

27 November 2019

Employment Relations Policy team
Labour and Immigration Policy
Ministry of Business Innovation & Employment
PO Box 1473
WELLINGTON 6143

Via email to: FairPayAgreements@mbie.govt.nz

Dear Sir/Madam

Re: Fair Pay Agreements

Please find attached a submission from the kiwifruit industry on proposed Fair Pay Agreements.

Please do not hesitate to contact us if you require any further information on this submission.

Yours sincerely



Sarah Cameron
Senior Policy Analyst

TO: Ministry of Business Innovation & Employment

SUBMISSION ON: Fair Pay Agreements

NAME: NZ Kiwifruit Growers Inc (NZKGI)

ADDRESS: PO Box 4246, Mount Maunganui South, 3149

1. The kiwifruit industry in New Zealand

The kiwifruit industry is a major contributor to regional New Zealand returning \$1.8b directly to rural communities in 2018/19. There are ~3000 growers, 14,000ha of orchards, 10,000 permanent employees and up to 25,000 jobs during the peak season. Approximately 80% of New Zealand's kiwifruit crop is grown in the Bay of Plenty and the industry is expected to grow its global sales to \$4.5b by 2025 which is an increase from \$3.1b in 2018/19.

New Zealand kiwifruit growers export and market kiwifruit to more than 50 countries around the world. New Zealand Kiwifruit Growers Inc is a grower advocacy organisation that advocates, protects and enhances the commercial and political interests of New Zealand kiwifruit growers.

2. General comments

The Fair Pay Agreement Working Group (FPAWG) recommends reintroducing compulsory, centralised, collective bargaining that were commonplace prior to 1990. This would replace New Zealand's existing labour market regulations which would allow minimum terms and conditions of employment to be set across whole industries or occupations.

The kiwifruit industry does not support the introduction of Fair Pay Agreements (FPA) for the following reasons:

1. The Employment Contracts Act (ECA) 1991 abolished compulsory union membership and scrapped the system of industrial awards however, the FPAWG recommendations would essentially return industrial awards as an employment requirement. Industrial awards set the minimum standards that an employer in an industry is allowed to pay and sets the same conditions of employment and wages. The industry does not support returning to this type of system as this would remove flexibility for the worker based on their own personal circumstances.
2. If wages increase due to an FPA, there is a real risk that FPAs will cause job losses as many businesses/industries will be unable to recoup the increase to wages from customers. This will likely be felt most by low income families.
3. The kiwifruit industry pays an average hourly rate of between \$18.01 and \$22.89, depending on the labour type and the task performed. This is between 31cents to \$5.19 higher per hour than the \$17.70 minimum wage at the time the surveys were carried out. Labour costs account for 70% of all operational growing costs for kiwifruit growers. There is no question that wage increases due to FPA would impact grower profitability.

4. This would likely mean that growth and expansion plans (in order to meet market expectations) would unlikely be achieved due to reduced orchard returns. Reduced profitability of the industry would also likely impact on capital investment required for innovation and infrastructure advancements.
5. The FPAWG recommendations will take away a workers choice on who represents them in wage negotiations. The worker should always have a choice on who represents them in negotiations.
6. FPAs will remove the flexible working conditions that are now commonplace in most businesses. Flexible working provides families an opportunity to work hours which suit their family dynamic. This policy is encouraged throughout the kiwifruit industry where appropriate.
7. New Zealand business confidence has recently been at an over 11 year low. It is not clear how FPA will help to increase these levels. It is suggested that business confidence would erode further if FPA were introduced due to impacts on profitability and uncertainty.
8. It is not clear how minimum standards can be set across an industry. The kiwifruit industry has many roles including:
 - i. CE of post-harvest facility
 - ii. Zespri office worker
 - iii. Kiwifruit picker/packer
 - iv. Agrichemical sprayer
 - v. Truck driver

The industry submits that it would be impossible to set a wage rate as a minimum standard across the varying types of roles.

9. The industry strongly supports the current employment law be retained as this provides the worker the ability to negotiate their own terms and conditions that reflect their personal situation. Having blanket minimum standards is outdated and inefficient.

3. Other submissions

NZKGI supports the submission from Business New Zealand