Llywodraeth Cymru
Welsh Government

The Agricultural Sector (Wales) Act 2014 (Continuation of Effect) Order 2018

Explanatory Memorandum - incorporating the Regulatory Impact Assessment

March 2018

Explanatory Memorandum to The Agricultural Sector (Wales) Act 2014 (Continuation of Effect) Order 2018

This Explanatory Memorandum has been prepared by the Department for the Energy Planning and Rural Affairs Department of the Welsh Government and is laid before the National Assembly for Wales in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

Minister's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Agricultural Sector (Wales) Act 2014 (Continuation of Effect) Order 2018. I am satisfied that the benefits justify the likely costs.

Lesley Griffiths AM

Cabinet Secretary for Energy Planning and Rural Affairs
5 March 2018

1. Description

The Agricultural Sector (Wales) Act 2014 (the Act) provides a statutory agricultural minimum wage regime in Wales. The Act supports the functioning of the agricultural sector by providing protection and minimum rates of pay for various categories of workers, including young workers, apprentices and trainees. It supports career progression as well as personal and professional development by setting different minimum rates for 6 grades of worker, depending on skills, qualifications, experience and level of responsibility.

The Act, at Section 14, includes a "Sunset clause" which provides that the Act lapses and ceases to have effect on 30 July 2018 unless an Order is made by the Welsh Ministers preserving its effect. The Agricultural Sector (Wales) Act 2014 (Continuation of Effect) Order 2014 (the Order) ensures the Act will continue in effect.

2. Matters of special interest to the Constitutional and Legislative Affairs Committee

None.

3. Legislative background

The power to make the Order is set out in section 14 of the Act. Section 14 also contains the "Sunset" clause setting out that the Act will cease to have effect on 30 July 2018 unless an Order is made by the Welsh Ministers preserving it. A section 14 Order to preserve the Act may only be made once the review period set out in section 13 has expired (i.e. after 30 July 2017), but before 30 July 2018.

Section 17(2) of the Act provides that an order made pursuant to section 14 cannot be made until it has been laid before, and approved by a resolution of, the National Assembly for Wales (i.e. via the affirmative procedure).

4. Purpose & intended effect of the policy introduced by this legislation

The purpose of the Order is to continue the effect of the Agricultural Sector (Wales) Act 2014. This would retain the comprehensive protection for agricultural workers in Wales offered by the Act.

This is in line with wider Welsh Government objectives on reducing poverty and increasing prosperity for all. The policy aim in Wales is to facilitate the effective function of agriculture in Wales by safeguarding the working conditions for employees who are the key resource in the sector and to provide the foundation for a resilient, sustainable and well-trained agricultural sector in Wales. This is essential to meet the future challenges that face agriculture, such as the changes in the market for produce and trading conditions, climate change, skills shortages and food security issues.

5. Consultation

A 12 week public consultation on the review of the operation and effect of the Act during the review period (30 July 2014 to 30 July 2017) was conducted, as required by section 13(3) of the Act. The consultation document was made available on the Welsh Government's website and may be requested by contacting the mailbox SLMenquiries@gov.wales or sending a request in writing to Agricultural Wages, Welsh Government Office, Rhodfa Padarn, Llandbadarn Fawr, Aberystwyth, Ceredigion SY23 3UR.

Key stakeholders, including the farming unions, UNITE, agricultural colleges and industry bodies such as Hybu Cig Cymru and National Sheep Association were sent the consultation documents directly on the day the consultation opened.

Altogether 12 responses were received. 5 supported the continuance of the Act unequivocally, 4 gave qualified support, 1 was opposed and 2 made no comment. Respondents included NFU Cymru, FUW, UNITE, The Tenant Farmers Association Cymru (TFA Cymru) and the ALP – Association of Labour Providers.

6. Provisions of the Order

These are set out in the Explanatory Notes to the Order.

7. Costs

No costing associated with communicating the changes introduced by the Order to stakeholders have been undertaken. Costs of staff time will be met from existing provision.

No separate costing to Welsh Government associated with inspection/enforcement work should the Act be continued. It is difficult to predict accurately the number of cases that may come forward but these will be met from existing provision.

There would be an annual cost involved with the operation of the Panel should the Act be continued. This would include expenses incurred by the Panel individually, meeting room costs, legal and research costs. This is estimated to be an average annual cost of approximately £60,000.

The cost to the industry of complying with future agricultural wages orders will vary according to the agricultural minimum rates of pay and allowances set, the cost of training and the impact of inflation on workers. The National Minimum/Living Wage legislation has to be respected irrespective of the rates of AMW set by agricultural wages orders.

A Regulatory Impact Assessment **has been prepared and is attached below.**

Annex A – Regulatory Impact Assessment

This Regulatory Impact Assessment (RIA) provides a *rapid and preliminary assessment* of three different options (including Do Nothing) in relation to the continuance, or otherwise, of the provisions of the Agricultural Sector (Wales) Act 2014. The Act enables:

- The establishment of the Agricultural Advisory Panel for Wales to advise the Welsh Ministers on the agricultural sector in Wales;
- The making of agricultural Orders which set the terms and conditions for agricultural workers, and;
- The enforcement of the terms and conditions of those Orders.

As a part of this assessment, broad categories of costs and benefits have been identified for each option, and are set out in the following sections. Where practicable these costs and benefits have been estimated. There are important limitations in the available statistical data from which to reasonably assess likely impacts, including around the potential scale of transfers between farm businesses and employees in respect of wages and other terms and conditions. Given these limitations, and the more general uncertainties faced in relation to unknown future decisions about the contents of prospective Agricultural Wages Orders, an overall best estimate of costs and benefits cannot be presented. Wider evidence and qualitative assessment is used to inform around likely effects and trade-offs under the alternative options.

More broadly, the absence of a fully monetised assessment should be considered in the light of the purpose of the Order in seeking to preserve a long-standing and pre-existing regulatory regime for agricultural workers, rather than to introduce a novel arrangement.

OPTIONS

This RIA assesses the costs and benefits of three alternative options:

Option 1 – Do Nothing (the Order is not made)

In this option, the current legislation and provisions of the Agricultural Sector (Wales) Act would cease to have effect after the 30th July 2018. From this point onwards farm workers in Wales would no longer be subject to the continued additional statutory protection provided through an industry-specific structure of graded minimum wage rates and associated terms and conditions, including in relation to holiday entitlements, agricultural sick pay, training entitlements and relevant allowances. Apprentices and young workers in agriculture in Wales would also no longer be subject to specific statutory provisions. Farm workers in Wales would, however, remain subject to the UK National Minimum Wage (NMW) and National Living Wage (NLW) legislative framework.

Over time, as contractual arrangements for farm workers in Wales previously based on the system of agricultural minimum wages ceased to have effect, such as for new entrants to agricultural work, wage rates and terms and conditions above the NMW/NLW minima would become determined by individual negotiations in the context of prevailing labour market conditions.

As a variant of this option, it has been suggested that it might be possible to consider a non-statutory system of support whereby agricultural employers and workers could follow a non-statutory best practice guide in relation to farm worker wages and other terms of employment. However, in the absence of statutory underpinnings and enforcement measures, it is highly uncertain as to the likely adherence to such an approach, and hence on the consequential distribution of costs and benefits. At the extremes, the major effects would seem likely to be bounded by the impacts outlined in Options 1 and 2. No further assessment has been conducted around this option as a part of this assessment.

Option 2 – Introduce the Order without a statutory time limit

This option would maintain the current legislative protection offered by the Agricultural Sector (Wales) Act for an unspecified period - existing provisions would remain in place and would be amended in accordance with future Agricultural Wages Orders. Agricultural Wages Orders would continue to set out minimum wage rates for different grades of workers, as well as provisions for apprentices and young workers in agriculture, and also relevant broader terms and conditions. The statutory protection offered under this regime would be in addition to that of the NMW/NLM legislation.

The effects of this legislation would continue to be monitored and reviewed according to Welsh Government procedures and National Assembly for Wales's scrutiny. Repeal would remain an option, as it is for all legislation should the policy change.

Option 3 - Introduce the Order including a statutory time limit

A "sunset clause" was included within the Agricultural Sector (Wales) Act as part of the introduction of this legislation using emergency procedures. Introducing a time limited continuance would retain the provisions of the existing legislation for a defined time period, but preserving these effects after that time would then require an entirely new Act.

For the purpose of this analysis, it is considered that in the period of the time limited continuance this Option would effectively operate as in Option 2. In the absence of a subsequent Act, and after this duration had lapsed, this would then revert to a position consistent with Option 1.

Costs and Benefits

COSTS

Option 1 - Do Nothing (the Order is not made)

Agriculture is now the only industry in Wales where specific statutory wage setting intervention (beyond the NMW/NLW) is in place. The Do Nothing option represents the baseline – whereby, in the absence of the Order, the additional statutory provisions for minimum wages and terms and conditions for farm workers as provided for under the 2014 Act, would cease, and new Agricultural Wages Orders would not be subsequently made. This baseline is used to assess the (additional) costs and benefits, and distributional effects, of the other considered options.

The full impact of (reverting to) this position would not materialise immediately given the accrued rights of farm workers under contracts existing at the time of the expiry of the legislation. Adjustments would be expected to occur over a period of time whereby new workers enter the industry and where the contracts of incumbent workers lapse. The impacts of the removal of the provisions would depend, at least in part, on the behavioural responses of employers. Over time, agricultural wages and terms and conditions would increasingly reflect labour market conditions, with the individual contractual outcomes being agreed directly through negotiations between farmers and workers, but still being underpinned by NMW/NLW requirements. Costs to farm workers will only materialise to the extent that negotiated wages reflecting market conditions were below that which would have operated under the AWO.

Although this option is taken as the baseline, it should be noted that there could potentially be some small-scale immediate transition costs linked to this option, for example around communicating with and informing stakeholders (e.g. farm businesses, unions and workers) about the changes that would apply. No firm cost estimates for any such requirement have been produced as part of this assessment.
In the absence of the industry-specific agricultural minimum wages framework and enforcement activities currently operated under the Agricultural Sector (Wales) Act regime, there could potentially be some additional costs associated with some part of enforcement activities being transferred to Other Government Departments (principally HMRC) handling NMW/NLW enforcement. These potential costs have not been estimated, and would represent a transfer within the public sector. Some legacy enforcement actions might also remain to be managed by the Welsh Government - these would be assumed to phase out over time.

Option 2 – Introduce the Order without a statutory time limit

The costs and benefits outlined in the following sections aim to reflect those additional to the baseline (Do Nothing) option.

Whilst there is reasonable information upon which to make estimates of some (fairly narrow) costs and benefits, it is important to recognise that current data and evidence limitations significantly inhibit the extent to which firm estimates of the more significant transfers and wider impacts can be established; an evaluation to establish the economic impact of the Act to date, and associated AWOs, has yet to be undertaken, and therefore is not available as a source of evidence to inform this RIA.

Administrative Costs

The expected additional administrative costs, both transition and recurrent, and consideration of the groups affected by such costs, are considered in the following sections.

Transition Costs

Transition costs reflect one-off activities associated with the respective option(s). Given that this Option would continue with the statutory provisions already currently in operation in Wales, there are not expected to be any significant additional transition costs. Some limited communications costs may be incurred in communicating the continuation of these provisions (which would be expected to be very limited in scale). No one-off additional training activities are envisaged as required to support this option.

Recurrent (Annual) Costs

(i) Costs to Government

There are a number of additional on-going costs to the Welsh Government associated with the functioning of the Agricultural Advisory Panel for Wales, and required administrative support, as well as the associated broader enforcement activities. An estimate of the annual costs associated with each of these elements is outlined below:

- Direct Costs of the Panel

The Agricultural Advisory Panel for Wales (the 'Panel') is required to meet at least three times each year in order to be able to effectively fulfil their responsibilities. The initial estimates of the potential broad costs of operating various forms of the Panel were provided in the RIA to accompany its establishment, with such estimates varying depending on the scale of membership and activities[1].

Since the Panel is now functioning, recurring annual cost estimates can now be updated by recent actual cost information. The costs of the Panel include expenses for meeting attendance, research and external legal advice. The direct expenditure on the Panel since its establishment has been around £50,000 - 60,000 per annum. In order to continue to function in broadly its current form it is assumed that these costs, in real terms, would remain at around £60,000 per annum (changes to meeting frequency or the extent of Panel activities would impact on such costs).

[1] http://www.assembly.wales/laid%20documents/sub-ld10544-em/sub-ld10544-em-e.pdf

- Administrative support

The Welsh Government also provides administrative support to the Panel, and issues guidance to assist employers and employees understand the applicable statutory requirements. The guidance element is updated as required following new Agricultural Wages Orders, and is assumed to involve minimal additional costs to produce and disseminate.

Using Welsh Government staff resource for the purpose of supporting the functioning of the Panel carries with it an associated opportunity cost[2]. This can be roughly estimated as the sum of utilised staff time multiplied by the relevant salaries and non-wage labour costs of staff involved; the present support function is principally provided by one full-time Management Band (Welsh Government Pay Band MB2) grade. Based on the current internal guidance on annual gross costs for Welsh Government staff, the opportunity costs of such staff resource is estimated to be around £46,500 per annum[3].

- Inspection and Enforcement

Welsh Government officials have responsibility for dealing with enforcement issues associated with the agricultural minimum wages legislation as they arise, though handling may in some cases also involve commissioned specialist advice. Between the 1st April 2016 and 31st March 2017 there were 42 enquiries. Since the Act was implemented only three formal complaints have come forward to the Welsh Government.

It is not possible to reliably predict the number of future cases that may emerge (and hence whether there would need to be any changes to current resources to deal with such issues). Based on the estimates provided in the previous RIAs, relating to expected staff and associated costs, but also cross-checked against updated staff costs, enforcement costs are assumed to remain of the order of £3,000 to £4,000 per annum – to avoid double-counting is should be noted that currently given the limited enforcement requirements these are absorbed within the overall cost estimate for administrative support (the functions are undertaken by the same individual).

Over an assumed time horizon of a 10 year period, the present cost of these activities is estimated to be of the order of £950,000[4].

(ii) Direct Costs to Farm Businesses

Compared to the baseline, under this option farm businesses in Wales with employees covered by the provisions of the agricultural minimum wages

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[2] Opportunity costs (or economic cost) reflect the value of the most valuable of alternative uses, in this case of re-deployment to meet other Welsh Government priorities.
[3] Rounded to the nearest £100. The figures include National Insurance and Pension Contributions but do not include accommodation, ICT or any other central overhead cost, and hence may offer some underestimate.
[4] Based on a 3.5% discount rate, consistent with HM Treasury economic appraisal guidance: https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent

requirements would be subject to the additional administrative burden associated with ensuring sufficient familiarisation with the Act and AWOs as they come into effect, as well as those of adherence to the broader NMW/NLW requirements (only the latter applying in the case of Do Nothing).

As a broad estimate of these familiarisation costs - the Business Population Estimates[5] produced by BEIS estimate that there were around 14,890 businesses in the agriculture, forestry and fishing industry in Wales in 2017 (see Table 9). Of these, an estimated 2,980 had employees (around 85% of these having either 1 or between 2-4 employees). Based on the provisional estimates for the 2017 ONS Annual Survey of Hours and Earnings (ASHE)[6], the average gross hourly pay for Managers and proprietors in agriculture and horticulture in Wales, excluding overtime, was £11.73 (median = £10.69). Assuming an additional administrative requirement of 1 hour per employer to familiarise and update relevant information, and including 30% non-wage labour costs, this implies a basic annual direct cost associated with familiarisation to ensure compliance[7] of around £41,400 to £45,400 (or taking a rough average, a present value of costs of around £375,000 over an assumed 10 year time horizon[8]).

These estimates are, of course, dependent on the assumed time required for annual familiarisation – in practice this could be higher or lower, and likely varies across farm businesses. It is also possible that such decision makers would also be more likely to be at the higher end of the respective pay distribution, which would serve to raise these cost estimates somewhat. Mechanically, changes to this estimate over time would also depend on the frequency of AWOs, the number of farm employers, changes to the estimates of their respective average wage rates, and also of the extent of familiarisation required (likely to be lower under less complicated requirements).

Policy and Compliance Costs

- Costs to Farm Businesses

Agricultural Wages Orders, made under the provisions of the Act, set out the statutory minimum requirements across a range of employment conditions – graded minimum wages rates, overtime rates, holiday, training and agricultural sick pay entitlements, allowances for accommodation, dogs and on-call, night work supplement, and rest breaks.

Specifying such employment conditions on a statutory basis provides additional certainty to farm workers, but some restrictions to farmers over their flexibility to negotiate new wages and terms and conditions. According to commonly applied

[5] https://www.gov.uk/government/statistics/business-population-estimates-2017, Department for Business, Energy and Industrial Strategy, 30th November 2017. Number of businesses in the private sector and their associated employment and turnover, by number of employees and industry section in Wales, start 2017, Table 21.
[6] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/regionbyoccupation4digitsoc2010ashetable15
[7] These cost estimates have been rounded to the nearest £100 given uncertainties around their exact values.
[8] Based on a 3.5% discount rate consistent with HM Treasury appraisal guidance.

economic theory, by holding wage rates and terms and conditions above the market clearing level (to the extent that this occurs), this would in effect place additional costs on employers than would otherwise be the case, and would give rise to a transfer in the form of higher labour costs to farm businesses but benefits to recipient farm workers[9]. The estimate of the absolute value of these transfers would depend on the scale of the proposed changes to minimum wage rates and broader set of allowances and conditions for each worker type under new AWOs, the number of employees at each grade, compliance with changes to the minimum wage rates (assumed to be full compliance for a statutory requirement[10]) and if workers were already paid a negotiated wage rate above the relevant minimum, and as such whether wage rates were increased to the new statutory minimum or increased above this rate.

Previous RIAs published alongside each of the Agricultural Wages Orders in Wales have tried to provide a very broad, illustrative estimate of the potential scale of the additional wage costs for Grade 1-6 agricultural workers following updated minimum wage rates based on a simplified pay model. In this estimation approach, the additional costs of proposed minimum wage rate increases for basic pay and overtime for each worker type (full-time, part-time and causal) are estimated by multiplying the increase in wages per hour for the respective grade by an assumed number of hours worked per week, the number of weeks worked per year and number of assumed workers of each type (the additional costs of the Wales-specific legislative requirements taking account of increases due to the NLW).

However, such estimates have proved to be subject to important limitations: up-to-date and Wales-specific figures on the number of workers in each agricultural grade are not available[11]. Instead these calculations have necessarily made use of now rather dated estimates provided from the (discontinued) Defra survey of Earnings and Hours of Agricultural and Horticultural Workers (for England and Wales)[12] (see Table 4). The employed calculations attempt to use the proportions of workers by Agricultural Wages Board (AWB) grade for the period up to 2010 for England and Wales and then translate these into approximate AWO grade employment in Wales using the current farm worker dis-aggregations available from the annual June

[9] Though this model is often assumed to provide an adequate description, it is worth noting that alternative economic models may yield somewhat different predictions. Unlike a model of perfect competition, where the wage would equal the marginal product of labour, and hence increased wages would be expected to lead to decreased employment, in the case where a firm had some degree of market power the wage may instead be set below the marginal product of labour so that under a minimum wage rate condition firms may receive lower profits but some of the potential adverse effects on employment may be mitigated. Limited UK evidence has been identified in the time available from which to more fully consider this possibility in respect of domestic agriculture. However, such monopsony power may arise from characteristics such as information asymmetries, search frictions, and limited labour mobility, as well as more directly from firm concentration – of which some have a degree of *a priori* plausibility for farm workers predominantly based in rural areas.

[10] Reliable statistics on overall compliance rates have not been identified.

[11] A research study conducted by ADAS investigated the collection of such information on a Wales basis, but due to low response rates the quality of data proved insufficient as a sound basis for such analysis.

[12] http://webarchive.nationalarchives.gov.uk/20130125190634/http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-earnings-labour2012-120627.pdf

Survey of Agriculture and Horticulture[13] (headcount based estimates of work on agricultural holdings are provided in Table 2).

Given that the assumptions around graded worker distributions may be increasingly challenged in the light of on-going data constraints, and the lack of forward information on future minimum wage rates (since these are only set under future, unknown AWOs), best estimates of the potential scale of such future transfers are not produced here. However, in order purely to provide to some broader context, this approach has previously suggested that transfers to farm workers in Wales as a consequence of the uprating of minimum wage rates could have been of the order of £7.7m for the 2016 AWO (covering a multi-year period), and around £1.2m for the AWO 2017 (assuming the full differences between previous and revised minimum wages are reflected in the transfers). However, these estimates need not necessarily be reflective of what may be required under future Orders, and therefore provide only a limited guide.

To further provide some sense of proportion, compensation of employees and total income from farming (TIFF)[14] were estimated (forecast) to be £125m and £157m, respectively, in 2016 – the latest figures available. Recent trends in farm business incomes (essentially, net profits) also provide some perspective on the relative scale of such transfers[15].

There are also further important limitations in respect of data on farm worker allowances and other terms and conditions, such as leave entitlements, accommodation allowances[16] and agricultural sick pay (payable at a higher rate than statutory sick pay[17]). Consequently, no specific estimates have been projected for the purpose of this RIA (or in those for the previous AWOs) of the additional non-wage labour costs to farmers arising from enhanced statutory protections under this Option. In practice, it is not known to what extent farmers would in any case offer less favourable terms in the absence of AWO protections – there are important issues around the retention and motivation of current workers, as well as the

[13] http://gov.wales/statistics-and-research/welsh-agricultural-statistics/?lang=en

[14] http://gov.wales/docs/statistics/2017/170323-aggregate-agricultural-output-income-2016-en.pdf
Total income from farming (TIFF) is a measure of income generated by production within the agriculture industry, including subsidies. It represents business profits plus remuneration for work done by owners and other unpaid workers.

[15] http://gov.wales/docs/statistics/2017/171213-farm-incomes-2016-17-en.pdf

[16] There appears to be limited data available on the extent of accommodation provision for farm workers. One study carried out around 2000 by CEAS "Review of the Minimum Wage Arrangements in Agriculture: England & Wales", suggested that such provision was most limited in Wales with only 3% of holdings providing accommodation, whilst being around 31% of holdings in the East/South East of England.
http://webarchive.nationalarchives.gov.uk/20110318181618/http://www.defra.gov.uk/evidence/economics/foodfarm/evaluation/minwage/fullrep.pdf
Reliable statistics have not been identified more specifically on the proportion of farm workers who are required to live in their accommodation as part of their contract, and hence subject to the accommodation provisions of the AWO.

[17] Since statutory sick pay is incorporated within ASP the costs for government are assumed to be largely unaffected.

recruitment of new workers - and this would be particularly the case in a labour market with suggested skills shortages[18].
Whilst the scale of expected transfers between farmers and workers is subject to important estimation issues, an significant point to reflect is that the net impact of the sum of these transfers at an aggregate level is broadly zero (though as discussed in the Benefits sections there are sound economic arguments for perhaps giving higher weight to gains received by those with lower incomes (and wealth)[19].

Wider Costs

Work by the Low Pay Commission (LPC) in respect of the National Living Wage suggests a number of potential general business effects that may arise in response to statutory increases to minimum wage rates - though profits, prices, productivity, investment, employment and pay differentials.

In respect of business profits, one approach that may be used to adjust to increases in the minimum wage could be simply for the farm business owner to accept lower profits (arising from the higher overall labour costs). Indicators of farm profitability (and insolvencies) are, in practice, influenced by a much wider range of factors, thus complicating direct assessment of such effects. However, some outline of the (recent) contribution of paid farm labour to total input costs, and hence through to farm incomes, is described in later sections.

Though it may be argued in theory that farm businesses could potentially pass-on any rises in labour costs through to the subsequent supply chain (and possibly ultimately onto consumers) in practice, given the extent of production in Wales which may be considered largely as undifferentiated farm outputs (particularly in the case of liquid milk, but also to some extent beef and sheep) a perhaps more realistic assumption may be that of farmers as price-takers, limiting the extent to which such cost pass-through could be feasibly achieved.

A focus on improving productivity may also be a pursued as a potential strategy to compensate for input cost increases - though evidence on the extent of use of such an approach in the context of domestic agriculture appears fairly limited. Investment activities could conceivably be affected in either direction – increased labour costs could have the effect of reducing the scope for making efficiency-enhancing investments or could alternatively lead to an increased need to undertake or bring forward such investments to improve competitiveness. There are likely to be higher adverse effects if such profits would otherwise have been used for productivity

[18] The UKCES Employer Skills Survey 2015 provides some data on vacancies, retention difficulties, skills gaps and training provision by employers in the agricultural industry in Wales compared to other industries. Of these issues, this source is suggestive of more pronounced weaknesses in training provision in agriculture – other measures seem relatively less of an issue for this industry in Wales, at least at the time of the survey.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/526082/ESS_2015_Wales_Slide_Pack__May_.pdf
https://www.gov.uk/government/publications/ukces-employer-skills-survey-2015-wales-toolkit
[19] Information on the net wealth (assets less liabilities) position of different farm types is provided in section E - Assets and Liabilities of the *Farm Incomes* statistical release:
http://gov.wales/docs/statistics/2017/171213-farm-incomes-2016-17-en.pdf

improving investment rather than in supporting the general consumption of farmers from business drawings.

Overall, there is insufficient evidence from which to assess the likely outcomes in terms of productivity improvements. The scope to make such farm-level productivity improvements will also depend on a range of factors, including the characteristics, motivation and capacity of farms businesses to adopt new technologies, and the scope for economies of scale.

In terms of the possible effects (at the farm-level) on employed labour arising from increasing minimum wages (the cost of unit labour inputs), this could take effect though reducing the numbers of paid employees (and perhaps substituting for unpaid family labour), reducing hours of paid employment for workers[20], delaying hiring, and/or moderating pay differentials through lower pay rises for relatively higher-paid employees – though the latter strategy may not be sustainable on a longer term basis. The AMW regime to some extent may directly addresses part of the final point, limiting the scope for on-going unplanned wage rate convergence – however, by restricting flexibility on this dimension it seems likely that adjustments would then operate through one of the alternative mechanisms.

Recent AWOs in Wales have been brought into effect in the context of employment rates around record high levels, but with recent productivity and wage growth in general being quite weak (LPC, 2017). The broader economic and labour market conditions prevailing at the time of any future AWOs will be important in influencing likely business-level as well as consequential wider effects, and hence careful economic assessment and monitoring of emerging impacts will be required as part of limiting adverse effects.

- <u>Impact on employment and hours</u>

The economic effects of minimum wages, and particularly the effects on aggregate or industry-level employment, have been subject to considerable contention, and a significant volume of research. However, such studies have generally been limited in coverage to the assessment of the impacts of single minimum wage floors, often with economy wider coverage, rather than multiple graded minima for a specific industry, as applies in respect of the statutory agricultural minimum wages regime in Wales. Fundamentally, trying to establish the net effects of minimum wages is a highly challenging empirical issue.

As outlined earlier and under commonly applied economic theory, raising wage rates above what would otherwise have been the market clearing rate (i.e. as largely relevant under Do Nothing) would be expected to give rise to adverse impacts on employment and/or hours of paid work. Any reductions in employment as a consequence of higher statutory minimum wage rates would represent a real economic cost rather than a transfer. In practice, there has been somewhat inconsistent evidence on the effects of minimum wage rates[21], though in many

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[20] Some evidence is tentatively suggestive that higher minimum wages may at the margins could lead to some modest reductions in hours of employment.

[21] Previous analysis by Defra in relation to abolishing the former Agricultural Wages Board for England and Wales suggested that the AWB may have contributed to keeping wages above the

studies the estimated impacts on employment have tended to be relatively modest. Favourable labour market conditions might be expected to act to moderate the extent of such adverse effects.

As part of the RIA commissioned in support of the 2016 AWO, a review of the economic literature led the authors to make use of an assumed average minimum wage elasticity of -0.19, along with a median of -0.03. For the wage increases adopted under the respective AWOs, the estimated impacts on employment were employment reductions of some 110 workers and less than 20 workers, respectively, based on the higher mean elasticity estimates (in both cases the application of the median elasticity would indicate more modest employment effects).

These somewhat speculative estimates were produced using assumed elasticities drawn from a wider literature (rather than actual outcomes) trying to get some broad sense of the possible effects of the increases in minimum wages proposed as part of these specific AWOs. Importantly there may also be variations in elasticities across farm types and sizes, but insufficient evidence is available at this level of detail, and also not available in respect of each of the individual minimum wage grades. Evaluation evidence is not as yet available to establish estimates of the actual impacts on employment in Wales as a consequence of the provisions of previous AWOs.

Future impacts will depend both on the scale of proposed changes compared to prevailing market conditions[22], and the ability/preferences of farm businesses to absorb such costs, potentially involving some substitution with own labour and capital. Improvements in agricultural productivity will also be influential in the affordability of such pay increases. In the absence of specific information about potential future minimum wage rate changes, no estimates are made regarding the potential impacts on agricultural employment.

The available evidence does however suggests that minimum wage increases need to be carefully considered in respect of broader labour market conditions, and there are reasonable grounds for anticipating an increased risk of such adverse outcomes if minimum wages are set inappropriately high in industries subject to lower profits, as is the case for at least some agricultural sectors. Such issues are likely to need particularly careful evidence-based consideration in the context of possible “shocks”, (including possibly arising form eventual Brexit decisions) in the absence of operating under a more general market clearing wage determination process (above the NMW/NLW)[23].

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counterfactual, and also led to reduced wage inequality within the industry though increases at the low part of the pay distribution. Some modest, but not entirely consistent, effects on employment were also suggested in respect of the considered time periods used in the analysis.

[22] The LPC’s remit is to advise on the path of the NLW to reach the UK Government target of 60% of median earnings by 2020, and to recommend levels for the minimum wage rates that will assist as as many low-paid workers as possible without any significant adverse impact on employment or the economy. For some industries in Wales at least, a UK NLW, operating under this objective may already represent something at the upper end of tolerance without adverse effects for relatively low wage industries such as agriculture.

[23] Some consideration to the effects on the domestic agricultural industry under selected scenarios of future alternative UK-EU trade arrangements are considered in the FAPRI modelling - https://www.afbini.gov.uk/publications/afbi-report-post-brexit-trade-agreements-uk-agriculture.

- Impacts on Competitiveness and Profitability

Like Wales, both Scotland and Northern Ireland have retained a form of agricultural wages board. However, these provisions were abolished in respect of England in 2013; as a consequence there now exists some increased flexibility for farmers to set wages and terms and conditions with their workers. Depending on how the wage rates and terms and conditions negotiated[24] in England evolve under these altered arrangements compared to those in Wales, it is possible that over time some degree of a wage differential might well emerge between farms in Wales and those in England, at least at some points of the wage distribution.

Relatively higher wage rates for workers in Wales with similar skills attributes and productivity, than in England, would potentially affect the cost base of farms in Wales, and consequently provide some (perhaps limited) risk of adverse effects on the competitive position of Welsh producers (in the absence of offsetting positive incentives also generated through such a regime – discussed in later sections).

Both regimes in England and Wales (as elsewhere in the UK) are underpinned by the same NMW/NLW legislation, and at least to this point the minimum wage rates of Grade 1 agricultural workers in Wales have been closely aligned with the NLW/NMW; but there could also be some effects emerging through any possible compression of the wage distribution for higher skilled workers in England. More generally, providing that labour costs do not diverge too significantly, such effects are likely to be relatively marginal in overall terms – but may have more importance for some farm activities. Again, materially different wage rates for similarly skilled agricultural workers could also impact on recruitment, but again evidence on this point to date is limited.

Since England has only operated without the effects of the Agricultural Wages Board (AWB) for a limited period of time, and for some part of this many workers would still have been either subject to previously established contracts (or new wage rates reflective of previous rates), research evidence appears to be largely absent. Meaningful analysis of “raw” earnings survey data is also further complicated by the influence of wider economic as well as farm sector-specific conditions – given differences in industry structure between England and Wales.

Given the ‘noise’ in the survey estimates of gross hourly pay and paid hours for agricultural workers in Wales and the UK (shown in Tables 5-8), it is not possible to identify a sense of whether postulated effects are indeed emerging (also inhibited by the use of accessible UK data, which will include effects in the Devolved Administrations rather than just England). This issue should be fully considered as part of future monitoring and evaluation requirements.

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[24] Since, the broader evidence is suggestive of a proportion of farm workers being paid above agricultural minimum wage rates, it is likely that a significant number may already be reaching agreed wage rates through individual negotiations, and as such would therefore not be directly affected by the removal for additional statutory provisions. However, the AWO is broader than wages, and also sets conditions around progression, training and other allowances. It is unclear what impact removal of such provisions would have on these other dimensions.

In addition to these economic factors, operating somewhat different systems in Wales and England might also be expected to offer some additional farm management challenges, in particular for cross-border farms and also where using similar labour for performing tasks on farm where some are covered by the AMW and other parts by the NLW/NMW. No evidence has been identified regarding the extent to which this has been an issue.

Profitability and affordability - impacts by farm sector

There may be expected to be some variation in the potential impacts of this Option in terms of the effects on the profitability of different farm types due to differences in the extent of utilisation of paid and casual labour. These effects will depend both on future changes in agricultural minimum wage rates and terms and conditions (which are not known in advance) and also the individual position of farms. Consequently, it is not possible to meaningfully project effects on profitability and affordability – especially since it is likely that the predominant effects on the value of agricultural output, and from this farm incomes, will be due to prevailing agricultural commodity prices, with important variations in individual farm cost bases. More detailed assessment should be conducted as part of RIAs associated with any future AWOs.

Farm incomes (essentially a measure of net profits) exhibit significant variation both between and within farm types, and also across time periods. Aggregate data on farm accounts is available from the Farm Business Survey in Wales. Whilst the scale of employee utilisation for most farm businesses in Wales might lead to a categorisation of predominantly small businesses, the available evidence tends to suggest paid and casual farm labour costs rising slightly as a share of total inputs for larger farms - based on the most recent years only, this ranges up to about 9% for Lowland Dairy farms with over £350,000 of standard output[25] (see Tables 10-15). It is also possible that changes in minimum wage rates may also become reflected in costs associated with contractor rates.

While quantifying the scale of effects in advance is not feasible since future proposals are unknown, though subject to limitations it would be feasible to gain some intuition of likely static effects on farm businesses associated with new AWOs though modelling based on this data source.

Effects on Government

Any changes to the remuneration packages of farm workers as a consequence of the provisions of future Agricultural Wages Orders might be expected to have some very limited effect on both tax receipts and also employment costs paid to Government (e.g. National Insurance Contributions) (in so far as pay is higher than would otherwise be the case, but offset by any effects on employment), and possibly in the opposite direction on benefits payments. The impacts of these have not been assessed, but would seem likely to represent second-order transfers.

[25] Standard output reflects the average monetary value of agricultural output at farm-gate prices. Multiplying SO coefficients by the number of hectares of crops or head of livestock can provide a standardised estimate of farm size for use in classifying agricultural holdings. These figures provide a snapshot over a short period of time and reflect an un-weighted inter-year identical sample, covering predominantly those farm businesses with over €25,000 standard output.

Option 3 - Introduce the Order including a statutory time limit

Under this Option, the statutory provisions and effects of the Agricultural Sector (Wales) Act, and associated Agricultural Wages Orders, would remain in place for a statutory time limited period - during which the implications would appear to be largely consistent with that of Option 2, effectively delaying the move to an outcome then broadly consistent with Option 1.

Administrative Costs

Transition Costs

There may be some transition costs for Welsh Government under this Option, such as in conducting communications with stakeholders around the point of change. However, these are expected to be modest and consistent with the baseline Do Nothing option, i.e. not therefore reflecting additional costs.

Recurrent (Annual) Costs

- Costs to Government

Over the period of continuation, the Welsh Government would continue to be subject to the costs associated with the operation of the Panel, its required administrative support, and enforcement activities. These annual costs would be anticipated to be generally as set out in Option 2, i.e. under the assumption that the nature and scale of activity would not materially change over the time limited period compared to the case of no statutory time limit.

- Direct Costs to Farm Businesses

For the period of continuation, the direct, recurrent, costs to farm businesses in the form of additional administrative and compliance costs would remain given that farmers would continue to need to adhere to the additional legislative requirements of the industry-specific minimum wages regime in Wales, as well as that of the broader NMW/NLW. These costs are additional to the baseline, and on an annual basis would be expected to be as in Option 2, for the duration of the continuation period.

Policy and Compliance Costs

- Costs to Farm Businesses

Costs associated with previously discussed transfers from farm businesses to farm workers arising from an expected outcome of wages and terms and conditions above that which would have prevailed in the absence of such legislation, would be expected to be broadly consistent with those identified in Option 2 for the duration of the continuation period.

Once these statutory provisions ceased to have effect, existing workers remaining in employment are would be likely to still have some continuation of contractual rights in respect of the terms and conditions of AWO in force at the point of expiry. However, over time as new workers enter the industry and existing contracts were re-negotiated, wages and terms and conditions as under Do Nothing would be then determined by the general employment legislation applying to all workers in the UK and prevailing labour market conditions.

In terms of getting a sense of the likely speed of adjustments in the absence of the wages orders, some consideration is required as to the likely turnover of farm workers. The expectation, almost by definition, is that causal workers would leave employers fairly quickly (and at least assumed to be within a year), possibly before then returning. However, any new contractual arrangements would then not be subject to the previous AWO. No robust data on turnover associated with permanent workers in agriculture has been identified. In their assessment as part of the abolition of the former AWB, Defra assumed that a 5% turnover rate for permanent workers might be broadly reasonable, though also noting that it could in the future be higher due to the age composition of the farm workforce.

BENEFITS

Option 1 – Do Nothing (the Order is not made)

This option provides the baseline against which the benefits of the alternative options are assessed. As such only a few broader points are made in this section – these <u>not reflecting additional benefits</u>.

<u>(Avoided) recurrent costs</u>

The consequence of this option would be to move immediately from the position of agriculture-specific minimum wage rates and terms and conditions in Wales, to one primarily reflecting labour market conditions but underpinned by the UK NLW/NMW legislation. This would be expected to give rise to reduced direct regulatory and administrative burdens for farm businesses as a result of somewhat simplified employment (wages) legislative requirements. Costs previously incurred with the operation of the Agricultural Advisory Panel for Wales, including Welsh Government staff supporting this function and wider enforcement activities would be avoided.

<u>Transfers and wider benefits</u>

Under this option, wage rates and labour costs would be assumed to adjust to reflect market-clearing conditions, i.e. the previously outlined transfers would no longer arise. Farm businesses would be expected to be the primary beneficiaries from this adjustment. Whilst there may be some argument for potential positive supply-side effects as a consequence of the reduction of any legislative-based labour market distortions, there are considerable uncertainties over the likely scale of any such impacts.

Option 2 – Introduce the Order without a statutory time limit

According to the Low Pay Commission (LPC) around 17,000 workers aged 25 and over in the agricultural industry in the UK are covered by the NMW[26]. The latest statistics provide an estimate of mean gross weekly pay for employee jobs in agriculture, forestry and fishing in Wales of £416.60, compared to £469.70 for all industries and services[27].

The industry-specific statutory wages requirements in Wales attempt to recognise characteristics considered specific to the agricultural industry, reflecting its structure, and tendency towards working relatively long hours, typically performing more physical and dangerous tasks than average workers in other sectors of the economy.

In terms of the structure, the available data is supportive of industry composition in Wales involving a significant proportion of small businesses (at least as defined by employee numbers), with farms predominantly making use of own labour (labour provided by farmers, partners, directors and spouses). There is also some justification around the hazards associated with employment in agriculture. Under general market conditions it would be expected that wage rates would tend to adjust to reflect a necessary "premium" for particular skills subject to excess demand or undertaking hazardous or unpleasant activities. The available evidence points to higher work-associated risks in the agricultural industry[28].

In making a preliminary assessment of the potential benefits, again, as in respect of the cost sections, it should be noted that since many of the effects are reflected in transfers between farmers and farm workers the direct benefits identified in the following sectors are largely the opposite of the costs discussed in the corresponding sections above, broadly resulting in an overall neutral transfer (though importantly different weightings for those gaining and losing from these transfer effects may be justifiable).

Transition Benefits

No significant transition benefits have been identified.

Recurrent (Annual) Benefits

(i) Benefits to Farm Workers

Under this Option, as set out previously, there are grounds for considering that farm workers may receive additional benefits than would otherwise have been the case in the absence of the legislative provisions. As discussed in the corresponding costs

[26] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/681750/Short_report_December_2017.pdf

[27] Source: Annual Survey of Hours and Earnings, ONS. The corresponding median values are £398.50 and £406.30.

[28] Health and Safety Executive statistics provide evidence of the higher risks in agricultural work, with high estimated rates of self-reported work-related illness and non-fatal injury, and providing around 20% of fatal injuries arising from accidents at work in Great Britain during 2016/17. http://www.hse.gov.uk/statistics/index.htm

section, the effects of statutory minimum wages set above the market clearing wage rates for workers of given skills and experience, would in effect provide a transfer, increasing costs for farmers compared to what would otherwise have been the case, and providing benefits to recipient farm workers. Such benefits to farm workers would include (i) any increase in wages to workers, (ii) the value of increased annual leave to workers, (iii) improved sick pay to workers, as well as other more favourable terms and conditions.

Whilst these transfers would broadly net-off to approximately zero, there are sound economic arguments, supported by HM Treasury Green Book guidance[29], for placing additional weight on the benefits received by farm workers, who in general would be expected to have lower incomes and wealth than farm business owners, as well as in meeting the broader policy aims of redistribution to ensure fair wages for farm workers.

Although many farm workers might be expected to gain directly from such higher minimum wage rates, in assessing the overall benefits to farm workers this also needs to be balanced against any consequential adverse effects on paid hours, and indeed any costs associated with lower employment of farm workers. The potential effects employment and hours effects have been considered earlier.

To the extent that statutory minimum wage rate increases are set in a considered manner, moderating the scale of any adverse effects, there may potentially be some modest gains to the overall household incomes of farm workers – though also needing to take account of the effects arising through the tax and benefits system.

A relevant point not generally reflected relates to agricultural job search and wage outcomes. There is limited direct evidence on the mobility of agricultural workers within Wales, and hence the extent to which this could differ to other sectors. However, feature such as the geographical location of many farms, limited density of labour market opportunities in more remote areas, as well as possible (more limited) skills transferability issues for more some farm workers may be relevant considerations. Some evidence also seems suggestive of relatively low transition rates of agricultural workers to other employment[30]. Agricultural minimum wage rates may therefore enable some workers to gain from somewhat improved wage rates and terms and conditions, whilst avoiding costs of job search (which could plausibly be higher than for workers elsewhere, given these potential skills and location characteristics).

One further issue relates to the statutory graded minimum wages structure applicable to farm workers in Wales. As discussed in LPC[31] evidence in the context of the NLW, raising minimum wage rates has the potential to give rise to “spill over” effects, increasing the wage rates of other workers as they seek to retain previous wage differentials. Recent evidence published by the LPC suggests that for most low-paying sectors pay differentials may have been reduced (i.e. the effects of higher NLW’s have not been fully passed-through) as employers have moderated pay rises

[29] See particularly Annex 5: Distributional Impacts.
[30] Though this of itself could reflect constraints to achieving higher pay and conditions or an acceptable wage/utility balance for farm work.
[31] https://www.gov.uk/government/organisations/low-pay-commission

for higher paid workers to accommodate the costs of the NLW increases. For the most recent period this also seems to be the case for UK agriculture.

Whilst there is evidence of some pay compression over recent years, the extent to which any further compression would be feasible is not clear, or whether future adjustments may take effect through other dimensions affecting labour costs such as hours and employment. Anecdotally, such compression also seems to have led to some reported issues around staff motivation and reduced progression opportunities. Clearly, if retained, the multiple minimum wage rates regime for agricultural workers needs to be managed carefully to take account of such broader pay developments.

Though not examined in significant detail given the limitations around the available statistical data, the current AWO sets out to provide statutory protection in the form of provisions for apprentices and a basic statutory hourly wage rate and terms and conditions for younger workers of compulsory school age, i.e. between 13 and 16. In contrast, the NMW only covers workers aged 16 and above. Similarly, UK employment legislation does not make any provision for specific rates of pay linked to skills, specific rates of pay for overtime, rights to paid training, standby duty and night allowances, or a number of other allowances currently available under provisions of the relevant AWOs.

To the extent that workers covered by the statutory requirements in Wales achieve terms and conditions above that which would have arisen under market conditions, this would represent a private benefit to the recipient individuals (but offset by a cost in the form of a transfer from farmers). However, little evidence has been identified to date around potential farmer responses were the agricultural wages legislation in Wales to no longer have effect – it is not clear if these would be eroded over time or would be held up by the need to retain incentives to recruit and retain farm workers.

- <u>Benefits to Farmers</u>

The previous sections have outlined the basis for expecting the statutory regime for agricultural workers wages in Wales to impart some additional costs on farm businesses, both in terms of wages and of terms and conditions benefits to workers (a transfer), and also administrative costs to ensure familiarisation and compliance with the additional statutory requirements (above that of the NMW/NLW). These have already been briefly considered in the corresponding Costs section.

However, this does not preclude the possibility of such a regime also conceivably offering some benefits to farmers (at least to some farmers). One such possibility would be through respective agricultural minimum wage rates and terms and conditions offering a benchmark from which to commence pay negotiations. This could contribute towards reducing costs associated with individual wage negotiations (such as information search as the basis for negotiations and the time involved in such negotiations with workers) and reduce the occurrence of disputes associated with wages and conditions. However, further evidence is required on whether farmers and workers do indeed use these statutory rates for such a purpose.

The enforcement activities conducted by Welsh Government have to date been very modest in scale, which speculatively may provide some support on the matter of dispute avoidance.

- Benefits to Government

Potential benefits to Government reflect the aggregate impacts on pay and employment, in the form of higher taxation receipts and employment costs paid to government and others, and possibly reduced in-work benefits, to the extent that these are applicable. No quantification of these potential effects has been undertaken, since these effects would be anticipated to be largely second-order transfers.

Wider benefits

An important policy aspect of the benefits of the continuation of the statutory provisions for agricultural workers is based on the expectation of improved skill retention and progression for farm workers in Wales. Such positive effects, to the extent that they emerge, could act to (at least partially) mitigate against the effects from any higher labour costs.

- Incentives for training and progression

The graded agricultural wages structure is intended to offer an incentive to undertake relevant professional development activities (supported through training provisions) and support automatic career progression for incumbent workers (subject to skills acquisition). This structure could also potentially provide some incentives to enter into a career in agriculture. At present, the available evidence suggests a relatively low level of formal and on-the-job training within the agricultural sector in Wales[32].

Encouraging worthwhile additional training and development would be expected to potentially benefit the farm business[33] by improving human capital and through this improving the capacity to contribute to raising productivity levels - improved skills (human capital) being associated more generally with potential productivity improvements. Such skills may be particularly associated with the effective adoption and utilisation for new technologies, and it is in this context that the available research evidence (as seen) has tended to focus more specifically on the role of the skills of farmers.

To the extent that such incentives are realised, and feed through to longer-term productivity improvements, this may provide a positive benefit in terms of the

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[32] See for example:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/526082/ESS_2015_Wales_Slide_Pack__May_.pdf
https://www.gov.uk/government/publications/ukces-employer-skills-survey-2015-wales-toolkit
[33] For example, OECD (2011), Fostering Productivity and Competitiveness in Agriculture: http://www.oecd-ilibrary.org/agriculture-and-food/fostering-productivity-and-competitiveness-in-agriculture_9789264166820-en Some analysis (using data for England), again focussed more on the skills of farmers is also provided in previous Defra reports:
https://www.gov.uk/government/collections/agricultural-productivity-and-competitiveness-analyses

competitiveness of such farm businesses[34]. However, to date there is relatively limited evidence on this point and on whether incentives are appropriately structured through the multi-graded agricultural minimum wages regime.

More generally, as context to this discussion point, although there are farms exhibiting relatively strong business performance, productivity for the domestic agriculture industry as a whole compares relatively unfavourably to most other industries. UK agricultural productivity growth also appears to have been relatively weak over recent periods compared to a number of other competitor countries[35].

Whilst some previous evidence has pointed to hard-to-fill vacancies in the agricultural industry, at present these seem to be less severe than in many other industries in Wales. How this evolves will depend on overall labour supply and the attractiveness of agricultural work, including in respect of wages and terms and conditions, compared to opportunities available in work elsewhere. There are good reasons to believe that relatively higher wage rates would have some role in both encouraging entry and retention within an industry.

- <u>Effects on poverty and local expenditure</u>

The broader policy ambition is that the agricultural minimum wages regime provides fair remuneration for agricultural workers and consequently provides some support to rural communities.

For farm workers to benefit, the increase in the received hourly wage rate and other allowances (above that which would otherwise have been received in market-clearing conditions) must exceed any losses through reduced hours. To the extent this is the case, this would arithmetically provide some support to the household incomes of farm workers. In the case of Grade 1 workers, the difference between the minimum agricultural wage rate and the NLW has tended to be small, so that the additional impacts for this group (if wages are set at the Grade 1 minimum) would be relatively modest[36]

At the household-level, final effects would also reflect the operation of the tax and benefits system. Whilst the pay of part-time, seasonal or causal farm workers would be expected to be lower than for full-time agricultural workers, the measures of household poverty will also depend on the incomes received by other members of the household (many poor households are characterised by worklessness).

The effect on overall in-work poverty may potentially be positive, but effects at the level of rural communities would tend to be modest, reflecting also the scale and proportion of workers in agriculture.

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[34] However, under price-taking arrangements for farm businesses in agricultural output markets, higher wages leading to reduced profits might also have the effect of some lessening of ability to support non-statutory training and development.

[35] https://ahdb.org.uk/documents/Horizon_Driving%20Productivity_Jan2018.pdf

[36] For illustration, a two-pence per hour differential might suggest an uplift to the annual gross pay of farm workers of at most around £50 per annum, depending on hours and weeks worked assumptions.

As would be expected, agriculture is more spatially concentrated in some parts of Wales. Table 1 of the Appendix, presents different figures for workplace employment, workers aged 16-74 and experimental estimates of gross value added (GVA) for the agricultural industry by local authority in Wales, supporting this view.

The effects of more favourable agricultural wage rates on aggregate local expenditure will depend on a number of factors[37], including the extent of real additional remuneration benefits received by farm workers, and on the composition of expenditure patterns of the farm workers receiving additional wages compared to the expenditure patterns of farms that would have otherwise taken place[38]. To the extent that net expenditure would increase, this could be potentially partially offset any adverse demand-side effects from lower employment reducing expenditure in local rural economies. No estimation of the balance of these effects has been conducted as part of this RIA due to the uncertainties around such effects.

Option 3 - Introduce the Order including a statutory time limit

The Panel has only been operating for a relatively limited period of time. There has as yet been insufficient time to establish, and formally evaluate, the longer-run economic impacts of the AMW regime in Wales, against operating without such additional statutory protections for agricultural workers (as now in England). At this point, particularly in the light of data limitations, many of the likely more important economic effects are uncertain or have not been fully quantified. Such uncertainties need also to be seen in the context of the potential evolution of the NLW, and its impacts on low wage industries more generally, as well broader economic uncertainties.

The composition and balance of benefits are assumed to be as outlined in Option 2 for the period of the Order continuing in effect. Following this, the relative balance between costs and benefits are anticipated to more broadly reflect those set out in Option 1. Were the overall benefits of Option 1 to be superior to that of Option 2, which has not been established, there could be some additional economic costs associated with the delay in moving to this position.

Summary of the preferred option

Given the general uncertainties around the likely details of any future agricultural minimum wage rates and terms and conditions (under the option of continuing with this regime), as well as important limitations in relation to both the evidence on the impacts of multiple minimum wage structures and specific data limitations, a broader range of costs and benefits have not been quantified as part of this assessment, with such quantification largely restricted to narrower administration and enforcement

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[37] Multipliers – which relate to the effects arising under a unit increase in final demand - are often suggested as a means to analyse such wider impacts, though their important limitations need to be recognised. Some multiplier estimates for agricultural in Wales are provided by the (now dated) 2007 input-output tables for Wales https://www.cardiff.ac.uk/__data/assets/pdf_file/0010/698869/input-output-tables-2007-final-30-6.pdf. Given the primary effect is re-distribution this would complicate the use of an approach based only on such multiplier values.

[38] Since the primary effect is a transfer between farmers and farm workers – i.e. no net additional income - the extent to which there is increased local expenditure will be influenced differences in the marginal propensities to consume.

costs. There is a need to establish more conclusive evidence around such effects (see Post Implementation Review section).

Consultation

A full 12 week public consultation on reviewing the Act was conducted from 12th June to 4th September 2017. Its aim was to provide an opportunity for all to contribute their comments and observations on the operation and effect of the Act. All responses were considered carefully and directly informed, and included in the report on the Review. The Review is to be laid before the Assembly Link.

Requests for more information on the consultation should be addressed to SLMenquiries@gov.wales which is regularly checked and monitored to by post to Agricultural Wages, Welsh Government, Rhodfa Padarn, Llanbadarn Fawr, Aberystwyth, Ceredigion SY23 3UR

Full 12 week consultation has also taken place on the introduction of the Act in 2014, and on the subordinate legislation needed – such as the Establishment of the Panel, and Agricultural wages orders. There was a public appointments exercise undertaken to appoint the independent members of the Panel.

A wide range of people and organisations have been consulted. When consultations were posted on the Welsh Government website a supplementary email was sent to organisations and individuals also. These included workers unions, the Association of Labour Providers, Young Farmers Clubs. This was to encourage response and to inform the spectrum of possible interests.

Post implementation review

A formal evaluation of the impacts, including the distributional consequences, of the Agricultural Sector (Wales) Act and associated Agricultural Wages Orders in Wales has yet to be take place. Monitoring, and other relevant data, necessary to more fully establish the baseline and evolution of effects under changing economic and labour market conditions, should be further considered, to inform future reviews at appropriate points.

COMPETITION ASSESSMENT

The competition filter test has been applied, with the outcomes of the completed assessment provided below. No detrimental effects on competition have been identified as part of this assessment.

The competition filter test	
Question	**Answer yes or no**
Q1: In the market(s) affected by the new regulation, does any firm have more than 10% market share?	No
Q2: In the market(s) affected by the new regulation, does any firm have more than 20% market share?	No
Q3: In the market(s) affected by the new regulation, do the largest three firms together have at least 50% market share?	No
Q4: Would the costs of the regulation affect some firms substantially more than others?	No
Q5: Is the regulation likely to affect the market structure, changing the number or size of businesses/organisation?	No
Q6: Would the regulation lead to higher set-up costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q7: Would the regulation lead to higher ongoing costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q8: Is the sector characterised by rapid technological change?	No
Q9: Would the regulation restrict the ability of suppliers to choose the price, quality, range or location of their products?	No

Appendix: Agricultural Labour

According to the LPC around 6.4% of workers (1.5 million workers) aged 25 and over in the UK are paid at or below the NLW. Agriculture is identified as one of the low-paying sectors, with around 17,000 workers in the UK covered by the NLW. There is significant variation in NLW coverage across spatial areas, including within Wales[39].

A number of official surveys provide statistics about the labour market for agricultural workers. Different coverage and definitions (for example, headcount measures versus full-time equivalents, residence or workplace based) used for the purpose of these surveys needs to be taken into account in their interpretation.

Table 1: Estimates of workplace employment, workers aged 16-64, and GVA in agriculture by local authority in Wales, 2016

	Workplace employment in agriculture, 2016[(a)]		Workers aged 16-64, 2011[(b)]		Gross Value Added, 2015[(c)]	
Local Authority	**Workplace employment**	**% of total workplace employment**	**Workers**	**% share of workers**	**GVA (£millions)**	**% of total LA GVA**
Isle of Anglesey	1,800	7.7%	932	3.1%	16	1.7%
Gwynedd	4,800	7.5%	1,868	3.5%	26	1.1%
Conwy	1,500	3.1%	1,041	2.1%	12	0.7%
Denbighshire	1,800	4.0%	962	2.3%	21	1.3%
Ceredigion	4,700	12.7%	2,316	7.1%	51	4.1%
Pembrokeshire	4,600	7.9%	2,535	4.7%	42	2.1%
Carmarthenshire	5,300	6.4%	3,338	4.1%	45	1.6%
Swansea	900	0.7%	401	0.4%	6	0.1%
Neath Port Talbot	400	0.8%	207	0.4%	5	0.2%
Bridgend	300	0.5%	250	0.4%	2	0.1%
Rhondda Cynon Taf	200	0.3%	223	0.2%	3	0.1%
Merthyr Tydfil	200	0.8%	38	0.2%	1	0.1%
Caerphilly	200	0.3%	199	0.3%	2	0.1%
Blaenau Gwent	100	0.5%	84	0.3%	-	-
Torfaen	-	-	115	0.3%	2	0.1%
Flintshire	1,500	2.7%	685	0.9%	12	0.3%
Wrexham	900	1.3%	829	1.3%	21	0.8%
Powys	8,600	14.1%	5,517	8.7%	76	3.4%
Vale of Glamorgan	600	1.4%	402	0.7%	5	0.2%
Cardiff	-	-	132	0.1%	3	-
Monmouthshire	2,100	4.4%	1,216	2.8%	16	0.8%
Newport	200	0.3%	207	0.3%	7	0.2%
Wales	**40,700**	**2.9%**	**23,497**	**1.7%**	**374**	**0.7%**

(a) Source: Annual Population Survey, Business Register and Employment Survey and Survey of Agriculture and Horticulture https://statswales.gov.wales/Catalogue/Business-Economy-and-Labour-

39 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/681750/Short_report_December_2017.pdf

Market/People-and-Work/Employment/Jobs/Whole-Workforce/workplaceemployment-by-welshlocalareas-industry
(b) Source: Census of Population 2011. Workers are all people aged 16-74 who are in employment or self-employment. Each worker is allocated to a main sector based on where they spend the largest part of their time.
(c)Source: ONS experimental GVA estimates.

Workplace employment in the agriculture, forestry and fishing industry in Wales in 2016 was around 40,700, representing around 3% of total workplace employment. This compares to around 1.2% in the UK as a whole. As would be expected, workplace employment in agriculture, forestry and fishing is somewhat spatially concentrated.

Estimates of the persons engaged in work (rather than full-time equivalents[40]) on agricultural holdings by type of labour are available from the June Survey of Agriculture and Horticulture. This source estimates that 53,534 persons were engaged in work on agricultural holdings in Wales in 2016, of which 39,903 were farmers, partners, directors and spouses, and with 13,621 farm workers. This has since declined to a total labour force of 51,943, of which 11,962 are farm workers. Across the period 2009 to 2016, about three-quarters of persons engaged in work on agricultural holdings in Wales were farmers, partners, directors and spouses and around one-quarter were farm workers.

Table 2: Persons engaged in work on agricultural holdings in Wales[(a)]

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total farmers, partners, directors and spouses:									
Full-time	19,492	16,413	19,945	19,869	17,873	19,507	19,307	18,564	*18,324*
Part-time (b)	24,317	27,586	25,001	25,179	22,078	23,142	22,312	21,339	*21,657*
Total	43,809	43,999	44,946	45,048	39,951	42,649	41,619	39,903	*39,981*
Farm workers:									
Regular full-time (c)	3,720	3,697	3,306	3,146	3,278	4,406	4,638	..	
Regular part-time (b) (c)	4,623	4,951	3,100	3,422	3,337	4,682	4,492	..	
Seasonal or causal workers	4,489	5,181	7,063	6,758	6,398	7,884	7,570	..	

[40] Given the headcount basis of this measure of labour inputs, it is not appropriate to use this measure to compare against other sectors, which are based on other survey measures and definitions.

Total farm workers	12,832	13,829	13,469	13,326	13,013	16,972	16,700	13,621	*11,962*
Total labour force	**56,641**	**57,828**	**58,415**	**58,374**	**52,964**	**59,621**	**58,319**	**53,524**	***51,943***

(a) Figures are for main and minor holdings.
(b) Part-time defined as less than 39 hours per week. Regular workers work on farm on a continuous basis and may be members of the farmer's family.
(c) Includes salaried managers.
Source: Welsh Agricultural Statistics; 2017 data from statistical release "Survey of Agriculture and Horticulture", November 2017.

There are differences in the composition of persons engaged in work on agricultural holdings across the UK, with the share of farms workers of the agricultural labour force in 2016 in Wales being notably lower than in England - where farm workers represented around 43% of the total agricultural labour force - but similar to Scotland and Northern Ireland. The higher share of farmers, partners, directors and spouses in Wales reflects the size and structure of farm businesses and type of agricultural activities.

Table 3: Composition of persons engaged in work on agricultural holdings 2016

	Wales		England		Scotland		Northern Ireland	
	000s	% of total labour force	000s	% of total labour force	000s	% of total labour force	000s	% of total labour force
Total farmers, partners, directors and spouses:								
Full-time	18.6	35%	88.8	29%	13.4	21%	18.0	38%
Part-time	21.3	40%	84.3	28%	27.2	43%	18.2	38%
Total	39.9	75%	173.1	57%	40.7	64%	36.2	76%
Farm workers:								
Regular full-time (a)	..	-	54.9	18%	10.4	16%	2.3	5%
Regular part-time (a)	..	-	29.6	10%	6.1	10%	1.5	3%
Seasonal or causal workers	..	-	43.9	15%	6.4	10%	7.7	16%
Total farm workers	13.6	25%	128.4	43%	17.1	27%	11.5	24%
Total labour force	53.5	100%	301.5	100%	63.5	100%	47.7	100%

(a) Includes salaried managers.
Source: Welsh Government, Department for Environment, Food and Rural Affairs, Scottish Government and Department for Agriculture, Environment and Rural Affairs Northern Ireland. Estimates are based on the June Survey of Agriculture and Horticulture in Wales and equivalent surveys in the rest of the UK.

Employment by Agricultural Grades

Defra previously conducted the Survey of Earnings and Hours of Agricultural Workers in order to provide information to support the annual negotiations of the former Agricultural Wages Board for England and Wales. The survey was discontinued a number of years ago and no up-to-date official statistics are currently collected on the number of workers within each agricultural workers grade in Wales.

Whist now dated, and available on an England and Wales basis, in the absence of a more suitable data source this information has been used as the basis for modelling pay effects for previous Agricultural Wages Orders. The published average proportions for farm workers at each grade are shown below:

Table 4: Proportion of workers in E&H at each AWB grade (average for 2007-2010)

Grade	Full-time	Part-time	Casual	All
Grade 1	6%	14%	39%	19%
Grade 2	39%	63%	61%	51%
Grade 3	9%	7%		6%
Grade 4	30%	11%		16%
Grade 5	11%	3%		6%

Grade 6	5%	1%		2%

Source: Farm Labour and Wage Statistics, 2012, Department for Environment, Food and Rural Affairs http://webarchive.nationalarchives.gov.uk/20130125190634/http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-earnings-labour2012-120627.pdf

Although specific data on employment within each respective agricultural grade in Wales (and transitions between grades) is not available, using the Standard Occupational Classification (SOC) a number of agricultural sector codes can be identified which can be very broadly mapped to agricultural grades[41].

Earnings and Hours

Data on median gross hourly pay and paid hours worked are shown in the tables below. Comparisons are between Wales and UK.

Table 5: Median Hourly pay – Gross (£) – For all employee jobs, Wales, 2017

Description	Code	2013	2014	2015	2016	2017
Managers and proprietors in agriculture related services:	*121*	10.73	10.81	11.62	9.12	11.26
- Managers and proprietors in agriculture and horticulture	*1211*	10.73	10.81	11.62	9.52	10.69
Skilled agricultural and related trades:	*51*	8.84	9.00	9.13	9.00	9.50
- Agricultural and related trades	*511*	8.84	9.00	9.13	9.00	9.50
Elementary agricultural occupations	*911*	7.06	7.50	8.37	8.06	8.34
- Farm workers	*9111*	7.25	7.21	9.03	7.45	8.04

Source: Annual Survey of Hours and Earnings, Office for National Statistics. 2017 figures are provisional. SOC – Standard Occupational Classification.

Table 6: Median Hourly pay – Gross (£) – For all employee jobs, UK, 2017

Description	Code	2013	2014	2015	2016	2017
Managers and proprietors in agriculture related services:	*121*	12.50	12.29	12.96	12.56	12.52
- Managers and proprietors in agriculture and horticulture	*1211*	12.82	12.59	13.17	12.63	12.53
Skilled agricultural and related trades:	*51*	8.89	8.91	9.24	9.50	9.50
- Agricultural and related trades	*511*	8.89	8.91	9.24	9.50	9.50
Elementary agricultural occupations	*911*	7.99	8.00	8.00	8.30	8.63
- Farm workers	*9111*	8.08	8.03	8.03	8.45	8.68

Source: Annual Survey of Hours and Earnings, Office for National Statistics. 2017 figures are provisional. SOC – Standard Occupational Classification.

[41] Grades 1 and 2 as Farm Workers, Grades 3-5 as Skilled Agricultural Trades and Grade 6 as Farm Managers.

Table 7: Median Paid Hours Worked - Total – For all employee jobs, SOC, Wales, 2017

Description	Code	2013	2014	2015	2016	2017
Managers and proprietors in agriculture related services:	*121*	38.4	39.5	39.7	41.6	-
- Managers and proprietors in agriculture and horticulture	*1211*	38.4	39.5	39.7	39.7	37.6
Skilled agricultural and related trades:	*51*	37.0	37.1	37.0	37.0	37.0
- Agricultural and related trades	*511*	37.0	37.1	37.0	37.0	37.0
Elementary agricultural occupations	*911*	40.0	-	39.0	43.3	-
- Farm workers	*9111*	-	41.0	38.8	50.3	45.9

Source: Annual Survey of Hours and Earnings, Office for National Statistics. 2017 figures are provisional. SOC – Standard Occupational Classification.

Table 8: Median Paid Hours Worked - Total – For all employee jobs, UK, 2017

Description	Code	2013	2014	2015	2016	2017
Managers and proprietors in agriculture related services:	121	39.1	39.6	39.9	39.1	39.0
- Managers and proprietors in agriculture and horticulture	1211	39.3	39.4	40.0	40.0	39.8
Skilled agricultural and related trades:	51	38.9	39.0	38.9	39.0	38.8
- Agricultural and related trades	511	38.9	39.0	38.9	39.0	38.8
Elementary agricultural occupations	911	39.5	40.0	39.1	40.0	39.9
- Farm workers	9111	40.0	40.0	40.0	40.6	40.2

Source: Annual Survey of Hours and Earnings, Office for National Statistics. 2017 figures are provisional. SOC – Standard Occupational Classification.

Farm Businesses and Paid Workers

The latest figures from the June Survey of Agriculture and Horticulture for 2016 suggest there are around 24,536 non-dormant farm holdings in Wales, with just fewer than 14,000 classified as very small. There were 6,510 Cattle and Sheep (LFA) holdings, 1,628 Dairy holdings and 1,166 Cattle and Sheep (Lowland) holdings.

One further source which provides some estimate of the number of agricultural businesses in Wales is based on the Business Population Estimates. The latest estimates of the number of businesses grouped by the number of employees are presented below.

Table 9: Agriculture, forestry and fishing businesses in the private sector in Wales, start 2017

	Number		
	Businesses	Employment (thousand)	Turnover (£m)
All businesses	14,890	32	1,877
All employers	2,980	13	1,236
With no employees (unregistered)[1]	1,120	1	28
With no employees (registered)[1]	10,790	17	613
1	1,275	3	276
2-4	1,255	5	516
5-9	325	2	213
10-19	100	1	113
20-49	20	1	*
50-99	5	*	*

[1] Businesses with no employees can either be 'registered' for either VAT or PAYE or are 'unregistered'.
* Symbol replaces data that are deemed to be disclosive. Source: Business Population Estimates, BEIS.

Farm Labour Inputs and Farm Business Incomes

The extent of average utilisation of farm workers varies across farm types and sizes. The tables below provide figures on the estimated value of paid, unpaid and casual labour costs by different farm types collected through the Farm Business Survey (FBS)[42]. The proportion of costs represented by Paid and Casual labour as also provisionally calculated.

Farm business income (essentially net profits) varies significantly both across and within farm types, and exhibit volatilty across years, reflecting in particualr movements in agricultural commodity prices, as well as notable variations in the cost of production between farms. Some basic statistics on farm incomes and their compsoition is provided in the Farm Incomes Statistics Release: http://gov.wales/statistics-and-research/farm-incomes/?lang=en

The contribution of paid labour costs, how this changes under amendments to minimum wages requirements, and within the overall context of individual-farm level profitability, will be important considerations in assessing on-going affordability of AWO requirements.

[42] These figures are not weighted to be reflected for the broader population of farm businesses in Wales, and are based on an inter-year identical sample. For these reasons there may be some differences from Welsh Government estimates.

Table 10: Hill and Upland Dairy Farms, Wales

	Under 300k SO		Over 300k SO		All Farms	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
Total Outputs	164,479	153,982	450,701	453,243	295,036	290,486
Total Inputs	152,043	146,913	428,716	427,827	278,243	275,047
Labour						
- Paid	2,989	3,004	17,478	16,523	9,598	9,170
- Unpaid	7,518	8,341	14,068	14,004	10,505	10,924
- Casual	1,788	854	6,626	7,601	3,995	3,931
Farm Business Income	24,007	20,324	33,388	34,309	28,286	26,704
Paid and Casual as % of total inputs	3%	3%	6%	6%	5%	5%

Source: Farm Business Survey: Statistical Results, IBERS, Aberystwyth University.

Table 11: Lowland Dairy Farms, Wales

	Under 350k SO		Over 350k SO		All Farms	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
Total Outputs	214,659	200,360	707,398	667,651	445,303	419,093
Total Inputs	194,655	192,855	641,848	613,169	403,980	389,596
Labour						
- Paid	4,244	3,820	54,216	48,714	27,635	24,834
- Unpaid	9,805	10,674	13,259	12,979	11,422	11,753
- Casual	1,122	1,579	3,864	6,380	2,406	3,826
Farm Business Income	37,006	25,697	85,008	74,352	59,475	48,475
Paid and Casual as % of total inputs	3%	3%	9%	9%	7%	7%

Source: Farm Business Survey: Statistical Results, IBERS, Aberystwyth University.

Table 12: Lowland Cattle and Sheep Farms, Wales

	Under 60k SO		Over 60k SO		All Farms	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
Total Outputs	45,727	47,082	149,968	156,565	110,167	114,761
Total Inputs	47,244	47,355	137,428	134,364	102,994	101,142
Labour						
- Paid	0	0	7,158	6,482	4,425	4,007
- Unpaid	2,515	2,630	5,770	5,559	4,527	4,441
- Casual	31	20	1,596	1,808	999	1,125
Farm Business Income	4,364	5,484	24,296	32,809	16,685	22,375
Paid and Casual as % of total inputs	0%	0%	6%	6%	5%	5%

Source: Farm Business Survey: Statistical Results, IBERS, Aberystwyth University.

Table 13: Hill Sheep Farms, Wales

	Under 70k SO		70-155k SO		Over 115k SO		All Farms	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
Total Outputs	54,589	57,608	99,000	104,289	234,943	229,399	133,570	134,121
Total Inputs	47,703	48,921	86,944	88,799	196,618	197,798	113,667	115,061
Labour								
- Paid	323	660	2,000	1,719	7,533	6,488	3,452	3,102
- Unpaid	1,418	1,455	4,095	3,754	11,909	12,686	6,040	6,237
- Casual	626	606	930	1,150	2,669	3,001	1,462	1,641
Farm Business Income	11,727	13,641	21,970	24,130	61,554	55,927	32,956	32,180
Paid and Casual as % of total inputs	2%	3%	3%	3%	5%	5%	4%	4%

Source: Farm Business Survey: Statistical Results, IBERS, Aberystwyth University.

Table 14: Hill Cattle and Sheep Farms, Wales

	Under 70k SO		70-155k SO		Over 115k SO		All Farms	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
Total Outputs	64,788	69,412	105,629	105,307	205,726	209,046	127,431	129,858
Total Inputs	60,443	62,559	98,163	98,123	206,056	213,082	123,578	126,609
Labour								
- Paid	411	433	2,177	1,961	1,678	1,867	1,470	1,465
- Unpaid	3,495	3,501	4,615	4,381	17,835	17,401	8,793	8,563
- Casual	1,042	694	540	920	4,575	4,797	2,072	2,177
Farm Business Income	10,688	13,877	14,819	14,469	25,990	20,694	17,381	16,415
Paid and Casual as % of total inputs	2%	2%	3%	3%	3%	3%	3%	3%

Source: Farm Business Survey: Statistical Results, IBERS, Aberystwyth University.

Table 15: Upland Cattle and Sheep Farms, Wales

	Under 70k SO		70-155k SO		Over 115k SO		All Farms	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
Total Outputs	53,568	55,519	116,912	124,887	234,941	252,470	116,056	123,529
Total Inputs	53,781	54,789	105,197	109,132	212,441	216,607	107,395	109,970
Labour								

- Paid	372	899	1,503	1,682	7,281	7,498	2,415	2,772
- Unpaid	1,844	2,118	4,171	3,956	13,549	13,929	5,413	5,586
- Casual	710	439	3,168	2,984	3,724	4,779	2,118	2,205
Farm Business Income	6,184	7,292	23,633	27,393	39,537	53,699	19,199	24,306
Paid and Casual as % of total inputs	2%	2%	4%	4%	5%	6%	4%	5%

Source: Farm Business Survey: Statistical Results, IBERS, Aberystwyth University.