
FEEDBACK FROM EXPORTERS ON INDUSTRIAL RELATIONS CHANGES



**EXPORTNZ RECENTLY RELEASED OUR
2018 ANNUAL SURVEY OF
EXPORTERS.**

Over 400 exporters responded to the survey and they were a good mix of small to medium to larger exporters. When asked what their major barriers to exporting were, the number one concern this year was “domestic regulation, e.g. upcoming changes to the industrial relations laws”.

**IN ORDER TO UNDERSTAND THIS BETTER WE
HAVE INTERVIEWED SOME SME EXPORTERS AND
HORTICULTURALISTS.**

1

Baked food manufacturing business

Describe your business.

Our business is a Christchurch based, privately owned business. We have recently invested in a brand new, state of the art manufacturing facility. We manufacture baked goods and supply supermarkets in both New Zealand and Australia. We rely heavily on labor because the products we manufacture are as handmade as possible. This is a key feature that differentiates our business from competitors.

How many staff do you have?

We currently employ around 120 staff from floor staff to managers.

Impacts of Proposed Industrial Relations Changes?

The proposed changes could have really significant affects on our ability to maintain our competitive edge when exporting. We have to add transportation costs on to our products whilst offering a competitive price to the Australian market. Currently, we pay all our staff above the minimum wage, however if the minimum wage rises to \$20 by 2021 and we are to maintain wage relativity, which we will have to, it will add around \$800,000 in wage cost increases to our business every year. Businesses that are able to will just put their prices up. Even our staff have noticed that while they are getting paid more, the cost of living is increasing at the same rate. As an exporter, we can't just put our prices up, so it is hard for us to maintain our profitability. It is also really important that we have access to foreign workers, because foreign workers are willing to work hard to prove themselves and they do a really good job, no matter which country they come from. If you look at places like Ashburton, where there are 500 job vacancies, it's clear that we need migrant workers to keep things running.

**"IF MINIMUM WAGE RISES TO \$20 BY 2021 AND WE ARE
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\$800,000

**IN WAGE COST INCREASES TO OUR
BUSINESS EVERY YEAR"**

Strategies to cope?

We may need to look at automation to stay competitive. This wouldn't be ideal for us, because automation would undermine our key point of difference, which is producing handcrafted goods. This would also take time due to the fact we have already invested in a brand new manufacturing plant, and the additional capital required to automate further would be a stretch on top of the significant investment we have already made.



Electronic Equipment Manufacturer

Describe your business.

We manufacture electronic equipment for industrial purposes. Our sales are split 50% between New Zealand and Australia.

How many staff do you have?

We manufacture in Wellington, New Zealand and employ around 108 staff in New Zealand and about 25 staff in Australia.

Impacts of Proposed Industrial Relations Changes?

Anything that adds cost to the business, such as the increase in the minimum wages, will make our business less competitive internationally and unlike a business that is domestically focussed; we can't just pass those cost increases on.

We do not employ anyone on the minimum wage at present, but we do employ assembly workers on above the minimum wage who will want an increase to maintain their relativity to the minimum wage. We calculate that will mean finding an extra \$800,000 a year spread over around 100 employees.

I think the biggest impact of increasing wages will be on small manufacturing businesses that are not exporting, but competing with imports, especially in regional/rural New Zealand and I believe it will lead to some companies shutting down. Is the Government trying to lighten our load or put rocks in our pack? I see the pack getting heavier due to a cumulative set of measures imposed by the Government.

Companies exporting to Australia already face an extra freight barrier, which is the equivalent of a 10% penalty. That has been doable because it was cheaper to manufacture in New Zealand due to lower labour costs. I think after the wages increases go through, it will be cheaper to manufacture in Australia and our competitive advantage in New Zealand will be gone. This is the first time in my long manufacturing and exporting career that this will be the case.

I am also concerned at the demise of the 90 day trial period for companies with over 20 employees. This will reduce my motivation to take a chance on someone without experience, so inexperienced people will have a harder time getting their first job.

Strategies to cope?

We will be forced to go to greater levels of automation and reduce the number of employees. This will make it harder for relatively unskilled people to get jobs. The minute you put more technology in, that requires higher skilled people, so the entry level jobs will be affected. If my business does expand in future, it will be in the Australian branch.



KiwiFruit Grower

Describe your business.

We are a family owned kiwifruit grower, growing both green and gold kiwifruit in the upper North Island. While we are small by today's standards, we are quite large for a privately owned operation. During the Harvest season, we employ local people, retired people, RSE workers and back packers. I've been picking fruit for over 30 years.

How many staff do you have?

30 Staff post-harvest, and up to 80 staff during Harvest (1 April – 10 June)

Impacts of Proposed Industrial Relations Changes?

There is a huge labour shortage in this industry, and this has driven us to pay most of our employees above minimum wage in order to secure labour. There is a concern that increasing the minimum wage will cause people to seek a wage increase to keep their wage relative to the minimum. This would put upward pressure on our already squeezed profitability.

It is great that the Coalition Government has stepped back from allowing unfettered Union access to the workplace. If Union workers were able to enter our workplace without any notification or permission to hold impromptu meetings, it would be really damaging to our operation. If work were to cease, it could cost our business dearly. Fruit needs to be picked.

I believe that for the most part workers are treated pretty well. Because securing labour is our biggest challenge, workers have plenty of choice as to where they can work, which makes it very important to treat staff with respect and pay them well.

Another aspect of this Bill that will affect our business is the loss of the 90 day trial period. Because we have more than 20 staff, we will be effected by this. This will probably result in us being more cautious when hiring, and less likely to take a chance on somebody without a track record.

Strategies to cope?

In our industry, we are always going to be reliant on labour. This makes upwards pressure on wages so it's worrying for us because there's not a lot we can do and labour costs are a big percentage of our overheads.

We also rely pretty heavily on Immigration, and get a lot of staff from Backpackers, and RSE workers. Backpackers are really valuable because they come in and work hard and then go out and explore New Zealand. It's great, because they basically spend everything they earn in the country too.

4 Food manufacturing business

Describe your business.

We are a company that manufactures and exports meal components for food service, retail and for other food manufacturers, and also have a vegetable processing plant. We have plants in Hawkes Bay and in Tauranga. Our products are sold in Asia, USA, Middle East, Australia and New Zealand. We used to do 4 million ready-made meals destined for Australian supermarkets, but the labour intensive nature of producing ready-made meals made it too expensive to manufacture in New Zealand and ship to Australia.

How many staff do you have?

Over both plants, we currently have around 75 staff members.

Impacts of Proposed Industrial Relations Changes?

We are currently non-unionized, but the strengthening of Union Power is a concern.

We are particularly worried around unlimited access causing disruption. Our process cannot just be interrupted without significant cost impact.

Minimum wage increases are also a huge concern for us. This isn't because we pay our staff minimum wage, but because everyone from the floor up will want to increase their wage so that it stays relative. To keep relativity, if minimum wage is set at \$20 an hour, we will need to find an extra \$120,000 next year and an extra \$120,000 the following year.

The proposed change that the 90 day trial is to be removed is frustrating for us too. We have only ever used it once, and we don't take letting people go lightly. It is just nice to know that you have the option if you get a rogue employee.

We are concerned that the added costs of the Industrial Relations Bill will make New Zealand a high cost place to do business.

Strategies to cope?

We are investing a large amount of capital (\$5.5 million) in automation, so that where possible we can increase yield and reduce head count. In May we lost 28 people because the 'ready meals' were no longer competitive in Australia due to our rising costs, and this could continue due to greater automation as a result of the increasing cost of labour. Our business is fortunate that we have international investors that are offering up capital to invest for a long term solution to the rise in labour costs, but a lot of NZ manufacturers don't have this kind of support.

One of the challenges that greater automation brings is having the workforce that is skilled enough to use it. Some of our current employees are not computer literate at all. We are trying to go paperless in our business and in one plant of 15 people, only 5 are capable of using a tablet in a consistent way.



Large commercial kiwifruit grower

Describe your business.

We are a large commercial Kiwi fruit grower in the Bay of Plenty.

How many staff do you have?

Our staff numbers range from 10 right up to 150 depending on the seasonal workload.

Impacts of Proposed Industrial Relations Changes?

We already pay our staff above minimum wage because labour is so scarce. Relativity is going to be the big issue, and we are already seeing it cause issues. Once the minimum wage goes up, everyone is going to want their pay to go up. We haven't calculated the added costs of the increasing minimum wage, because frankly, we're too scared to.

Labour shortage is one of the biggest problems in our industry, so we look after and value our staff. We already have compliance programmes in place, like Grasp and NZGAP to make sure that our staff are looked after. The scale is already tipping for the employer in terms of costs, and if it keeps going, the wheels are going to fall off. Unionism is one size fits all, and that's just not the Industry we are in.

If all of our workers had to have their lunch break together it would really slow down our productivity. Also, if there was a formal agreement, it wouldn't suit our business, because sometimes our start times are dependent on weather, so we might not start until 9:30 some days, and then to have a 15 minute break at 10:00 am would be really impractical.

While we offer people a piece rate, their wage is calculated on how many kiwifruit they pick, we always have to top it up so that they are paid at least the minimum wage. Often we find that people have low productivity, because they know that they'll get that minimum wage no matter what they pick.

Strategies to cope?

Unfortunately, we are still really reliant on labour. We are continually trying to make sure our staff are well looked after, and we even offer them packages, like free transport to and from work. We will probably have to try and automate as much as we can, but it will always be a labour intensive industry. We need the right immigration rules to support our industry because if we don't have the people we can't grow and our sector has big growth plans. Horticulture is not classified as a skilled job, so it is hard to get the really good people the visas they need to stay and work. We do work with WINZ, but out of 120 people sent to us by WINZ, we only gained 4 people over the course of a year. If you are unemployed in the Bay of Plenty, it is because you chose to be!



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