



DairyNZ Submission

To: The Primary Production Select Committee
Inquiry into the future of the workforce needs
in the primary industries of New Zealand.

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Executive summary

This submission responds to an invitation from the Committee to DairyNZ to make a written submission about issues it considers relevant to the inquiry.

We commend the Select Committee for their work to identify the future workforce needs in the primary sector. We acknowledge there is no optimal or easy solution to addressing sector workforce issues, and a whole portfolio of initiatives will be required to meet our future labour demands.

To align the efforts of the various parties working on workforce issues, it is valuable to develop a shared understanding of the issue and a shared point of view on the best approaches to address workforce shortages.

We propose both short-term solutions, and medium/long-term solutions to meet workforce needs:

1. Provide a class exception for migrant dairy farmers.
2. Residency visa applications and approvals to be resumed with urgency, with dairy employees prioritised.
3. Ensure immigration settings support migrants of all skill levels to work in NZ where there are no New Zealanders to do the work, possibly through a sector agreement.
4. Continue to support industry efforts to address the root causes of the labour shortage.
 - a. Targeted attraction initiatives aimed at New Zealanders.
 - b. Retention initiatives, improving employment pay and conditions for existing and future employees.
 - c. Improve school age education curriculum to encourage students into the sector.
5. Vastly improve regional and rural connectivity.

As at the 2018 Census, there were roughly 40,000 people in the dairy farming workforce: 55% of which are employed on farm, 38% are self-employed or employers, and 7% unpaid family workers. Until recently, about 50% of new workers to the sector have been migrants on an Essential Skills or Working Holiday visa. This migrant source has been severely impacted due to the pandemic and prolonged New Zealand border closures.

For many years, considerable effort has been made by industry organisations and farm businesses to reduce the labour shortage in the sector by:

- **Improving wages, including entry level:** Advertised wage for entry-level positions on FarmSource have been steadily increasing currently averaging about \$23.00/hr.
- **Investing in attraction programmes:** Most recently, the GoDairy and Get Kiwis on Farm campaigns have promoted jobs in the sector, targeting New Zealanders whose employment was affected by the pandemic.
- **Improving workplace conditions:** Several initiatives are in place including the Rural Employee Support Hub (RESH), the Good Boss campaign, and Workplace 360.

Modelling has indicated that these initiatives have a 'delayed' effect, reducing the labour shortage over several years, but having minimal effect in the next 6 – 12 months. Hence, our recent calls regarding the immediate workforce crisis this season, due to Covid border closures.

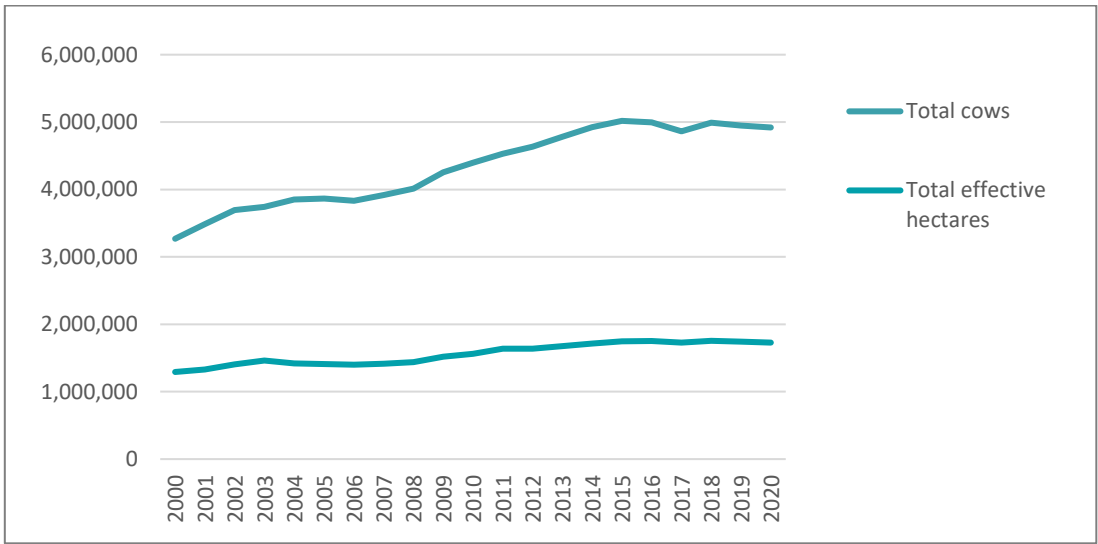
Current dairy sector profile:

Trends in the dairy sector

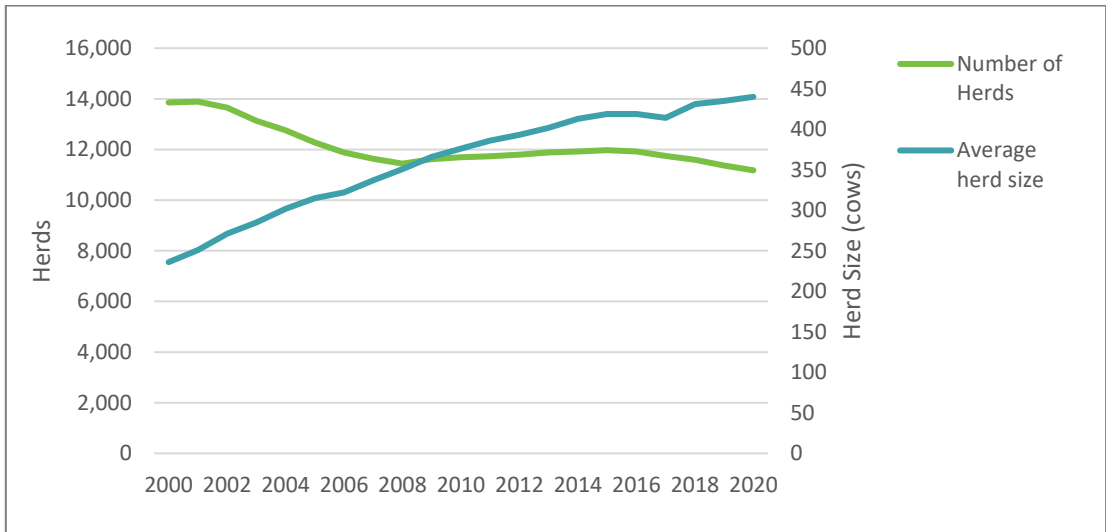
Industry scale is the predominant driver of labour requirements and trend analysis shows that the dairy sector has not grown significantly over the last 10 years, with both cow numbers and area under dairy farming being reasonably consistent.

Staff requirements and cow numbers are very closely correlated, with approximately 146 cows milked by each full-time equivalent, up from 140 cows per person 10 years ago. The increase in this ratio is typically due to growth in farm size accompanied by new infrastructure including larger and more automated farm dairies, where the labour ratio will typically sit around 200 cows per full time equivalent.

Trends in cow numbers and area under dairying



Trends in herd numbers and herd size



Regional distribution of the dairy sector

The Waikato remains the largest dairying region in the country, with respect to workforce and cow numbers but is no longer the dominant supply base with Canterbury producing more milksolids per cow due to consistency of a largely irrigated feed supply and availability of winter grazing.

Overview of selected dairying regions

	Total herds	Total cows	Total effective hectares	Total milksolids (million kg)	Average herd size	Average effective hectares	Average milksolids per Cow
Waikato	3,184	1,104,097	377,739	402	347	119	364
Taranaki	1,568	467,761	168,154	185	298	107	396
Canterbury	1,201	971,486	280,458	419	804	233	432
Southland	982	591,623	218,117	247	602	222	418
New Zealand	11,179	4,921,548	1,730,375	1,896	440	155	385

We expect regional distribution to remain reasonably consistent. Conversion of land to dairy has been the driver of growth outside the traditional dairying centres of the Waikato and Taranaki, future opportunity for conversion is very limited.

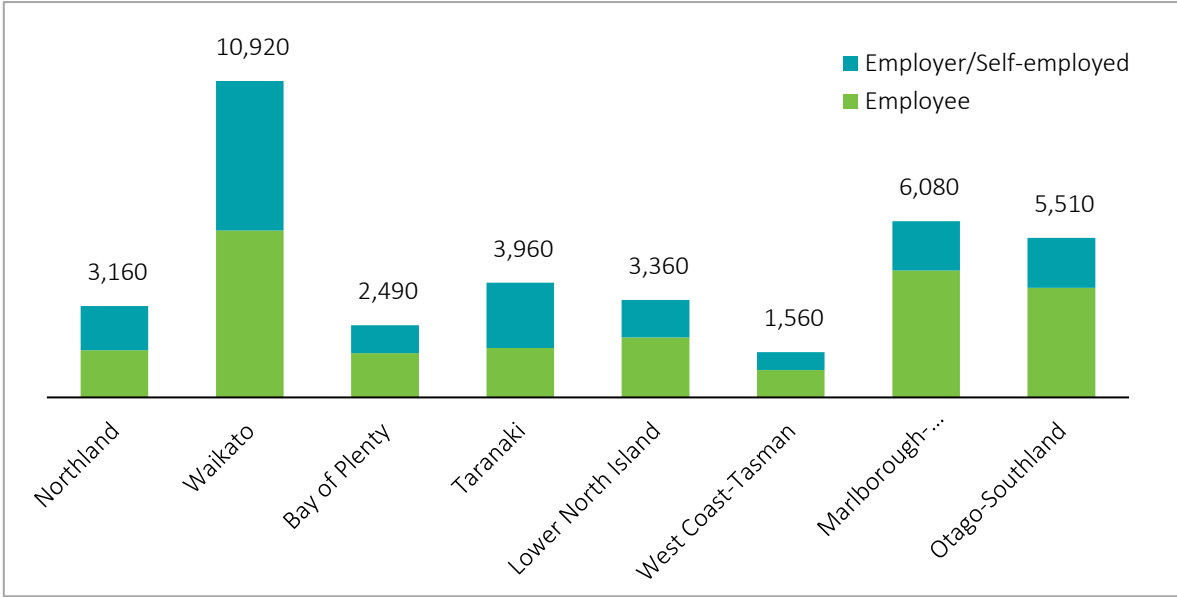
Labour supply is one of the most significant issues likely to affect the sector in the next 10 years. Anecdotally, farmers have been telling us for some time, well before Covid-19 hit, that it is difficult to find labour, especially skilled labour.

Current workforce

As at the 2018 Census, there were roughly 40,000 people in the dairy farming workforce: 55% of which are employed on farm, 38% are self-employed or employers, and 7% unpaid family workers.

The Waikato has the largest number of dairy farm workers, with a 50:50 split between employees and self-employed. This is very different to Canterbury and Southland which have more recently been converted to dairying and have larger average farm sizes, with 75 to 80% of people on these farms being employees.

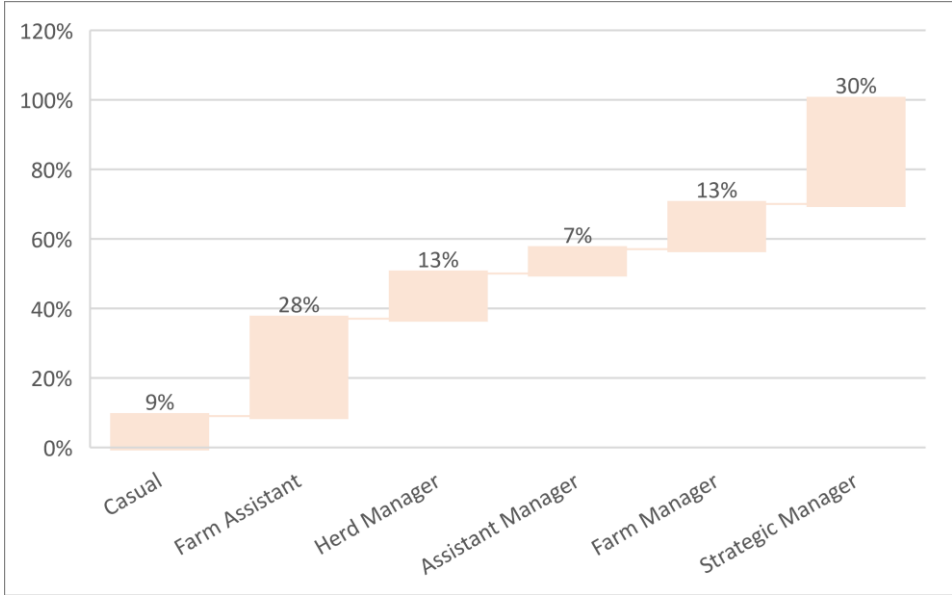
Workforce breakdown by region and employment type



Roles on farm

The roles on farm are broken down into standard roles described below. While job titles vary significantly from these roles, it provides a useful nomenclature.

Workforce breakdown by role



The nature of the strategic manager role is further broken down below. Approximately 29% of all farms are operated by sharemilkers and a further 14% by contract milkers. Within the remaining owner operator category approximately 13% of farms are operated by farm managers, leaving only 1,800 owner operated farms.

Operating structures

<i>Operating structure</i>	<i>Number of herds</i>	<i>Percentage of herds</i>	<i>Average herd size</i>	<i>Average effective hectares</i>	<i>Average cows per effective hectare</i>
Owner-operators	6,268	56.1	433	155	2.79
Contract milkers	1,597	14.3	479	162	2.96
<i>Sharemilkers:</i>					
less than 20%	148	1.3	751	237	3.17
20-29%	616	5.5	472	166	2.85
30-49%	159	1.4	416	142	2.93
50/50	1,857	16.6	403	139	2.89
over 50%	447	4.0	420	145	2.89
All sharemilkers	3,227	28.9	435	150	2.90
Unknown	87	0.8			
All farms	11,179	100	440	155	2.85

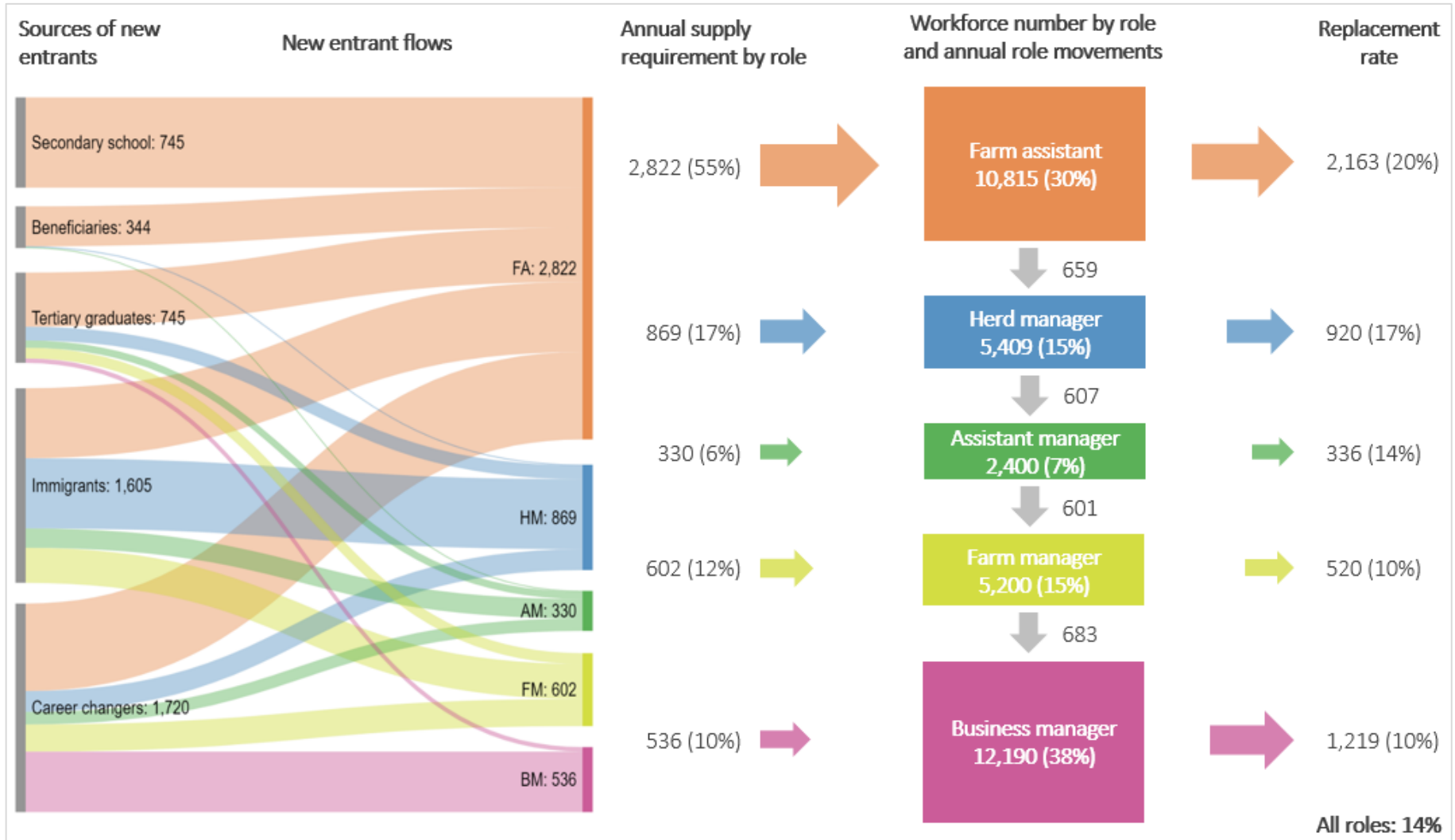
These operating structures have been a traditional part of the dairy sector to enable equity growth for young farmers coming through the industry and allow them to achieve the goal of farm ownership. This aspiration is achieved by a small number of people each year, however the sharemilking system has become congested and is not as accessible as it was in the past.

Sources and flows of workers

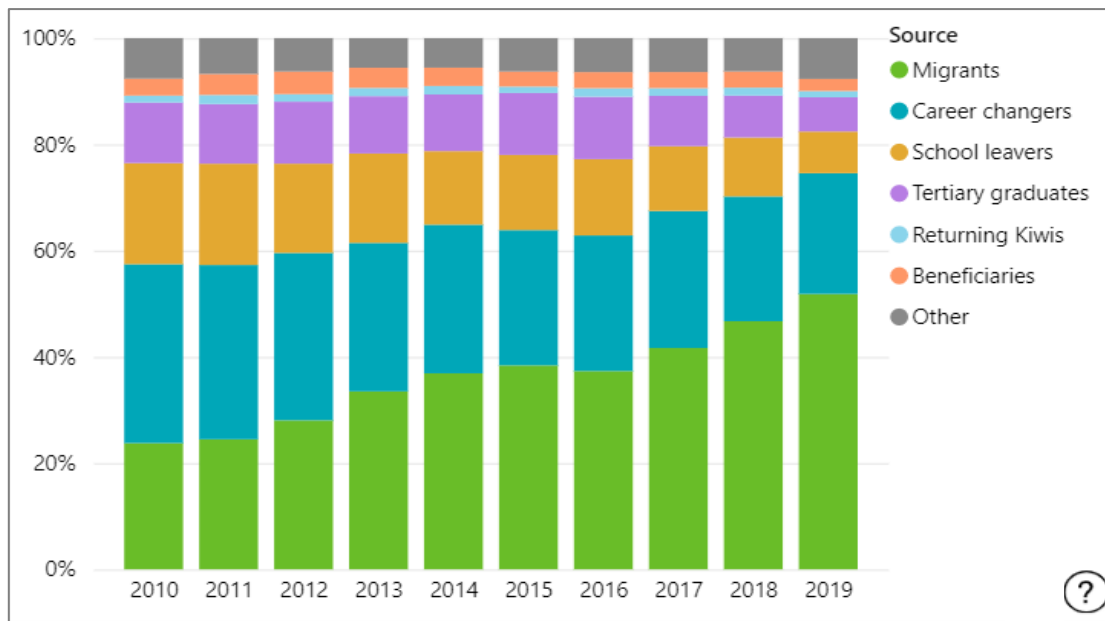
The sources and flows of workers through the sector is illustrated in the following diagram. Each year the sector attracts between 4,000 and 5,000 workers to the sector to fill vacant roles. Over time migrant workers on Essential Skills or Working Holiday Visas have become an increasingly important component of the annual intake, and in 2019 represented about 50% of new workers to the sector.

In the same period, more traditional sources of workers such as school leavers have declined as a proportion of the intake.

Summary of supply and demand for dairy farming roles



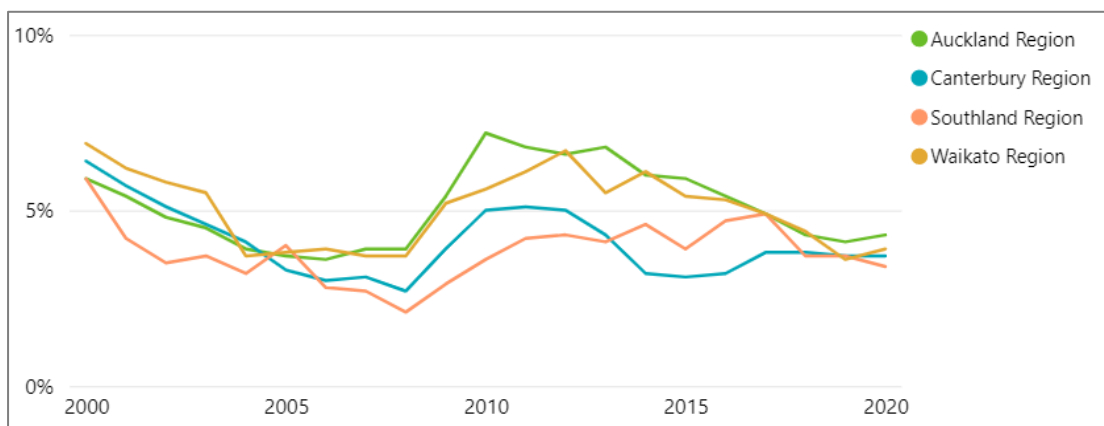
Sources of new entrants over time



The proportion of migrants reflects the relatively low unemployment in rural New Zealand. With unemployment rates hovering around 4% there are insufficient numbers of motivated people to fill the jobs. There are similar dynamics in sectors like horticulture, aged care and domestic services.

New Zealand is currently ranked equal fourth for employment rate in the OECD at 77%, with only Switzerland materially ahead of us on 80%. There is not a significant pool of potential workers lying dormant.

Unemployment rate in selected regions



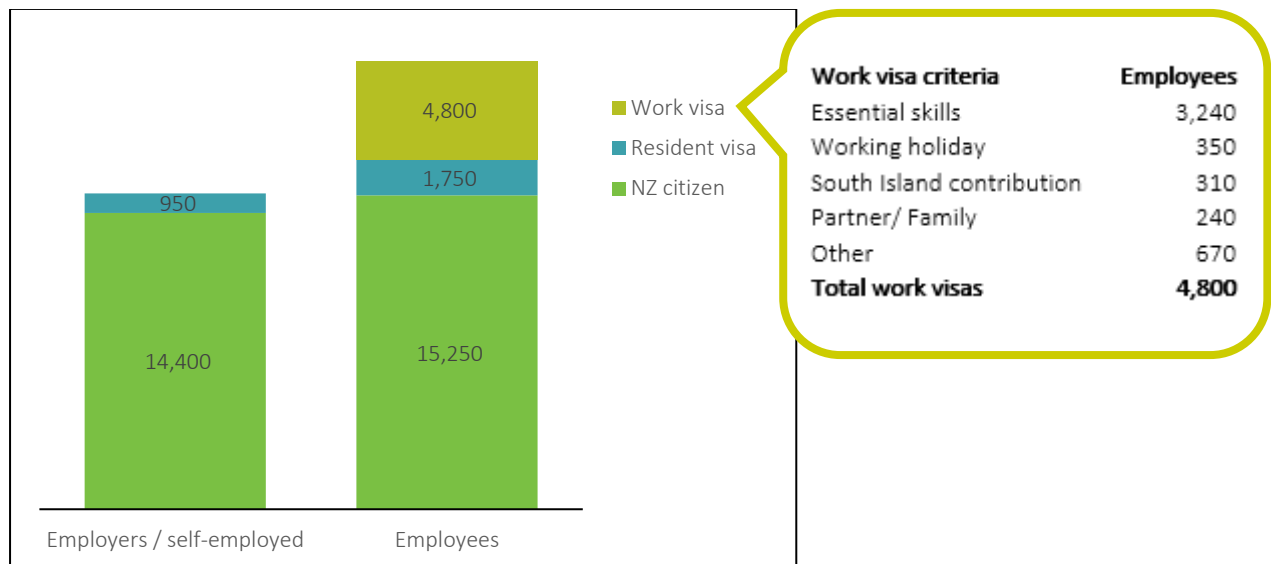
Migration as a source of staff

The industry acknowledges that farmers have become reliant on migrant labour. This situation has developed due to the need for reliable staffing solutions which have been increasingly hard to find locally.

Migrants have proved to be a reliable labour source, with many of them now occupying middle management and higher positions that are integral to business operations.

As at July 2020, approximately 7,500 workers held a visa, with 4,800 on a temporary work visa and 2,700 on a resident visa. All 4,800 work visa holders are employees (~22% of all employees), and resident visas are split between employees and employers / self-employed.

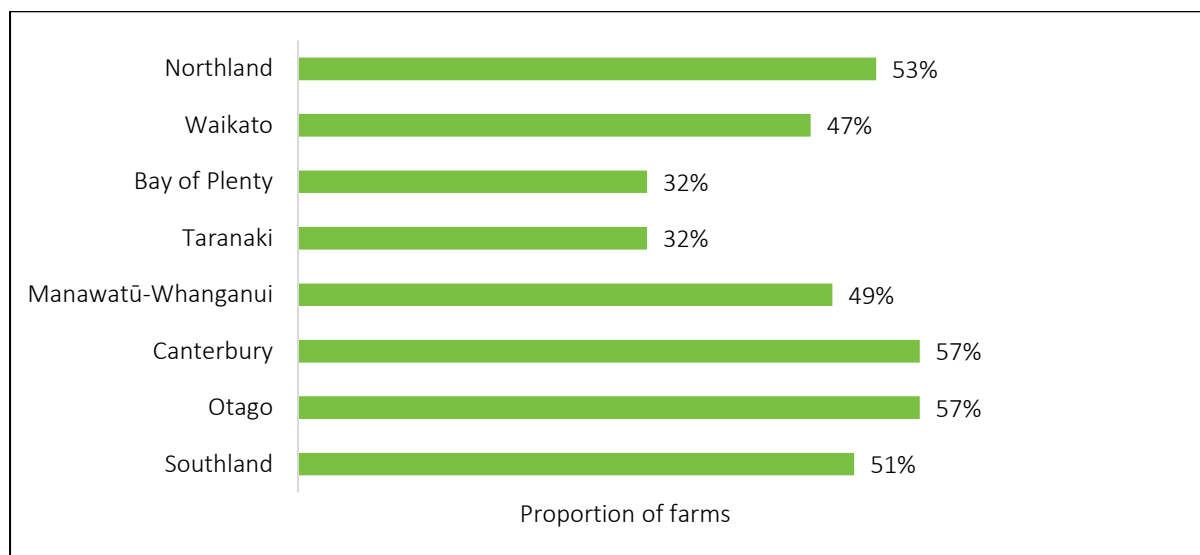
Visa breakdown by employment type



A chronic shortage of workers

Over the last few years, a chronic shortage of workers had developed even before the impact of Covid-19 was felt. This has only been exacerbated by the border closures of the pandemic. A labour market survey completed in March 2021 in conjunction with Federated Farmers received 1,148 responses, a record for this type of survey, indicating high levels of concern.

Proportion of farms that are short-staffed



Key take outs include:

- 57% of respondents are finding it harder to attract staff post covid, and of those, 49% believe it is harder to find capable staff and 26% are finding it more difficult to find any staff at all.
- The impact of understaffing has been increased hours (29%), reduced time off and an overall increase in stress levels (58%) for all staff.
- 49% of respondents said they were currently short staffed and in need of employing additional people
- Many farms also had outstanding seasonal roles they were yet to recruit for. Across 953 farms where seasonal roles still needed recruiting for they were seeking more than 1000 employees
- Farms in Canterbury and Otago are more short-staffed (57%) and farms in Bay of Plenty and Taranaki less short-staffed (32%).
- Almost two thirds of short-staffed farms require one additional employee, and about a third require two employees.

These results need to be balanced across other sources of information as they will have bias in them toward those who are short staffed and motivated to respond. Survey respondents may also be indicating a desire to recruit, rather than a need that is threatening business continuity.

On Farm Source, the dominant advertiser of dairy jobs, job ads in February 2021 were **32% higher** than in February 2020 and **100%** higher in March and April 2021 compared to the same periods last year.

Drawing across all evidence we estimate the current labour shortage to be between 2,000 and 4,000 people.

Impacts of short staffing reported by farmers include:

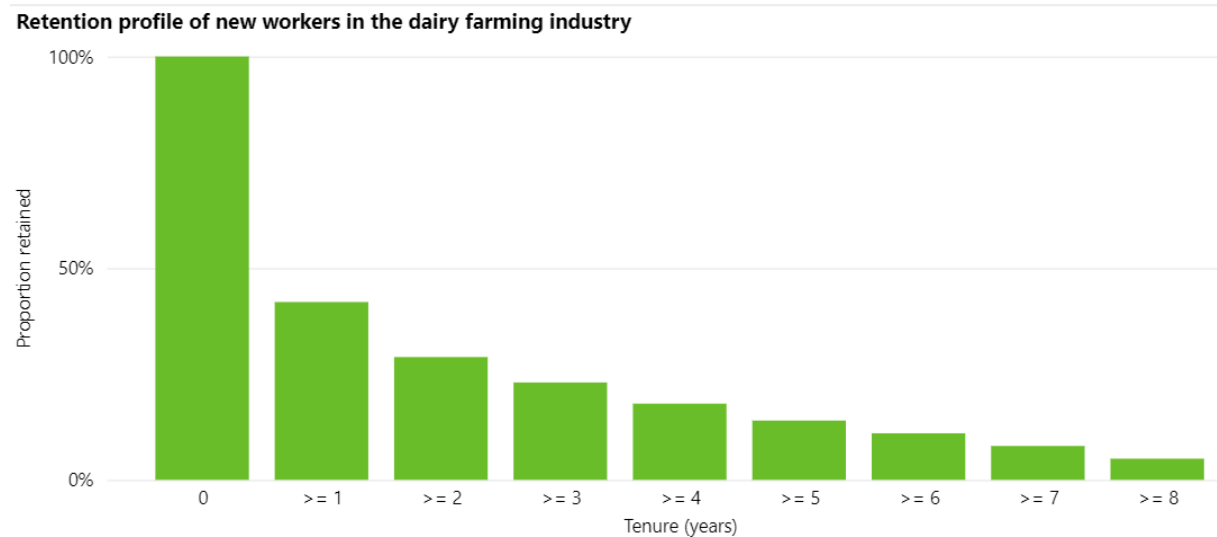
- Staff working longer hours per day and less days off.
- Decrease in work quality.
- Decrease in time spent upskilling and training.
- Increased stress for business owners and the whole farm team.
- Reduced enjoyment of dairy farming and rethinking dairy farming as their future.

Retention of staff within the sector

Retention is an opportunity for the sector. Current data tells us that at the end of 12 months for every 100 new entrants to the dairy sector:

- 58 will have left the sector
- 28 will still be with the same employer
- 14 will move to a new job in the sector

At the end of three years there will only be 23 of those new entrants will still be left in the sector and only 8 will still be with the same employer.



This turnover rate is similar to other agricultural sectors and other work types, including carpentry (also 14%), sheep and beef, and forestry (both 16%). However, the cost of this turnover is significant for an industry that does not always have easy access to workers due to location.

Nature of the work environment

The dairy sector acknowledges that it has a uniquely challenging work environment. The stark reality is that living and working in a rural setting brings challenges that are to some extent built into the job. They are described below to enable the reader to ground themselves in the reality of farming.

Small remote workplaces

We know employment in the dairy sector can be socially isolated and even lonely:

- Farms are often relatively remote from centres of population and it is customary for workers to live on-farm as tenants of the employer, bringing an additional layer of complexity to the working relationship. Family, friends and the opportunity to wind down in times of stress can be hours away.
- The lack of availability of casual staff in rural areas means rosters are longer, extending time between time-off.
- There are relatively few people working on most farms. Roughly half the employees in the sector work in a business with less than two staff. Personalities must get on, especially when roughly 50% of the day can be in close quarters during milking. Clashes can, and do, drive turnover.

A high proportion of time is devoted to what can be called mundane tasks such as milking. Automation often decreases the requirement for staff involvement in these tasks and as a result there is an increase in people working alone most of their day.

- The nature of the shift work on farm means that it can be very challenging for workers to have predictable involvement with sport teams, school involvement or social groups.

Communities

Communities are a significant driver of attractiveness of any given job. We see:

- Jobs closer to main centres generate more interest from higher quality applicants.
- Ability for partners of farm managers and sharemilkers to find off-farm work in the local community is a strong driver of decision making for many couples. This is challenging in small, isolated communities. Covid-19 has certainly opened the eyes of employers to tools like Zoom and the possibilities of working remotely, however, such arrangements do tend to favour professional roles.
- Demand for migrant workers is greatest in Canterbury and Southland where farms tend to be further from an urban centre.

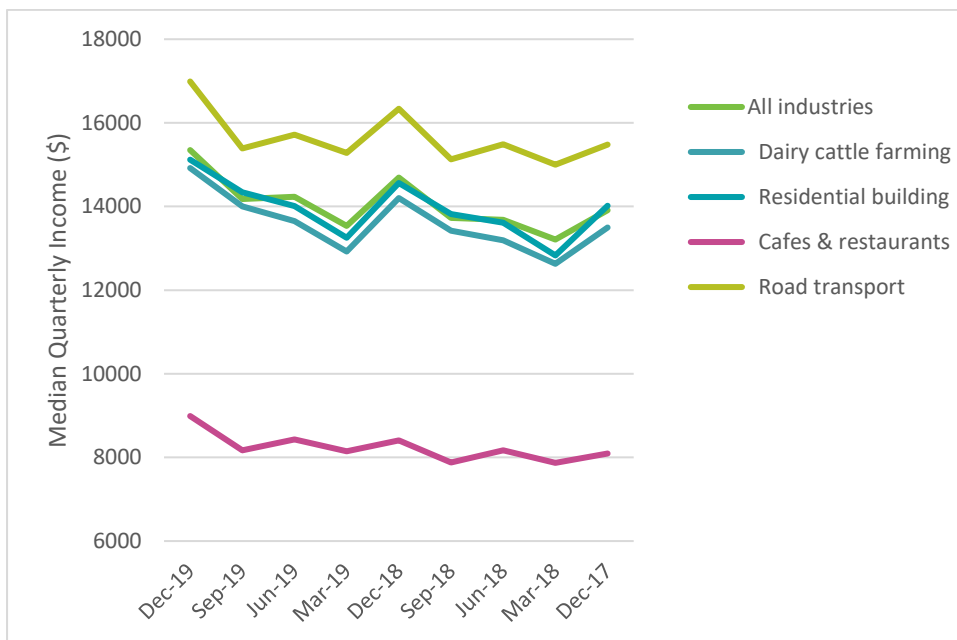
The future of communities is a major cause for concern. DairyNZ's "*View from the Cowshed*" asked farmers about their expectations for their community:

- 64% of farmers expect things to decline for the community they are part of,
- 30% expect it to stay the same and
- 6% expect to see an improvement.

Employment practices and remuneration

Employment conditions/management practices often receive attention when employment in the dairy sector is discussed. That said, it is worth noting that a recent survey of employees found 83% of employees would recommend working in the sector to a friend and 78% would recommend working for their current employer. That is a strong endorsement of employment practice from those working directly in the sector.

A focus on pay or hours is not a silver bullet for the sector, with other factors also contributing to decisions to leave dairying. This is a complex, long-term problem that will require competence and behaviour of both employers and employees to be addressed as well as alternative approaches to address some of the structural challenges in the workplace, and attractiveness of living in rural areas.



Current dairy sector workforce initiatives

Just as the labour shortage has existed for many years, so have industry efforts to address it. Efforts have been made by industry organisations, government, and farm owners / employers to not only retain staff currently in the sector, but also to attract new potential workers to it. This section highlights some of the initiatives being undertaken to address the labour shortage.

Farmer Action

At a farm level, employers understand what is at stake and are making changes. Among respondents to a March 2020/21 employer survey:

- 89% have made a change to employment practice in the last 12 months.
- 65% indicated that they had increased salaries and wages. This is supported by evidence from Farm Source Jobs which shows entry level remuneration steadily increasing. Average advertised wage rates are approximately \$23.00/hr, compared to the minimum wage as at 1 April 2021 of \$20/hr.
- 77% expect to make change in the next 12 months to enhance attraction and retention in their workforce.
- Changes made other than increases in remuneration include investment in training staff, reduced work hours and improved rosters to give staff more time off.

The experience of farmers who increased remuneration is worthy of note. Among that group **25%** indicated that it had made it easier to **recruit** staff, while **60%** indicated that it has made it easier to **retain** staff. This suggests that modest increases are a good retention strategy and could well be offset by the cost of recruiting a new staff member. Further work is needed to understand at what price point remuneration becomes an influential lever in attracting domestic talent to the dairy sector.

Improving workplace conditions to improve retention.

There are several industry initiatives in place designed to improve the working conditions on dairy farms. This currently includes, but is not limited to:

- **Good Boss** is working to improve work environments on farm by supporting dairy farm managers (farm owners, sharemilkers, contract milkers and farm managers) to become better bosses.
- **RESH** (www.resh.co.nz) provides information and help to farm employees to support them in their farming employment journey. RESH also provides a free employee support phone line (0800 694 121) where people can have their questions answered, in a confidential, impartial manner.
- **Integrated Farm Planning** at it's core is about supporting and encouraging continuous improvement to lay the foundations for the future regardless of the particular issues of the day. It is designed to support farmers identify, prioritise and implement real on-farm change as well as providing evidence of aggregated local, regional and national on-farm performance and progress.

- **Workplace 360** is a self-assessment tool to help farmers identify pathways to building and maintaining a work environment they can be proud of. It provides a detailed report which describes performance as well as areas for improvement and suggestions as to how these improvements can be achieved. It is currently being rolled out as part of Fonterra's farm assurance programme.
- **New Workplace Design** is taking a closer look at the future and how we can design great dairy workplaces. The project is working with farmers to co-design solutions that will make dairy farming more attractive and productive.
- **RoVE.** DairyNZ is actively involved in the RoVE discussion to ensure industry voice is heard and was pivotal in setting up the Centre of Vocational Excellence.
- **Food & Fibre Skills Action Plan.** DairyNZ was involved in the development of this plan with MPI and continues to support workstreams from the SAP.

Attracting new talent

GoDairy is one of the initiatives that have been tried by the dairy sector to increase new entrant numbers. Typically GoDairy has been about raising awareness of the opportunities in dairy. In 2020 however GoDairy specifically targeted those whose jobs were impacted by Covid-19 and aimed to give them the basic skills necessary for an entry level role in the dairy industry with the hopes of encouraging more entrants into the dairy workforce.

Other investment includes:

- GrowingNZ
- The Centre of Excellence for Science & Agribusiness in secondary schools
- Scholarships
- Working with PrimaryITO and their activity in trade academies

However, it should be noted that reviews of past investments suggest that talent attraction is a difficult area to 'move the needle' on. The level of investment required to close the chronic labour shortage through talent attraction initiatives alone would probably require 10-100x more than that spent today.

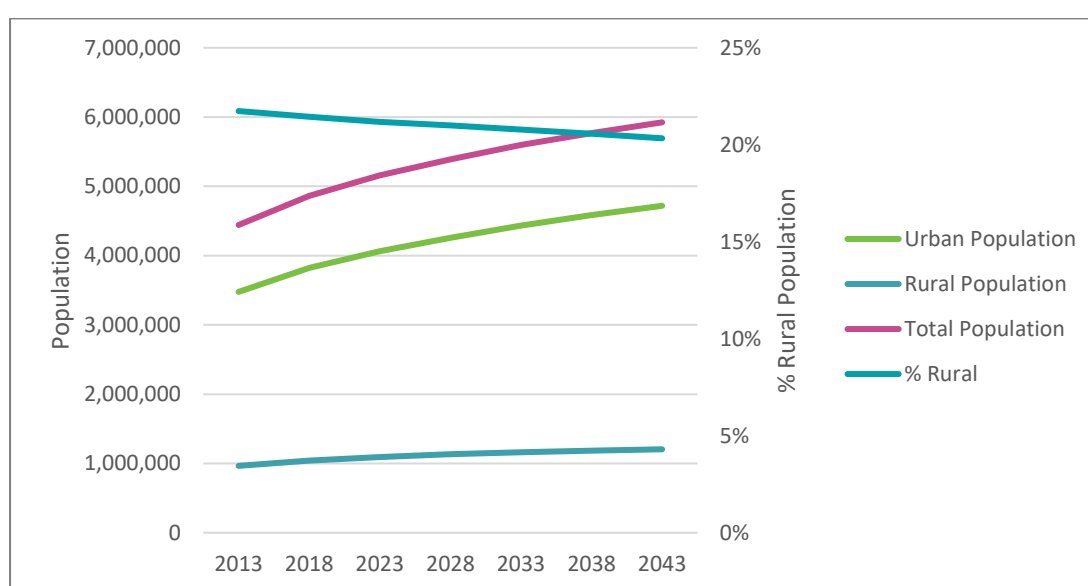
Future requirements

Future sources of staff

Internal Sources

Statistics New Zealand forecasts for regional population growth, show an absolute increase in population is expected, however this increase will be at a slower rate than the urban population meaning the rural population will continue to decline as a proportion.

This is problematic as it will mean a continued growth in economic opportunity in urban centres compared with rural areas. Regulatory change that negatively affects economic activity in the regions may accelerate this.



It is also worth noting the relative reduction in the population in the 15-39 year old age group, which supplies more than 75% of the sectors paid employees. Growth in the “Other” age group is primarily driven by the over 65’s which leads to an average age increase in the population of 6.5 years out to 2048.

New Zealand	2018	2028	2038	2048	Change
Total population	4,900,600	5,460,500	5,876,400	6,215,800	27%
<i>Age Breakdown:</i>					
15-39 years	34%	34%	31%	30%	-4.3%
40-64 years	31%	30%	31%	32%	0.2%
Other	34%	36%	38%	38%	4.1%
Average Age	37.1	39.9	42.4	43.6	6.5
Waikato					
	2018	2028	2038	2048	Change

Total population	475,600	535,900	579,300	615,100	29%
% of NZ population	9.7%	9.8%	9.9%	9.9%	0.2%
<i>Age Breakdown:</i>					
15-39 year olds	33%	32%	30%	29%	-3.6%
40-64 year olds	31%	30%	30%	30%	-0.9%
Non-working age	37%	39%	40%	41%	4.5%
Average Age	37.1	39.9	42.4	43.6	6.5
Southland	2018	2028	2038	2048	Change
Total population	100,500	105,700	108,000	108,300	8%
% of NZ population	2.1%	1.9%	1.8%	1.7%	-0.3%
<i>Age Breakdown:</i>					
15-39 year olds	31%	30%	28%	27%	-4.2%
40-64 year olds	33%	31%	31%	31%	-1.5%
Non-working age	36%	39%	41%	42%	5.7%
Average Age	39.5	42	44.8	46.3	6.8

This all suggests that competition for domestic workers is only going to intensify. That means retaining workers in the sector is the first target, and those workers will ultimately become the advertising campaign that recruits new entrants when there is a gap. Retaining staff will require a systematic redesign of the way we work in the sector to be more people centric. To provide a sense of community, to ensure hours are manageable, to enable people to plan to have time out for sport and social activities.

It will also require delivery on basic services like fit for purpose mobile and internet coverage. DairyNZ's "View from the Cowshed" asked farmers about their connectivity and 50% reported they don't have the broad band they need on their farm and 52% don't have the mobile reception they need. This low level of service cannot be tolerated. We need the Government to invest heavily in connectivity.

Step changes in retention cannot be achieved overnight leaving attraction as an important part of short-term work programmes. We know that exposure to opportunities in the sector is a good indicator of favourability and likelihood to join the sector. Research in schools reveals:

- Only 4% know a lot about the sector, a further 14% know a little and 80% report they don't know much or hardly anything at all.
- Less than 10% would consider a job in the sector.
- Typical value propositions like working outdoors or working with animals are attractive to a relatively small proportion of the population.

This fundamental disconnect is being amplified by issues such as climate change and water quality which are painting dairy farming as a public enemy.

As identified previously this is occurring in a time of historically low unemployment. While there are some people on benefits that do want to work and would be great additions to the sector the reality of the workplace means there is limited scope for many of them to work in the sector. This relates to

considerations such as the need to live away from family support and a need to have transport and a drivers licence to live in rural areas.

Required government intervention

- Grow investment in rural community infrastructure and networks such as NZ Young Farmers, Rural Support Trust or Dairy Women's Network to strengthen people's connection to others.
- Investment in regional communication networks such as mobile and internet coverage and community infrastructure to attract people out of the cities and into regional areas.
- Introduce sector specific considerations when considering workforce availability for the sector, which in turn affects assessment for skills shortage lists.
- Consider introducing compulsory agriculture/agribusiness curriculum for school students. Our education system does not promote the agricultural industry as a potential professional path.
- Invest in research and development in automation of tasks on farm that will help make the sector more attractive.

External sources of staff

The dairy sectors reliance on migrant staff is a response to a failed labour market where farmers have been unable to source staff domestically, even with higher wages. DairyNZ understands the drive for Kiwis first in employment, however the reality of employment in rural environments is that they are not available. It will take time to develop such a local workforce and in the meantime, migration provides a valuable tool.

To explore the impact of short-term immigration policies on future labour shortages we have modelled three possible scenarios, with the base case depicting what we believe to be the most likely scenario. The other two scenarios explore variations relating to border closures and immigration policies.

Scenario 1: Continuation of the status quo (base case scenario) would see New Zealand borders remain closed to new migrant workers (outside of New Zealand) until the end of 2021, and existing migrant visas continue to be extended for this period.

Scenario 2: Work visas begin to expire explores the possibility that existing work visas are not extended again after June 2021. It assumes the same border conditions of Scenario 1. I.e., that borders re-open to inbound migrants at the end of 2021.

Scenario 3: Borders remain closed until the end of 2022 This scenario extends the base case scenario by assuming that borders remain shut until the end of 2022.

Scenario 1: Continuation of the status quo (base case scenario)

One future scenario is that New Zealand borders remain closed to new migrant workers (outside of New Zealand) until the end of 2021, and existing migrant visas continue to be extended for this period. This will mean:

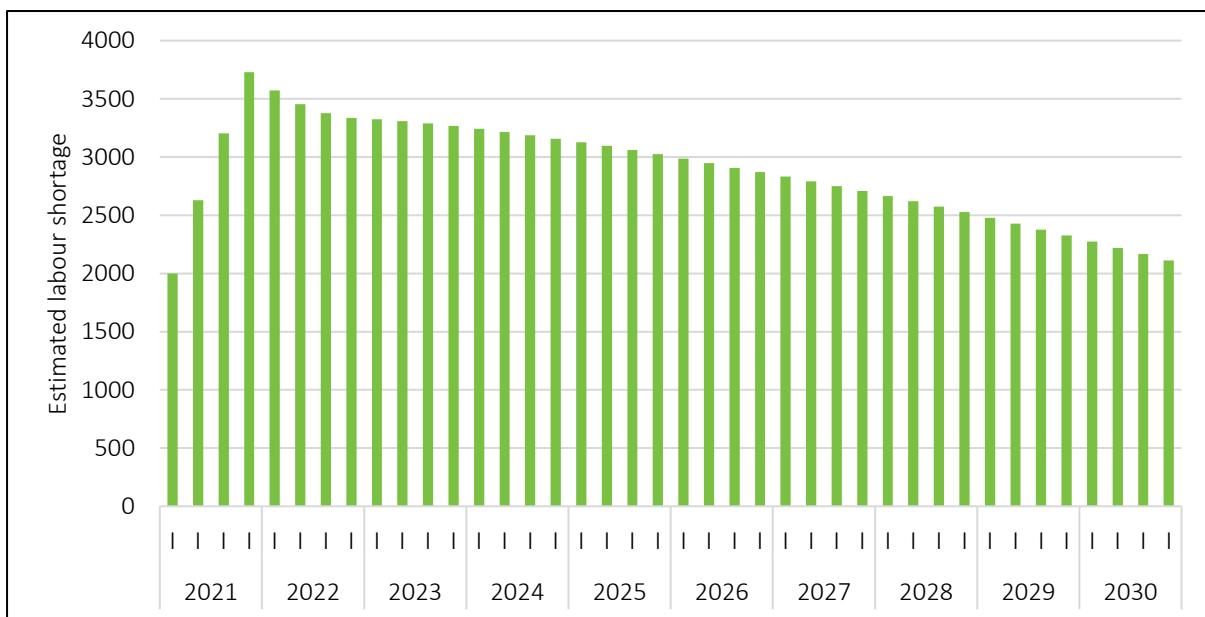
- A considerable reduction in the number of new entrants from immigration until the end of 2021, before inbound migration returns to pre-pandemic levels.
- Higher retention of immigrants currently working in New Zealand until the end of 2021, before returning to pre-pandemic levels.

See Appendix 2 for all model inputs and assumptions.

Possible impact on labour shortage

In this scenario, we estimate the labour shortage to:

- Increase from 2,000 to 3,600 after 1 year, then
- Decline to 3,200 after 3 years, and
- Decline further to 2,100 after 10 years.



While the borders remain shut, the labour shortage can be seen increasing to peak at the end of 2021. When the borders re-open, there is a decline in the labour shortage as immigrants are allowed back into the country, including immigrants with longer term visas. The labour shortage declines below the pre-pandemic levels after eight years due to an increase in longer-term immigrants with high retention rates within the sector.

Scenario 2: Work visas begin to expire

This scenario explores the possibility that existing work visas are not extended again after June 2021. It assumes the same border conditions of Scenario 1. I.e., that borders re-open to inbound migrants at the end of 2021. This will mean:

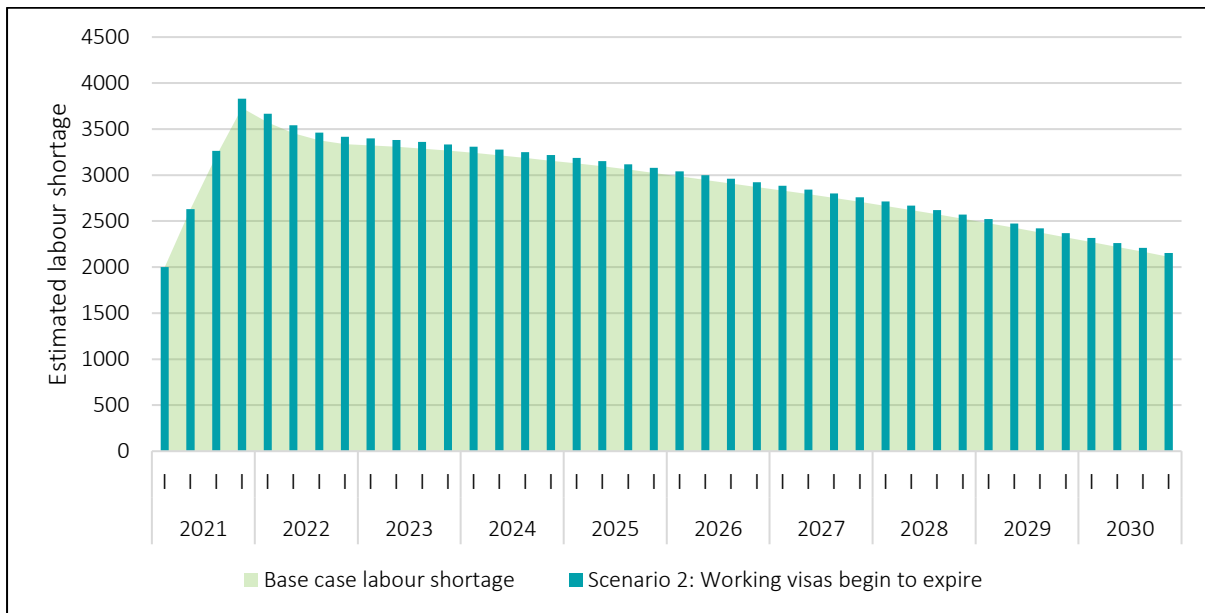
- Some work visas begin to expire after June 2021, and many will return home, causing a slight increase in migrant attrition.

See Appendix 2 for all model inputs and assumptions.

Possible impact on labour shortage

In this scenario, we estimate the labour shortage to:

- Increase from 2,000 to **3,700** after 1 year, then
- Decline to **3,300** after 3 years, and
- Decline further to **2,100** after 10 years.



This scenario tracks a similar pathway to the base case scenario. However, because more immigrants leave the country after 6 months than in the base case, the labour shortage is 100 larger than the base case at the end of 2021.

Scenario 3: Borders remain closed until the end of 2022

This scenario extends the base case scenario by assuming that borders remain shut until the end of 2022. This means:

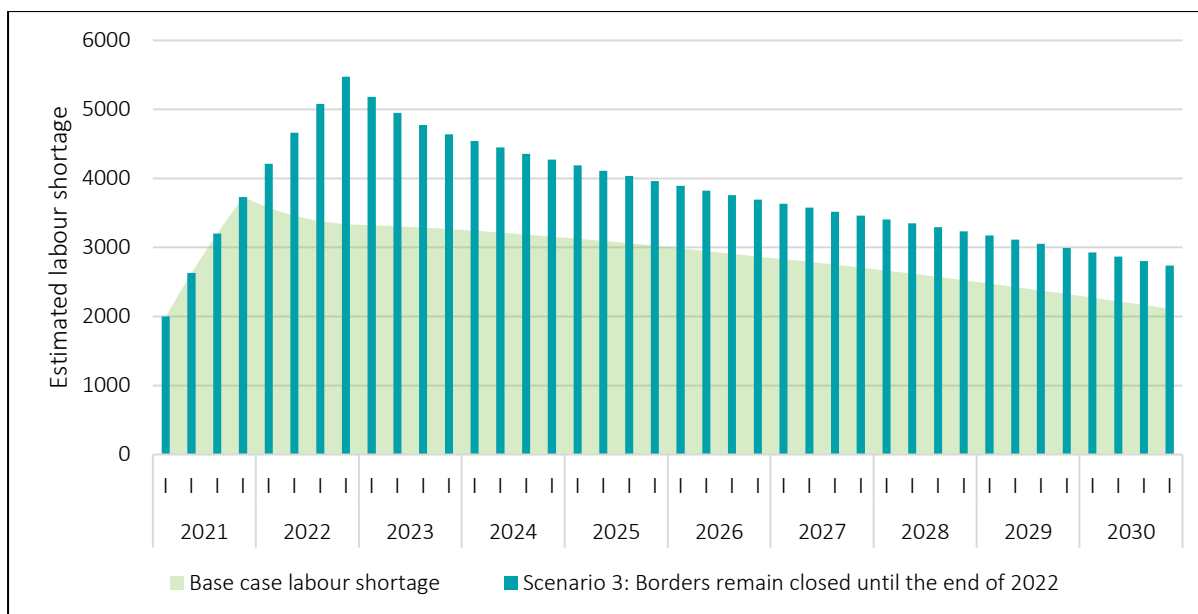
- A considerable reduction in the number of new entrants from immigration until the end of 2022, before returning to pre-pandemic levels.
- Higher retention of immigrants currently working in New Zealand until the end of 2022, before returning to pre-pandemic levels.

See Appendix 2 for all model inputs and assumptions.

Possible impact on labour shortage

In this scenario, we estimate the labour shortage to:

- Increase from 2,000 to **4,200** after 1 year, then
- Increase further to **5,500** after 2 years (by the end of 2022), then
- Decline to **4,600** after 3 years, and
- Decline further to **2,700** after 10 years.



In this scenario, the labour shortage continues to climb to a peak of 5,500 until borders re-open at the end of 2022. At this point, the shortage steadily drops due to an influx of immigrants, however after 10 years, the labour shortage has still not returned to pre-pandemic levels.

In brief, the impact on labour shortages of the three scenarios is outlined below. Scenarios 1 and 2 show little difference, but Scenario 3 predicts significantly greater labour shortages should visa extensions stop and the borders remain closed out to the end of 2022. Attraction efforts simply cannot fill the gap at current levels of churn.

	End of Yr 1	End of Yr 3	End of Yr 10
Scenario 1: Continuation of status quo	-3,600	-3,200	-2,100
Scenario 2: Work visas begin to expire	-3700	-3,300	-2,100
Scenario 3: Border closed to end of 2022	-4,200	-4,600	-2,700

Potential Government level response could include:

- Progression of a sector agreement with dairy where immigration employer accreditation is aligned with our IFP framework accreditation (already in place in some dairy companies) with the purpose of raising standards without increasing compliance costs. This additional 'employer check' (leading to higher quality jobs) and the existing 'job check' together will ensure that New Zealanders who want to work in dairy can but allow our workforce to be supplemented with migrant labour in those regions where there simply are no New Zealanders to do the required work.

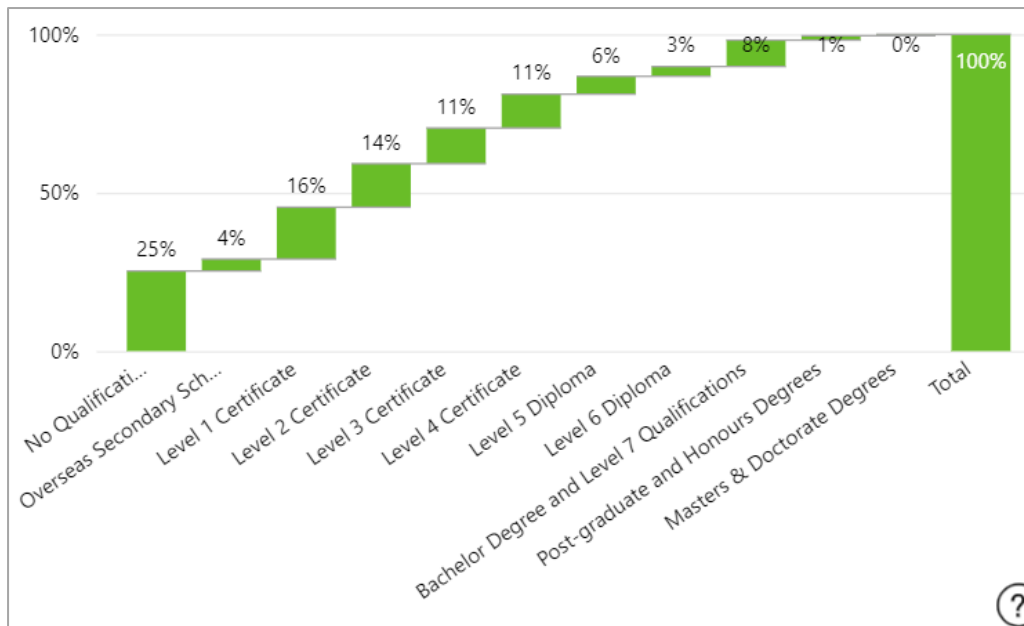
Current state of capability

With increasing regulation and more demanding consumers, pressure is coming back to the farm to adopt new management practices that inevitably lead to more complex systems and a need for increasing capability on farm.

The current state of credentialed capability reflects the highly practical history of farming, with many senior participants having no qualifications, 42% of those over 60 (4,700 people or 12% of workforce) have no qualifications.

More broadly 43% of people in the sector have a job descriptions related to farm manager or strategic manager but only 29% have a level 4 certificate or higher, which would be the minimum equivalent for a farm manager.

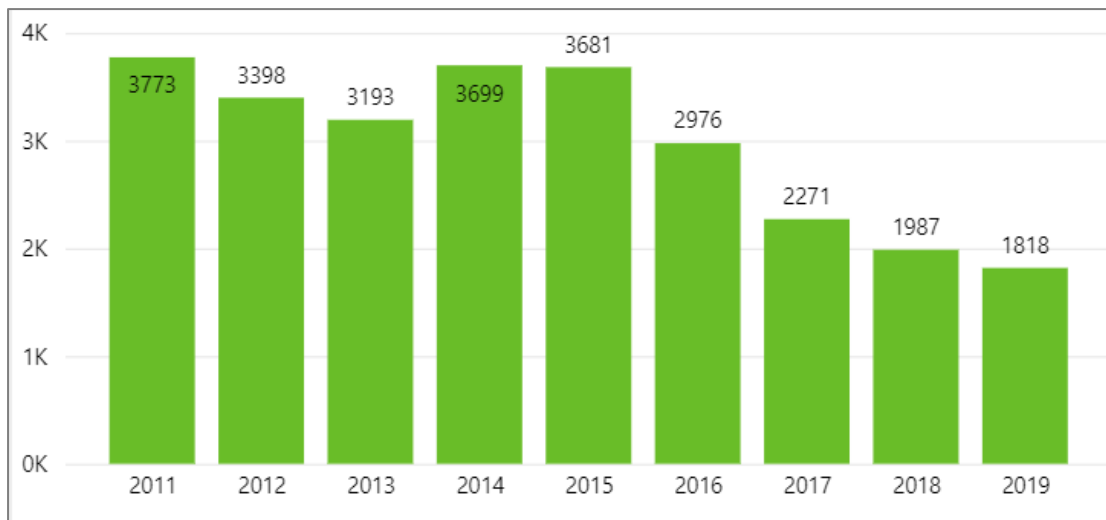
Highest qualification of dairy industry participants



Learning is a multi-faceted practice that is done informally on the job through to formal qualification delivered both on and off-job. The formal system has been well documented to the committee by the Tertiary Education Commission. The informal system is led by DairyNZ, which invests approximately \$15 Million annually into services such as discussion groups or field days that aim to build capability of farmers.

While the formal system is only a part of learning it does demonstrate a trend that is also evident in DairyNZ's informal interactions - farmer participation is falling away.

Estimated number of dairy related qualifications gained



The decline is due to a combination of factors emanating from the farm business and from the supply side of the capability building system.

From the farm business:

- Pressure within the farm business related to finding enough staff to allow time to participate.
- Financial pressure to operate at lower staffing levels with labour being 21% of costs for owner operators and 29% for herd owning sharemilkers. These businesses are operating at high levels of indebtedness with debt to asset ratios averaging 53% for owner operators and 70% for herd owning sharemilkers and financiers are placing pressure on them to repay debt.

From the capability system:

- Programmes on offer are not meeting farmers expectations, for example long programmes of learning do not fit the flow of employment in the sector.
- The value of programmes is not clearly articulated, and they are seen as traditional education – which many of the target market have failed with.
- More responsibility for training is being put on to employers to reduce cost to the system. This is not a core competency of many farmers and as a result training can be variable which in turn means that employers do not value the qualifications achieved.

Required Capability

Looking to the future and the challenges farmers will face it is certain the sector will need to grow new capabilities; some examples are identified in the table below. The list is not extensive as most of the capabilities required are likely to be in the toolkit of a competent manager or employee.

New competencies required as a result of regulation changes

Issues	Employer/Owner	Employee
Climate change	Evaluation of pricing instruments. Trading in ETS	Base skills to enable build to employer competency levels
Water quality	Ability to assess and manage critical source areas. Ability to commission and work with farm planning and auditing frameworks. Ability to work across businesses to achieve win-win outcomes.	Recording and reporting skills

The current level of competence is highly variable and leads to significant variation in performance, meaning the challenge is to provide learning opportunities that fit the need of the employer or employee to make sure they can build the capability required to build that capability.

Both the formal and informal systems have a part to play and need to be more integrated. This requires the entire system to:

- Be industry led so that employers and employees get the skills they need, through a mode of delivery that suits the industry context and constraints.
- To take a whole of 'career', whole of workforce approach that acknowledges the need to grow capability through schooling, pre-employment, tertiary education, on the job learning, and ongoing professional development.
- Acknowledge other forms of learning outside the formal system and integrate with the R&D, innovation and extension system to meet the needs of lifelong learners.
- Provide a range of customer-centric delivery options funded at a level to succeed.
- Support of the learner in their employment relationship and learning as we know the two are inseparable.

As RoVE unfolds we would urge focus on speed to get the system in place. The Workforce Development Councils are already 10-12 months delayed.

We urge accelerating the unified funding model so industry and providers can understand how the system will serve our learners and employers.