
TO: MBIE
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SUBMISSION ON: Minimum Wage Review

NAME: NZ Kiwifruit Growers Inc (NZKGI)

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1. The kiwifruit industry in New Zealand

The kiwifruit industry is a major contributor to regional New Zealand returning \$2.25 billion directly to rural communities in 2020/21. There are ~2,800 growers, 14,000ha of orchards, 9,250 permanent employees and up to 24,000 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 \$4.5 billion by 2025 which is an increase from \$3.58 billion in 2020/21.

2. Wage increases in the kiwifruit industry

The industry has significantly increased wage rates in recent years, with almost all workers receiving at least the living wage and much higher for the most productive workers on orchards. Average pay on-orchard was \$24.35/hour in 2020. Indications are that wages are significantly higher in 2021 and there are examples of average orchard wages of more than \$29.24 per hour (picking gold) while packhouse average hourly rate is \$22.35, and higher for more skilled roles. As well as significantly lifting wage rates, the industry has improved working conditions such as providing more flexible shift times, days of work, other incentives, free meals and assistance with travel.

Despite the labour attraction campaign and the significant increase in wages, the kiwifruit industry has been unable to fill the gap left by fewer overseas workers (pacific workers and working holiday visas). Pay does not appear to be the reason for labour gaps for New Zealand workers. In some cases, it appears the 'income effect' is overpowering the 'substitution effect' and higher wages are reducing the supply of labour (as workers can earn their target income with fewer hours worked). High housing costs and lack of accommodation also discourage workers from travelling between regions for work.

3. Overview of the Kiwifruit Industry Labour Market

At the peak of harvest, the kiwifruit industry requires around 24,000 workers for three-to-four months of the year from March to June, on top of approximately 9,250 permanent workers. There is also high demand for skilled seasonal workers during other parts of the year,

such as for pruning. New Zealanders make up almost all of the 9,250 permanent workforce as well as the majority of the seasonal workforce (~60 percent).

Over the past three years, the industry has employed 3,500 additional New Zealanders in the seasonal workforce. In 2021, 2,250 people on the jobseeker benefit in the Bay of Plenty were employed into the kiwifruit industry (an increase of 30 percent on 2020).

As well as lifting productivity and wages over time, kiwifruit is a significant source of income and employment for Māori. Māori-owned kiwifruit orchards generate \$165 million of revenue and approximately 75% of all Māori horticultural revenue is from 1200 hectares of productive kiwifruit land. 47 percent of New Zealand's seasonal workers were Maori in 2021.

5. Minimum Wage Review

This section sets out NZKGI response to MBIE's questions relating to the minimum wage review and is direct feedback from growers

What effects have you observed as a result of changes to the minimum wage?

- Some employees have a minimum number of hours they wish to earn each week. As the minimum hourly rate increases, they simply work less
- A move towards paying contract rates rather than paying an hourly rate

It is worth noting that any further increases to the minimum wage will have detrimental effects for Hayward (green growers). Hayward returns are significantly less than SunGold growers and any additional labour costs will impact on orchard gate returns (revenue received by an orchardist after post-harvest costs are deducted)

What positive effects are likely to result from increases in the minimum wage rates for both employers and workers?

- Increased take home pay
- Workers feeling more valued
- Feel more motivated to do a better job

Often workers are sending money to other family members, which is very important to them, therefore an increase will be able to support family more

What negative effects are likely to result from increases in the minimum wage rates for both employers and workers?

- Workers may work less hours
- Output remains the same but cost increases
- Increased growing costs without being able to be passed onto the consumer
- May be seen as a reason to increase all staff wages
- Less capacity for employers to invest in research and development and automation

What are your views on setting indicative rates until 2024? If you agree, what would you consider an appropriate index (inflation, wage growth or price indices) to use to inform these rates?

Growers agree that setting indicative rates over a number of years provides certainty and clarity and that setting the minimum wage should be set as a percentage of the median wage.

Are there any other changes the government can make alongside the minimum wage that would be helpful in the current environment

- A less restrictive border for double vaccinated workers entering the country
- Tax incentives for the investment in automation to offset the labour shortage

6. Conclusion

There are a range of factors which are already driving up costs for orchard owners and the wider industry (i.e. environmental regulations, supply chain disruption etc.) and further wage increases will have significant impacts on growth and the industry's economic sustainability. There is also considerable uncertainty over the short to medium term caused by the global pandemic, including serious supply chain disruption and cost increases.