

Dear Minister

Agricultural Sector Bill

1. As you know I was an Independent Member of the Agricultural Wages Board for England and Wales, appointed by Ministers as the representative of the Welsh Government and I am writing to you in that capacity. Now that the Board has been abolished and with the introduction of the Agricultural Sector Bill in the Assembly I thought it would be appropriate for me to offer some perspectives drawn from my experience on the England and Wales Board, from my earlier experience as Director for Agriculture in Wales and from my other recent involvement in the agriculture sector (Chairman, Lantra Wales and Chairman of the Welsh Levy Board). The views expressed are my own except where referenced to reports and documents produced by others.

Labour Market Intelligence (The demand for skills)

2. In March 2011 Lantra produced a report of a research project, which examined the skills gaps and the skills training required to foster growth in the Welsh Food and Drink Supply Chain. This supply chain employs 230,000 workers that represent 18% of the workforce of Wales. The Welsh Government commissioned the research with support from the Sector Priorities Fund, which included support from the European Social Fund. The research collected data from 1,875 businesses. The sector in this research that is relevant in the agriculture context is that of primary food production. In this sector there were a number of key skills that were reported as important. Some examples of those skill gaps included operating and maintaining equipment, waste awareness, management of raw materials and environmental awareness and practice. These skills gaps relate to health and safety issues and the importance of agriculture as a key activity in supporting rural communities as well as contributing to the development of a sustainable agriculture industry in Wales. As these activities cost money to the farmer, the more efficiently they can be carried out the greater the productivity of the farming enterprise due to reduced costs and therefore greater profitability. These results clearly demonstrate that greater efforts are needed to enhance the skills and qualifications in the agriculture sector.

3. The research also demonstrated that over a half of crop producers and more than a third of livestock producers had diversified their businesses. Over two thirds of those who had undertaken diversification were businesses with 2 or 3 employees. By definition diversification requires employees to acquire a wide range of skills beyond the basic skills of food production. This points to a greater need for flexible workers with the appropriate breadth of appropriate skills.

The Agricultural Context

4. The key issue is: What makes agriculture different from the rest of the economy? By definition agriculture is a rural activity and workers need to be flexible in terms of hours worked at different times of the year. The weather and seasonal variations in daylight and production cycles are obviously factors that determine when and how workers can carry out their duties and although some farm workers live close to or on the farms where they work many do not. The industry is very fragmented and dominated by businesses that employ a small number of workers. They are essentially micro businesses, but in aggregate they play a vital part in supporting the rural economy. This is particularly relevant in Wales, which is dominated by livestock and dairy production. The employment multiplier effect means that jobs in agriculture support jobs in other sectors. The long-term sustainability of the rural economy is therefore heavily dependent on an economically viable agriculture industry. In relation to the food chain, supermarkets and restaurants are increasingly seeking locally sourced products in response to customer demand and the concomitant reduction in transport costs and carbon emissions.

5. Recent changes in the support provided under the Common Agricultural Policy of the EU have also made agricultural practices more responsive to environmental conservation requirements, so environmental sustainability is also enhanced by the agricultural industry. This is particularly so in Wales where production relies heavily on grass-fed livestock, which improves the amenity value of a green countryside. Farm workers therefore also need to improve their skills in relation to environmental conservation and protection.

The Benefits of Statutory Arrangements

6. The grade structure in the Agricultural Wages Order provided incentives to workers to gain relevant vocational qualifications in order to progress their careers and for employers to support workers so that farm productivity could be improved. The grade structure with links between relevant vocational qualifications and pay levels ensured that employees and employers shared the benefits of training. The employees gained from enhanced rates of pay and the employers gained from increased productivity. The UK Government has recently stressed the importance of relevant vocational qualifications by announcing an initiative to improve such provision in schools in England. The implication being that a well trained workforce is of benefit to UK plc. The corollary is that a well trained workforce is of benefit to Wales plc.! There would be a greater probability of improving the vocational skill levels if the grading structure were part of a statutory structure rather than relying on the fragmented agriculture industry to take a strategic view of the overall needs of the rural economy of Wales. In my view the Agricultural Sector Bill provides the opportunity to build on the work of the AWB in fostering the development of the agriculture industry by facilitating the opportunities for workers to gain relevant skills and qualifications to respond to the aspirations of workers and to feed through to the bottom line of businesses. I stress the word 'relevant'

because an organization like the AWB (viz. a statutory body with the power to set the requirements and rewards for career progression) can ensure the relevance of training so that value for money can be ensured.

Consequences of not establishing statutory arrangements

7. Without the setting of wage minima and other conditions of employment there will be a need for individual negotiations at farm level. Many farmers are not equipped to do this so they would need to pay for advice from HR professionals, as union negotiators would represent many workers. Far from “reducing the administrative burden on farmers” as has been claimed, the need to negotiate individually with workers will, in the absence of a statutory framework, increase the farm overheads and reduce the time available for enhancing the profitability of the business. As many farms in Wales operate with relatively few staff, the AWB was an important means of avoiding potential conflict and lengthy negotiations with individual staff or with professionally trained trade union representatives. So as well as protecting farm workers the AWB also provided assistance to employers.

8. There would be reduced incentives for workers to acquire vocational qualifications, unless enlightened employers would encourage them to do so and reward them accordingly. The development of skills in the industry would therefore be a matter of chance, with some workers having the opportunities for career development and others would not.

9. A report from Income Data Services (IDS) for the Low Pay Commission noted (page 9) that for both full time and part time workers in England and Wales at least half of workers were paid at least 10 pence per hour over the minimum rate for their grades. This suggests that the minimum wage provisions under the Agricultural Wages Order were not the main determinant of wages for the majority of workers. Indeed the negotiated increases for the minimum wages at various grades provided benchmarks for employers and employees to use when negotiating terms and conditions for those already above the minimum for the respective grade, taking into account local economic considerations against the background of the AWB’s decisions on wages. This benchmark would no longer exist in the absence of statutory arrangements.

10. The IDS also commented “Those in favour of abolition claim that it is not about driving down wages and conditions for agricultural workers, but about removing regulatory burdens on farm businesses. It has been argued that these regulatory burdens refer simply to the minimum standards laid down by the Order, and removing them gives employers freedom to do things differently. However, inevitably, over time some employers will move away from these standards, introducing new contracts with less favourable conditions. IDS witnessed similar moves in the retail sector following the relatively large increases in the NMW between 2001 and 2006, when virtually all of the big retailers moved to new contracts, which, among other things,

allowed them to pay lower premium rates for out-of-hours and weekend working”.

Conclusion

11. Although part of the raison d’etre for the Agricultural Wages Board related to the ‘protection of workers’ by the setting of minimum wages’ this facet of the Board’s remit was actually a small proportion of the benefits of the Board’s work. The other areas of the Board’s responsibilities were distinct to agriculture, including the need, agreed by both employers’ and employees’ representatives, to develop the relevant skills and qualifications that would result in a more productive industry, ready to respond to market forces for its products and the uncertain future linked to the challenges of food security and climate change. The longer-term development of the industry at the strategic level will more likely be achieved through a statutory regime in Wales that encourages career development for workers and business productivity gains for employers. Such arrangements would contribute to the long term sustainability of the industry, with benefits to the rural economy, the protection and amenity value of the environment, and a greater ability to respond flexibly to food security issues that may arise from climate change in the future.

Yours ever,

Lionel

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