

This publication is a must have for employers, employees and contractors alike. FarmStaff 2008 not only provides transparency to salaries and contract rates charged, it also provides an insight on how to maintain professional relationships that are not just dependent on the salary.

Finding, retaining and rewarding good employees on a farm has never been harder, but more importantly, in an increasingly competitive and deregulated employment environment, it is unlikely to ever become any easier. With ever intensifying competition for a labour force in short supply, industry awards as a means of benchmarking salaries are becoming less relevant. In addition, industries such as mining are competing directly for the traditional sources of farm labour by offering very high salaries that farms cannot compete with. Young people are also better educated and looking for fulfilling job opportunities nationally and even internationally now because travel and communication is less of a barrier.

This environment explains why there is an ever increasing demand from farm employers for more information in relation to employment of staff. This report is a direct response to that demand and has grown from a survey of 50 farm businesses in 2003 where we reported the variation in salaries only, to the current comprehensive report covering employee salaries, incentive schemes, employee needs, the situation in other industries including mining and contractor relationships.

Survey responses have come in from all states and territories, and from farm businesses with up to \$90 million in assets under management.

This report is unique to broadacre Australian agriculture because of:

- The number of participants and the accuracy and transparency this gives to the information reported.
- The information contained on the problems faced by competing industries such as mining.
- The information provided on contractor relationships as an ever increasing means of getting work done on farms.
- The geographic spread and the range in farm size providing comprehensive comparisons for all farms.
- The large scale employee survey asking them what they would like from the employment opportunity on farm.
- The information it contains on motivating staff through financial and non-financial incentive schemes and bonuses.
- The information it contains on means other than salary for creating a rewarding employment experience for employees.

In this regard, farm employers have long been disadvantaged in comparison to their competitors in other industries. Whilst this sort of information and training for employers has long been available in other industries, Australian farmers have had no readily accessible references available to them.





In coming years the growth in available labour will only represent a fraction of the projected requirements. This is likely to lead to considerable pressure on salaries irrespective of what mining can afford to pay. To combat this, good management will involve working hard to keep the employees you already have with a good work environment and fair remuneration and a constant drive to reduce labour costs through improved labour efficiency.

The managing director of a regionally based mine is addressing his senior management team. "We have to fix this issue. I estimate that it is costing us \$2.8M per annum in lost production, recruitment costs and training and induction. What is going on?"

At the table there are only blank looks and after a few minutes of this the managing director erupts. "Most other industries don't offer them nearly as much as we do. You mean to tell me that we can't get these people to come and stay with salaries double what they can get elsewhere. There is something seriously wrong here, we have to find a solution"

This is not make believe. The mining industry is under severe pressure to come up with ways to retain staff at a time where they expect a further shortfall of 50,000 employees by 2010 on top of the replacements for those that leave the industry.

EMPLOYEE RETENTION

The mining industry knows that throwing more money at their employees does not solve all of their problems. Whilst the money they offer certainly attracts applicants it does not provide a long term solution. The 2002 Australian Bureau of statistics labour mobility survey revealed that the mining sector has greater than 20% average employee turnover compared to a national average of 15% per annum.

In an industry of about 110,000 employees, this represents at least 22,000 employees that must be recruited each year.

Importantly, the same survey revealed that the Agriculture, Forestry and Fisheries sector has only

an 8% turnover giving it the highest retention rate of employees of nearly any industry. This retention rate is no doubt helped by the fact that over half of the workforce are owners, however, and unfortunately for agriculture, the reality is that in a steady state the industry has approximately 380,000 employees and therefore there is still 30,400 people to be recruited each year.

These statistics suggest that the issue of finding employees needs to be broken down into a few parts;

- The number of positions that will be required.
- The likelihood of finding those positions.
- The role of salaries.

REQUIRED POSITIONS

Table 2.1 shows the number of employees that must be found in the mining industry and in agriculture.

Whilst the mobility survey showed that 20% of people change jobs annually, in the mining sector only approximately 9% are expected to leave the industry. Likewise for agriculture where 8% are expected to change jobs only 4% are expected to leave the industry.

In the mining industry with a loss rate of 9% there are 9,900 employees required per annum just to maintain a steady state. On top of this they expect that they will require a further 50,000 employees in the short term to meet capacity demands from the resources boom. This means they need a total of 59,900 new employees in the short term. From that point onwards if no further people were required because of increased capacity demands they would require 14,400 each year to replace those exiting the industry.

In agriculture, with a loss rate of 4%, 12,400 new employees are required per annum to maintain a

Table 2.1: Mining and agriculture alone could absorb half of the expected increase in the Australian workforce over the next couple of years

	Employees	Loss Rate	Replacements	Additional	Total	Ongoing
Mining	110,000	9%	9,900	50,000	59,900	14,400
Agriculture	310,000	4%	12,400	80,000	92,400	15,600

steady state. On top of this, the National Farmers Federation expects that at least 80,000 more jobs will be required to get back to pre-drought capacity. This means a total of 92,400 people need to be found in the short term. From that point onwards, if no further people were required because of increased capacity demands, agriculture would require 15,600 each year to replace those exiting the industry.

LIKELIHOOD OF FINDING THE PEOPLE

To put some perspective on the size of the task in front of both the agriculture and mining sectors, it is worthwhile looking at the expected gap between jobs created in the Australian workforce and demand. The Australian Bureau of Statistics predicts the labour force will increase by approximately 150,000 people per annum over the coming years or by 300,000 to the year 2010.

Assuming the expected increase in the mining and agricultural sectors were to occur over the next two years, then the mining and agriculture sectors could use half of the projected increase in the labour force over the next two years by themselves.

Currently these two sectors employ 4% of the total workforce and therefore to hope that they could capture 50% of the increase in the workforce would be unrealistic.

The message is therefore that there is not going to be enough people in the workforce to fill the expected requirements no matter what the industry. It is not just agriculture that is feeling the strain. This is a massive dilemma for all industries.

To make matters worse, the greatest deficit in people is going to be in the categories of semi-skilled and unskilled workers. These are categories that are utilised widely in Agriculture.

It is projected that the availability of labourer and related workers will decrease into the future, whilst the semi-skilled workers category will have virtually no growth whatsoever. The inference here is that not only will there be a shortage of people, but if we don't change the type of roles that those people have to perform there will be no growth in the people available for the labour and semi-skilled

roles at all.

THE ROLE OF SALARIES

As a means of attracting employees in regional areas the ability to pay higher salaries gives the mining sector an edge over agriculture. This is obvious and visible as people are attracted to the salaries and very keen to gain employment in mining.

But the retention rate problems in the mining industry also indicate that the use of higher salaries to attract people to the industry is only part of the solution. Keeping people is just as big an issue.

When those well paid people leave on a regular basis then it becomes a treadmill. Having higher rates of pay compared to other industries to attract more people helps but then when they leave, there are all of the issues to do with lost productivity, recruitment and training that comes from continually seeking new employees. At higher rates of pay the costs of recruitment and training are also higher.

Agriculture will not be able to compete with mining on salaries in the short term because it has not found ways to improve labour efficiency to the point where labour is a small enough part of the overall cost base. In an average year labour and labour related expenses typically come to between 25% and 35% of the total costs base of the farm. Any significant increase in this cost base will have very significant implications for the overall profitability of the business.

It is fortunate therefore, in an environment where we are likely to see significant increases in wages over coming years as a result of demand pressures on the workforce, that agriculture has some other positive attributes which help to retain people. In essence those traits relate to lifestyle.

THE WAY FORWARD

Agriculture will be dragged along with all other industries facing wage inflation and therefore expect significant increases in salaries in coming years. However, as already stated Agriculture will not be able to compete using salaries alone.

For the individual business, not only is there competition with other industries but also competition within the industry and therefore the business needs