an extreme peak of workers required during the Gold harvest. This will be challenging for the industry to resource.

Weekly picking and packing demand



This forecast is calculated as a percentage increase upon 2017 volumes and does not take seasonal or storage variables into consideration.

The kiwifruit industry labour shortage: a closer look

continued

Pay rates

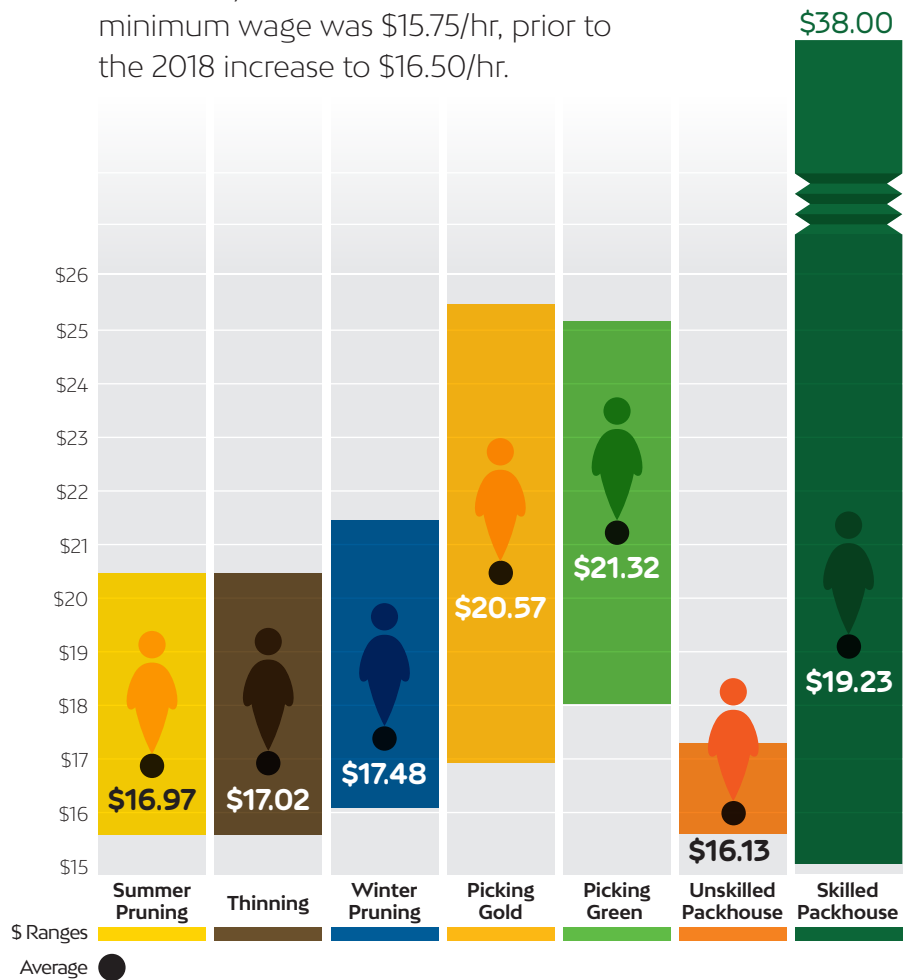
NZKGI's Labour Needs Analysis found that 2017 pay rates for picking averaged \$20.95. While this is a notable increase on previous years, many potential workers appear unaware of these improved rates and maintain the perception that kiwifruit work is poorly paid.

Packhouse work is more consistent and less physically demanding, with an average hourly rate for unskilled workers of \$16.13. In addition, there are a wide range of seasonal skilled packhouse roles earning on average \$19.23.



Average and range of pay rates for seasonal workers in 2017

The survey was conducted when the minimum wage was \$15.75/hr, prior to the 2018 increase to \$16.50/hr.



Recognised Seasonal Employer scheme (RSE)

The RSE scheme is critical to the kiwifruit industry. While providing only 17 per cent of the seasonal workforce in 2017, these workers are extremely efficient and reliable. They are relied upon for critical labour for nightshift and weekend work, as well as winter pruning – all of which have proven difficult roles to recruit New Zealanders in to. As the numbers of RSE workers allocated to kiwifruit does not meet demand and fluctuates year-on-year, the kiwifruit industry lacks the certainty it needs to invest in areas such as accommodation to utilise this resource.



The kiwifruit industry labour shortage: a closer look

continued

Accommodation

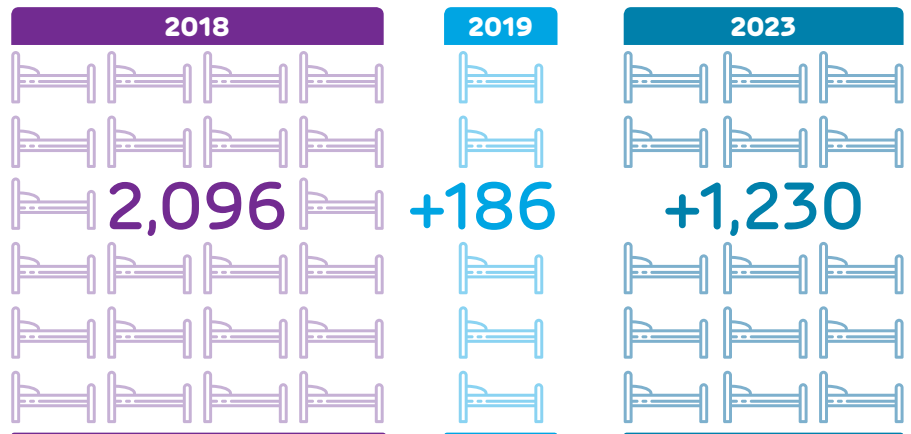
The Bay of Plenty region has an accommodation shortage, particularly the Western Bay of Plenty towns where the bulk of the kiwifruit orchards and packhouses are found.

As a consequence, kiwifruit industry employers have considered building or converting existing buildings to create accommodation facilities for their staff. This is largely driven by the need to house RSE workers.

However, the cost of acquiring consents for new builds is prohibitive, which leaves smaller contracting businesses struggling to fund the upfront costs of approvals. In several cases, sewerage and water consent fees have also been prohibitive.

There are currently 2,096 beds available for seasonal workers in the BOP. There are plans for 1,416 additional beds by 2024.

Plans to increase accommodation in 1 and 5 years



Worker welfare

In the past, the kiwifruit industry has faced issues around worker welfare, particularly around pay. Since 2018, all employers must be registered and audited through the internationally-recognised GLOBALG.A.P (Good Agricultural Practice) and GRASP (GLOBALG.A.P Risk Assessment on Social Practice) programmes¹.

While these compliance systems are now compulsory and significant worker welfare improvements have been made, lingering misconceptions continue to deter potential employees from kiwifruit work.

Research and development

Research is underway on the potential for automation in both orchard and packhouse operations. However, there is very little practically available in the near future which will have a significant impact on the burden of labour shortages.



The two activities that require the highest labour input on orchards are harvesting and pruning. A mechanical harvester is being trialled but is at least five years away in terms of practical implementation. An automated solution for winter pruning is even more difficult and is unlikely within the next 10 years.

Transport

During our research we interviewed kiwifruit industry employers who believe offering transport will not attract more staff. Many workplaces have offered transport to get workers to and from orchards and packhouses, but the number of employees utilising the service has generally been inconsistent and/or uneconomical.



¹ These programmes ensure that safe and sustainable systems and standards are being demonstrated by growers – not just on their orchards but also within their labour force. This places a particular focus on ensuring employees are receiving their legal entitlements, which includes provisions such as employment contracts, minimum wage requirements and holiday pay. The monitoring and compliance requirements within these programmes involve in-season audits to ensure industry standards are being met.

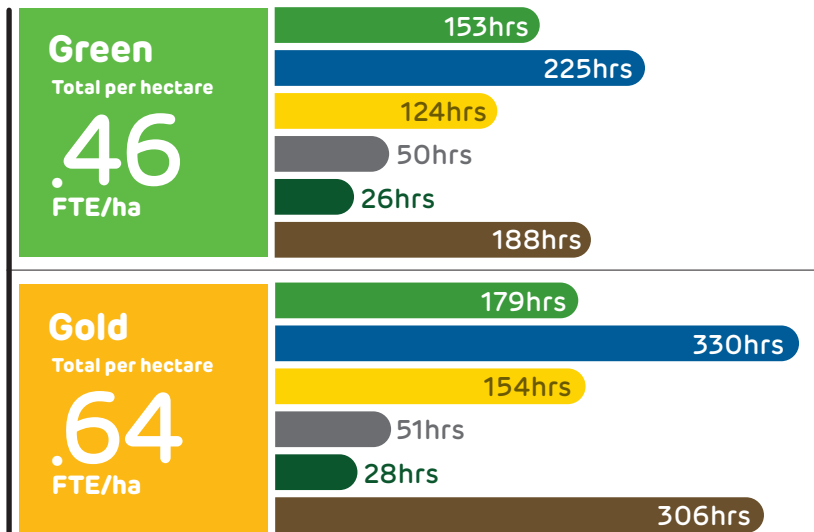
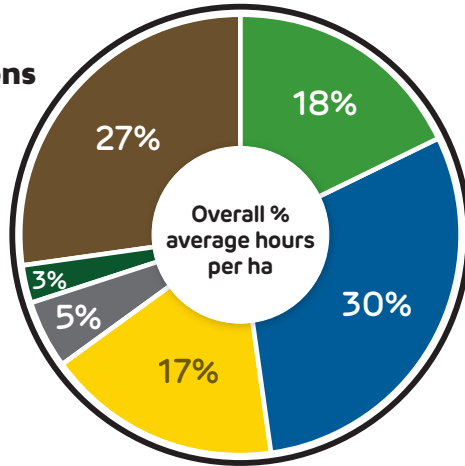
Key findings – NZKGI labour needs analysis

We conducted our worker shortage research prior to the 2018 harvest, gathering a representative body of information from across the industry. The analysis revealed a number of issues, as outlined in the preceding pages, and provided detail for a number of interesting graphs. Here are three that show the basis for our seasonal worker requirements.

2017/18 orchard operations

Total hours / per task / per hectare

- Picking
- Winter Pruning
- Summer Pruning
- Male Pruning
- Girdling
- Thinning



2017/18 packhouse operations

Packing capacity / per person (Grading, Packing, Tray Prep, Re-Packing)

