



TO: Productivity Commission

DATE: 23 December 2021

SUBMISSION ON: Immigration settings

FROM: New Zealand Kiwifruit Growers Inc (NZKGI), Zespri International Limited (Zespri) and Māori Kiwifruit Growers Inc (MKGI)

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, 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 \$4.5 billion by 2025 which is an increase from \$3.58 billion in 2020/21.

Zespri is a New Zealand company owned by New Zealand kiwifruit growers which exports and markets kiwifruit to more than 50 countries around the world.

NZKGI is a grower advocacy organisation that advocates, protects and enhances the commercial and political interests of New Zealand kiwifruit growers. NZKGI is independent from Zespri.

MKGI was established in 2016 to achieve leadership at all levels of the industry, increase returns and production and achieve more efficient access to information/better data of Māori profile within the industry.

2. General comments

The industry welcomes the Productivity Commission's review of New Zealand's immigration settings, and we agree that lifting New Zealand's productivity is critical to increasing the living standards of New Zealanders. The kiwifruit industry relies on temporary migrant labour to fill predominantly seasonal (i.e. for a few months) and regional jobs, where there are very few available New Zealand workers.

3. Overview of the Kiwifruit Industry Labour Market

At the peak of harvest, the kiwifruit industry requires around 25,000 workers for three-to-four months of the year from March to June, on top of ~10,000 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 the ~10,000 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). However, overseas workers are necessary to complement New Zealanders in the labour market. In a typical pre-pandemic year, overseas workers on Working Holiday and RSE visas make up around 40% of the seasonal workforce.

To support industry growth, the industry will require an additional 1,000 employees every year (on top of the current 25,000 seasonal workers). This is due to increased production of around 10-14 million trays each year for the next three years from licences already released of Zespri's high-value SunGold and RubyRed varieties. Yet the availability of labour is shrinking. In the 2021 season, approximately 50 percent of the usual number of RSE workers (14,400) and less than 25 percent of the usual working holiday visas were in the country. We note that kiwifruit is only eligible for 17 percent of the RSE workers allowed in the country, despite making up 32 percent of New Zealand's horticulture exports.

We estimate the kiwifruit industry experienced a labour shortfall at peak harvest this season (2021) of 4,500 people. The main impact of the labour shortage this season is higher fruit loss, due in part to delays in picking and packing the fruit. Current estimates are for fruit loss three times higher than last season for SunGold and four times higher for green kiwifruit. Combined, this will reduce export returns to New Zealand by \$65m this season alone. Labour shortages also lead to quality issues which impact on customer and consumer relationships in the market, affecting the industry's hard-earned reputation and commitment to quality.

The shortage of seasonal workers next season is expected to increase to around 6,500 people under current policy settings primarily due to the reducing pool of working holiday visas (due to border closures) against a backdrop of industry growth and increased labour demand.

To continue to support the healthy and sustainable growth of our industry, we estimate we will need around 1,000 additional seasonal workers per year over the next 5-6 years, yet the pool of available labour is shrinking. The growth in labour demand is lower than volume growth in the industry due to productivity improvements (particularly in packhouses).

We have responded to the challenge of labour shortages with labour attraction campaigns, training programmes, increasing pay rates, investing in people, enforcing compliance, pastoral care initiatives, accommodation provision and establishing long-term pathways for permanent employment.

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 Māori in 2021.

4. Comment on Productivity Commission Questions and Preliminary Findings

Question 1: To what extent does access to migrant labour reduce training and upskilling activity by employers? Do effects on training and development differ by industry? Are there areas of the economy in which New Zealand should be training people that are currently disproportionately supplied by migrant workers? How could policy best respond?

The employment of temporary migrant workers has a positive impact on training and upskilling both permanent New Zealand workers and temporary migrant workers.

The kiwifruit industry is actively investing in automation and other technologies, as well as in research and development to unlock efficiencies in the supply chain. A key element to the kiwifruit industry is the need to upskill our workforce as we progressively adopt automation and other technologies. This includes both our permanent New Zealand workforce and our temporary migrant workforce. One is not a substitute for the other as both workforces need to develop their skills.

5. Comment on Productivity Commission Preliminary Recommendations

Following on from our initial submission, this section provides commentary on the recommendations relevant to the kiwifruit industry.

Recommendation 1: The Immigration Act should be amended to require the Crown to take account of the country’s absorptive capacity (our ability to successfully accommodate and settle new arrivals) when determining the “national interest”.

We submit RSE and temporary migrant workers do not directly impact on New Zealand’s absorptive capacity and therefore we request that RSE workers are not included in the absorptive capacity count.

In September 2019, Cabinet put in place four conditions for the national RSE cap to increase to 16,000.

1. Reduce the use of residential housing in key regions
RSE workers are generally housed in converted orchard properties or purpose-built accommodation units. From 2018-2021 there has been a reduction of 294 urban houses used to accommodate horticultural workers.
2. Increase the number of purpose-built beds that add to the housing stock
Since 2018, capacity has increased by 6,408 horticultural beds which is projected to increase to 13,253 beds by 2025.
3. Make jobs more attractive to New Zealanders by improving conditions
The harvest hourly wage rate is now \$26.23 and flexible working conditions have been implemented. The industry has also implemented training programmes, pastoral care initiatives, accommodation provision and establishing long-term pathways for permanent employment as well as enforcing compliance to ensure workers are well cared for.
4. Remove the barriers for New Zealanders to participate (such as providing transport, accommodation and training for New Zealanders).
Of the 8000+ roles currently advertised on PickNZ the following percentage of employers provide the following benefits:

Benefit Provided to Workers (not RSE)	
Accommodation	50.4%
Transport	37.7%
Flexi Rosters	18.1%
Bucket / Bin Rate Bonuses	34.9%
Social Club and Events	24.6%
End of Season Bonuses	16.4%

To further quantify RSE workers’ non-reliance on NZ infrastructure, worker involvement in three areas is detailed:

- RSE workers do not impact on New Zealand’s education system. The modest literacy, numeracy and financial literacy training, called Vakameasina provided to RSE workers, is funded through New Zealand Aid and provided by private education providers.
- RSE workers have their own private health insurance as a compulsory requirement of accessing an RSE visa.
- RSE workers are often housed at their place of work. They are transported in large groups either in minivans or buses and do not impact on New Zealand’s roading infrastructure.

Recommendation 2: The Immigration Act should be amended to require the Minister to regularly develop and publish an immigration Government Policy Statement (GPS).

NZKGI, Zespri and MKGI support the Commission's recommendation for transparency, flexibility, and long-term planning in immigration settings.

We assert the GPS definition of *absorptive capacity* should not include RSE and temporary migrant workers.

Prior to the COVID-19 pandemic, the current systems were not keeping pace with industry growth and the required increased number of workers needed for seasonal labour brought about by the increase in fruit volume – it was acting as a constraint on growth. Accordingly, this recommendation provides confidence for long-term investment and overall business growth.

Recommendation 3: Amendments to the Immigration Act should specify that, in preparing an immigration GPS, the Government must describe what it considers New Zealand's absorptive capacity to be and how it intends to manage that capacity, or invest to expand capacity, in order to align it with long-term policy objectives.

To provide employers with certainty around access to RSE workers will help with productivity planning and therefore the industry supports this recommendation.

Recommendation 4: The Ministry of Business, Innovation and Employment should develop and publish an evaluation programme for major visa categories, to assess their net benefits. Uncapped visa categories and those that offer open work rights, such as the various bilateral working holidaymaker schemes and student work visas, should be priorities for evaluation. The Investor 1 and 2 migrant categories would also merit evaluation.

The industry supports this recommendation however notes that entry to New Zealand should be based on skill shortage and not using wage or salary rates. Where skill shortages are impeding growth and productivity – this should be the determining factor.

Recommendation 8: The Government should remove visa conditions that tie temporary migrants to a specific employer.

We do support the removal of visa conditions that tie temporary migrants to a specific employer, except for the RSE and any similar scheme, where there are strong processes in place including labour inspectorate regular compliance audits and Immigration NZ approvals linked to conditions of employment, pastoral care and accommodation standards to protect workers. Many RSE workers work in different horticulture sectors and regions through the Agreement to Recruit (ATR's) scheme.

6. Conclusion

In summary, the industry has worked tirelessly to recruit New Zealanders by increasing pay rates, introducing flexibility along with other initiatives, however, with record low unemployment, labour shortages persist. Alternatives to migrant labour in the kiwifruit sector are not yet available, though the industry is investing to develop them, aided by the employment of migrant workers who help the industry to continue to grow. Restricting migrant labour will therefore reduce productivity, not increase it. The kiwifruit industry is a key pillar in the government's primary sector-led COVID-19 recovery and is needed to support the Climate Change Commission's recommendation to transition high emissions land use to horticulture for relatively improved environmental standards and emissions reductions. To achieve these ambitious and real opportunities, the industry must have the confidence to continue to invest for the future. Labour shortages will erode the confidence to invest in continued growth in the industry.

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