

Explanatory Memorandum to the Agricultural Wages (Wales) Order 2020

This Explanatory Memorandum has been prepared by the Department for Environment, Energy and Rural Affairs 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 Wages (Wales) Order 2020. I am satisfied the benefits justify the likely costs.

Lesley Griffiths

Minister for Environment, Energy and Rural Affairs

27 March 2020

1 Description

The Agricultural Wages (Wales) Order 2020 (“the 2020 Order”) makes provision about the minimum rates of remuneration and other terms and conditions of employment for agricultural workers. The 2020 Order revokes and replaces the Agricultural Wages (Wales) Order 2019 (“the 2019 Order”) with changes which include increases to the 2019 minimum hourly rates for agricultural workers.

The Agricultural Advisory Panel for Wales (“the Panel”) is an independent advisory body which was established under section 2(1) of the Agricultural Sector (Wales) Act 2014 (“the 2014 Act”) by the Agricultural Advisory Panel for Wales (Establishment) Order 2016 (“the Panel Order”) on 1 April 2016.

The Panel Order sets the number of Panel members at seven; two representatives from UNITE, one representative from the Farmers’ Union of Wales, one representative from National Farmers Union Cymru and three independent members, including an independent Chair. The independent members and Chair are selected via the Public Appointment process.

Section 2 of the Act and article 3(2) of the Panel Order specify the Panel’s functions. A key function of the Panel is to prepare agricultural wages orders in draft, to consult upon them and submit them to the Welsh Ministers for approval. In accordance with Section 4(1) of the 2014 Act, the Welsh Ministers have the power to a) approve and make the order by Statutory Instrument, or b) refer the order back to the Panel for further consideration and re-submission.

The Panel reviewed the level of minimum hourly rates and other agriculture related allowances and benefits prescribed in the 2019 Order and, in accordance with their functions, prepared the 2020 Order which increases minimum hourly rates for all grades and categories of agricultural worker and certain allowances and benefits.

The Panel also proposed making three further changes in response to recommendations about the clarification in the wording of articles 15(1) and (2) (relating to the accommodation offset allowance) and 21(2) (relating to agricultural sick pay entitlement) of the 2019 Order made by the Legislation, Justice and Constitution Committee (the ‘LJCC’) and to ensure that articles 31 and 34 (calculation of holiday pay) of the 2020 Order keep pace with proposed changes to the Working Time Regulations 1998 which are due to take effect from April 2020. These changes improve clarity of the Order but may not have direct cost/benefit implications.

The Panel’s intention is that the provisions of the 2020 Order take effect from 1 April 2020, the same date the NLW and NMW increases take effect. The Panel’s aim is to align the agricultural minimum wage (AMW) increase with NLW and NMW changes, avoiding employers and employees having to cope with a transitional period during which the NLW/NMW would override the AMW levels in Wales.

2 Matters of special interest to the Legislation, Justice and Constitution Committee

Contravening the 21 day convention is proposed to ensure the 2020 Order comes into force on the 1 April 2020. This will minimise the time taken to bring the new AMW rates into force, ensuring workers are paid in accordance with the AMW rates agreed by the Panel.

Contravention of the convention is thought necessary and justifiable in this case on the basis it will minimise the length of time agricultural workers are disadvantaged in relation to their pay awards by bringing forward uplifted agricultural wage rates and allowances and make compliance easier for agricultural employers.

Any delay would penalise those agricultural workers who are currently being paid lower rates of pay than they would have anticipated receiving from 1 April 2020.

3 Legislative background

The 2020 Order is made pursuant to sections 3, 4(1) and 17 of the 2014 Act and is subject to the negative procedure.

4 Purpose & intended effect of the legislation

The statutory AMW regime in Wales safeguards employment conditions and allowances unique to the agricultural sector. It recognises and rewards qualifications and experience through a six grade career structure and provides remuneration rates for each grade and category of worker.

Given the distinct nature of agricultural employment, including seasonality, dominance of casual employment and the use of on-farm accommodation, it is considered desirable to have a separate system of wage setting and employment provisions.

The structure of agricultural wages orders rewards qualifications and experience in agriculture through a six grade structure and provides remuneration rates for each grade and category of worker.

The statutory provisions allow Grade 1 workers to gain the necessary qualifications to move to Grade 2 following 30 weeks of continuous employment, at the expense of their employer. The grade structure provides an incentive for the further up-skilling of the agricultural workforce and helps set clear career paths for all those employed in agriculture. In the 2020 Order, Grade 1 (aged 25+) and Grade 2 workers are set at the same rate as the NWM/NLW 2020.

Agricultural wages orders contain provisions for apprentices who undertake training under government approved apprenticeship schemes. These

provisions support succession, skills development and skills retention within the industry, all of which are considered crucial for the future success of agriculture in Wales.

The 2020 Order ensures the Welsh agricultural sector operates in accordance with provisions that are in step with current economic conditions, including increased cost of living and changes to the NMW and NLW.

The 2020 Order will replace the 2019 Order and increase the 2019 minimum pay levels for all categories and grades of agricultural workers in Wales. The Panel agreed the following:

- an increase of 6% for Grade 1 workers (aged 21+) and Year 2 Apprentice (aged 21+);
- an increase of 5% for Year 2 Apprentice (aged 18-20);
- an increase of 4% for Year 1 Apprentice;
- an increase of 3% for Grade 2 workers; and
- an increase of 2% for Grade 1 workers (aged under 21), Grade 3-6 workers and Year 2 Apprentice (aged 16-17)

The Panel also agreed increases of 2% for the allowances.

The minimum hourly wage rates set for Grade 1 workers (aged 21+), Grade 2 workers and Year 2 Apprentice (18+) in the 2020 Order match the 2020 NMW/NLW rates and the minimum hourly wage rates for all other grades are above the 2020 NMW/NLW rates. It should be noted however, the grades with the minimum hourly wages rates set at the 2020 NMW/NLW levels have a higher percentage increase from the rates in the 2019 Order than those with rates set above the 2020 NWM/NLW. This suggests that the percentage increase (2%) in hourly wage rates (3-6%) in the 2020 Order from the 2019 Order is lower than the percentage increase in NWM/NLW levels from 2019 to 2020, apart from the grades with the hourly rates set at NWM/NLW levels.

The Panel proposed the following increases for the Agricultural Wages (Wales) Order 2020.

Grade	2020 rates	2019 rates	% of increase
Grade 1 Worker of compulsory school age (13-16)	£3.60	£3.54	2%
Grade 1 Worker (aged 16-21)	£7.84	£7.70	2%
Grade 1 Worker (aged 21-24)	£8.20**	£7.70*	6%
Grade 1 Worker (aged 25+)	£8.72**	£8.21*	6%
Grade 2 – Standard Worker	£8.72**	£8.45	3%
Grade 3 – Lead Worker	£8.86	£8.70	2%
Grade 4 – Craft Grade	£9.53	£9.36	2%

Grade 5 – Supervisory Grade	£10.06	£9.88	2%
Grade 6 – Farm Management Grade	£10.83	£10.64	2%
Year 1 Apprentice	£4.15**	£4.00	4%
Year 2 Apprentice (aged 16-17)	£4.37	£4.29	2%
Year 2 Apprentice (aged 18-20)	£6.45**	£6.15*	5%
Year 2 Apprentice (aged 21-24)	£8.20**	£7.70*	6%
Year 2 Apprentice (aged 25+)	£8.72**	£8.21*	6%
Changes proposed for allowances -			
The dog allowance - per dog to be paid weekly where an agricultural worker is required by their employer to keep one or more dogs	£8.32	£8.17	2%
The night work allowance for each hour of night work	£1.58	£1.55	2%
The birth and adoption grant	£65.45	£64.29	2%

* Rates are set at 2019 NMW/NLW levels.

** Rates are set at 2020 NMW/NLW levels.

Agricultural wages orders provide a range of additional agriculture related allowances. Some of these are linked to the appropriate basic pay rates, such as overtime rates and on-call allowance. These provisions acknowledge the very seasonal nature of agricultural work in many agricultural sectors, for example many workers are required to work above their contracted hours during lambing or at harvest time. The 2020 Order will maintain overtime rates at 1.5 times above the applicable basic rates.

The Dog and Night Work Allowances recognise that workers often require a dog to assist them in carrying out their duties and that agricultural workers can be required to work at times outside the normal working day for example to assist in maintaining animal welfare standards.

The Dog Allowance is paid weekly where an agricultural worker is required by their employer to keep one or more dogs. The Night Work supplement is paid for each hour of night work and is applicable to work undertaken between 7pm in the evening of a given day and 6am the next morning. It is payable on top of the worker's applicable hourly rate however it does not apply for the first two hours of night work.

The Birth and Adoption Grant is a payment that an agricultural worker is entitled to receive from their employer on the birth of their child or upon the adoption of a child. The grant is payable on production of the child's Birth Certificate or Adoption Order.

5 Consultation

A targeted consultation on the proposed changes was conducted from 19 September to 16 October 2019. The proposals were emailed to an extensive list of stakeholders and were made available on the Panel's web platform. Details of the Consultation also appeared in an article on the Farmers Weekly website and as a "Letter to the Editor" in the Farmers Guardian.

Key stakeholders, including the farming unions, UNITE and agricultural colleges were included in the consultation. Panel members were also encouraged to share the proposals throughout their networks.

There were four responses in total to the consultation. One response was in favour of the changes, one abstained and two raised concerns over the Order as a whole. The Panel met to discuss the responses to the consultation. The Panel then submitted their proposals to Welsh Government.

After the NMW/NLW rates were published on 31 December 2019, the Panel met again in January 2020 to review the proposed minimum hourly rates in the 2020 Order.

6 Regulatory Impact Assessment (RIA) of the Agricultural Wages (Wales) Order 2020

6.1 Proposed changes in the 2020 Order

6.1.1 Minimum Hourly Rates of Pay and Allowances

The Panel proposes to change the minimum hourly rates of pay as follows in the table below.

The proposed minimum hourly rates for Grade 3-6 workers are 2%-24% above national minimum wage rates from April 2020.

The rates for Year 2 apprentices (aged 16-17) are 5% above NMW rates.

Grade 1 and 2 workers and other apprentices will be paid at NMW / NLW rates.

Grade or category of worker	2020 Order	Minimum hourly rate of pay (April 2020)	% above minimum wage
Grade 1 worker under compulsory school age (aged 13-16)	£3.60	-	-
Grade 1 worker (aged 16-20)	£7.84	£6.45 (18-20) £4.55 (under 18)	-
Grade 1 worker (aged 21-24)	£8.20	£8.20	Same rate
Grade 1 worker (aged 25+)	£8.72	£8.72	Same rate
Grade 2 worker	£8.72	£8.72	Same rate
Grade 3 worker	£8.86	£8.72	2%
Grade 4 worker	£9.53	£8.72	9%
Grade 5 worker	£10.06	£8.72	15%
Grade 6 worker	£10.83	£8.72	24%
Year 1 Apprentice	£4.15	£4.15	Same rate
Year 2 Apprentice (aged 16-17)	£4.37	£4.15	5%
Year 2 Apprentice (aged 18-20)	£6.45	£6.45 (worker aged 19+)	Same rate
Year 2 Apprentice (aged 21-24)	£8.20	£8.20	Same rate
Year 2 Apprentice (aged 25+)	£8.72	£8.72	Same rate

In addition, the following changes are proposed in the 2020 Order:

- Dog allowance: £8.32 (£8.17 in 2019)
- Night work allowance: £1.58 (£1.55 in 2019) per hour of night work

- Birth and adoption grant: £65.45 (£64.29 in 2019) for each child
Changes in these allowances represent 2% increase from the 2019 Order.

6.1.2 Accommodation offset allowance (Article 15(1) and 15(2))

The LJCC found there is an ambiguity in the wording of Articles 15(1) and 15(2) which could lead to an alternative interpretation in relation to the amount and frequency of permitted deductions of the accommodation offset allowance, provided for under the Order.

In order to provide the clarity the LJCC considers is lacking in the current drafting of Article 15, the Panel suggested that the wording be amended. The policy intent however, has not changed.

6.1.3 Limitation on the entitlement to agricultural sick pay (Article 21(2))

The Panel proposed a change to Article 21(2) regarding the limitation on the entitlement to agricultural sick pay as the LJCC highlighted the fact where an agricultural worker has been employed for exactly 24, 36, 48 and 59 months respectively they can be entitled to the lower and higher level of agricultural sick pay entitlement. For example, an agricultural worker employed for exactly 24 months will be entitled to 13 weeks sick pay (on the basis of being employed for not more than 24 months) and 16 weeks sick pay (on the basis of being employed at least 24 months).

In order to provide the clarity that the LJCC considers is lacking the Panel suggested the wording be amended. The policy intent has not changed.

6.1.4 Calculation of Holiday Pay (Article 34(4))

In order to ensure the 2020 Order keeps step with a change in the UK Employment rights (Employment Particulars and Paid Annual Leave) (Amendment) Regulations 2018, the Panel proposes that the provision in Article 34(4) be amended to increase the reference period for determining an average week's pay for the purposes of calculating holiday pay from 12 weeks to 52 weeks. It also suggested to make the same amendment to Article 31(1) in relation to the calculation of an agricultural worker working variable hours' holiday entitlement.

6.2 Summary of Policy options

In this impact assessment, two policy options are considered, reflecting the baseline arrangements (defined below) and the recommendations negotiated by the Panel. Broad categories of costs and benefits are identified. Where sufficient data are available, costs and benefits are quantified for a 12-month period (until which point it is assumed that the new AWO Order will come into

effect)¹. However, constrained by data availability, it is not possible to produce a fully quantified analysis of costs and benefits. Some of the costs and benefits are discussed qualitatively.

Option 1: Do Nothing. This is the baseline policy option to maintain the minimum wage rates for agricultural workers at 2019 levels in accordance with the provisions of the Agricultural Wages Order (Wales) 2019. In addition, the 2014 Act provides provisions that hourly wage rates cannot be below the statutory UK NMW/NLW. In the baseline scenario, the minimum wage rates are adjusted to the 2019 NMW/NLW rates where the rates in AWO 2019 would fall below the NMW/NLW from April 2020. The costs and benefits will be measured against this baseline policy option.

An important context to this baseline is that it maintains the long standing and well-known AMW regulatory regime (preserved by the 2014 Act) for relevant agricultural workers, which safeguards employment conditions and allowances unique to the agricultural sector². The AMW regime recognises and rewards qualifications and experience through a six-grade career structure and provides remuneration rates for each grade and category of worker. Having a separate system of wage setting and employment provisions was justified on the basis of the distinct nature of agricultural employment, including seasonality, dominance of casual employment and the use of on-farm accommodation. This system was previously managed by the Agricultural Wages Board (AWB) using Agricultural Wages Orders (AWO). The final wages order issued by the AWB in 2012 (prior to its abolition) was replaced by the interim AWO 2016, AWO 2017, AWO 2018 and AWO 2019 to ensure that the agricultural sector in Wales operated under provisions would be in step with changes in economic conditions. The previous regulatory impact assessments suggested that the benefits of AWO 2016, AWO 2017, AWO 2018 and AWO 2019 include:

- Assisting the effective functioning of the agricultural sector by supporting the existence of a well-trained and skilled workforce which in turn can increase productivity and efficiency.
- Ensuring wage progression for agricultural workers and supporting rural communities - which is an issue of importance within the context of the Welsh Government's Tackling Poverty agenda - through effects on household incomes and improving the skills base of agricultural workers.

¹ Cumulative effects across years arising from AWOs are not considered within this RIA.

² The Agricultural Sector (Wales) Act 2014 (the Act) maintains the Agricultural Minimum Wage (AMW) arrangements in Wales, following the abolition of the Agricultural Wages Board (AWB) for England and Wales in 2013.

The Act provides for the establishment of an Agricultural Advisory Panel for Wales (the Panel). The Panel was established 1 April 2016. Its functions include reviewing wages and other terms and conditions of employment, drafting agricultural wages orders and promoting career development in the agricultural sector.

- Support agricultural workers and apprentices to gain skills and qualifications, which can improve their job prospects in the future.

The AMW regime also sets rates for young workers under the age of 16 and apprentices as part of a minimum wage rate structure intended to support entry and development of an appropriately skilled workforce. Having attractive minimum wage rates for these categories of workers can help encourage the younger generation to choose a career in agriculture.

Retaining these identified benefits of having an AMW regime is likely to be particularly important when skill shortage is a prevalent issue for the agriculture sector. More generally, as stated in the Agricultural Sector (Wales) Bill, the benefits of the AMW regime include:

- *It provides a structure to reward skill and experience and maintains a balanced and well-functioning sector in Wales.*
- *It recognises that the agricultural sector is different from other sectors and acknowledges the nature of seasonal work by having special provisions for flexible workers and safeguards the succession of skilled workers by specifying provisions for apprentices and trainees.*
- *It helps farmers and farm workers to specify the terms and conditions of their employment and avoid potential disputes and the need for lengthy negotiations with individuals.*

It is important to note that the baseline option represents a situation where the AMW regime exists. Therefore, the costs and benefits of policy alternatives relative to this baseline do not include the benefits or costs associated with the existence of the AMW regime. Instead, it is an assessment of additional costs and benefits of the 2020 Order relative to the AWO 2019 scenario which also takes account of the NMW/NLW changes from April 2020.

Option 2: Implementing New Order. This is the policy alternative, which would involve replacing the current Order (2019) with a new Order (2020). The new order includes all the recommendations from the Agricultural Advisory Panel for Wales. In particular, the new order includes the following key changes to the minimum rates for different categories of workers (see Table 1).

Table 1: Summary of proposed changes to the minimum wage rates by grade

Grade or category of worker	AWO (2020)	AWO (2019)	National MW	% increase from baseline	% increase from 2019 rate
Grade 1 worker under compulsory school age (13-16)	£3.60	£3.54	-	2%	2%

Grade 1 worker over compulsory school age (16-20)	£7.84	£7.70	£6.45 (18-20) £4.55 (under 18)	2%	2%
Grade 1 worker over compulsory school age (21-24)	£8.20	£7.70	£8.20	Same rate	6%
Grade 1 work (aged 25+)	£8.72	£8.21	£8.72	Same rate	6%
Grade 2 worker	£8.72	£8.45	£8.72	Same rate	3%
Grade 3 worker	£8.86	£8.70	£8.72	2%	2%
Grade 4 worker	£9.53	£9.36	£8.72	2%	2%
Grade 5 worker	£10.06	£9.88	£8.72	2%	2%
Grade 6 worker	£10.83	£10.64	£8.72	2%	2%
Year 1 Apprentice	£4.15	£4.00	£4.15	Same rate	4%
Year 2 Apprentice (aged 16-17)	£4.37	£4.29	£4.15	2%	2%
Year 2 Apprentice (aged 18-20)	£6.45	£6.15	£6.45 (worker aged 19+)	Same rate	5%
Year 2 Apprentice (aged 21 -24)	£8.20	£7.70	£8.20	Same rate	6%
Year 2 Apprentice (aged 25+)	£8.72	£8.21	£8.72	Same rate	6%

The increase from the baseline is 2% for the grades with hourly wage rates set above the NWM/NLW levels. This compares to the average year-on-year growth of 1.8% in regular pay and 1.7% in total pay in the UK between January 2019 to December 2019 in real terms (Source: ONS <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/averageweeklyearningsearn01>).

The monthly average for the 12-month Consumer Price Inflation (CPI) rate was 1.8% in 2019 (Source: ONS <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerriceinflation/december2019>).

The Panel considered a range of statistical information including published data on cost of living increases and the retail index as well as the projected rises to the NMW/NLW rates when discussing their recommendations for the Order.

- **Grade 1 worker under compulsory school age**

The minimum hourly wage rate for Grade 1 workers under compulsory school age will increase to by 2% (from £3.54) to £3.60 in the proposed 2020 Order. Young workers aged between 13 and 16 are only allowed to work part time, specifically 12 hours per week during term time and 25 hours per week during school holidays. However, as there is no data on the number of workers within this category, it is not possible to quantify the changes in total labour costs or earnings.

- **Grade 1 worker over compulsory school age (16-24)**

The hourly minimum wage rate for Grade 1 workers aged between 16 and 20 was £7.70 within AWO 2019. In the proposed 2020 Order, this will be set at £7.84. For Grade 1 workers aged 21-24, the proposed rate is £8.20. This is the same as the NMW/NLW 2020, which means no change from the baseline (although the rate has increased from £7.70 in the 2019 Order). There is no accurate data on the number of workers for this category (Grade 1 worker aged 16-24). Although the number of farmer workers under the age of 25 was estimated to account for 33% of total number of the farmer workers in Wales³, there is no estimate available on subgroups by grade. Therefore, it is not possible to estimate the impact of hourly wage rate change for Grade 1 workers aged 16-24.

- **Grade 1 workers (aged 25+)**

For grade 1 workers aged over 25, the minimum hourly wage rate proposed in the 2020 Order matches the level of NMW from April 2020. Therefore, while the proposed minimum wage rate is higher than the AWO 2019 rate, it is not higher than the baseline for this group hence there is no change relative to the baseline.

- **Grade 2 workers**

For grade 2 workers, the minimum hourly wage rate proposed in the 2020 Order matches the level of NMW from April 2020. Therefore, while the proposed minimum wage rate is higher than the AWO 2019 rate, it is not higher than the baseline for this group hence there is no change relative to the baseline.

- **Grade 3-6 workers**

Compared to the minimum hourly wage rates in the 2019 Order, the proposed changes in the 2020 Order includes 2% increases in the minimum wage rate for Grade 3-6 workers. This increase is largely in line with inflation in the last 12 months.

Traditionally, the AWB maintained a pay differential between Grade 1 and 2 at around 10% (see AWO 2012 and AWO 2016) in order to underline the transitional nature of Grade 1 (initial Grade) and encourage workers' entry to Grade 2 (standard Grade). The difference was much smaller at 0.4% in the AWO 2017 but the differences was 6% and 3% respectively in the AWO 2018 and 2019 (see Table 2).

Within the proposed 2020 Order, the proposed minimum wage rate for Grade 2 workers is set at the same level of Grade 1 workers (aged 25 and above) which also matches with the NMW/NLW 2020 levels. This suggests that the

³ Source: Brookdale Consulting Report to the Welsh Government. Agriculture in Wales: Future Labour Requirements for Welsh Agriculture 2017–2025.

transitional grade (Grade 1) could potentially be eliminated as it effectively has the same rate as Grade 2.

Table 2: Hourly Wages Rates by Grade in AWO 2012, 2016-2020 and in-grade Differences.

Grade	Wage Rates 2012-2020						In-grade difference, 2012-2020					
	2012	2016	2017	2018	2019	2020	2012	2016	2017	2018	2019	2020
Grade 1 worker (aged 25+)	£6.21	£7.20	£7.51	£7.83	£8.21	£8.72	-	-	-	-	-	-
Grade 2 worker	£6.96	£7.39	£7.54	£8.29	£8.45	£8.72	12%	10%	0.4%	6%	3%	0%
Grade 3 worker	£7.66	£8.12	£8.22	£8.54	£8.70	£8.86	10%	10%	9%	3%	3%	2%
Grade 4 worker	£8.21	£8.72	£8.82	£9.16	£9.36	£9.53	7%	7%	7%	7%	8%	8%
Grade 5 worker	£8.70	£9.23	£9.34	£9.70	£9.88	£10.06	6%	6%	6%	6%	6%	6%
Grade 6 worker	£9.40	£9.97	£10.09	£10.48	£10.64	£10.83	8%	8%	8%	8%	8%	8%

Source: Hourly wage rates are from AWOs 2012, 2016, 2017, 2018, 2019 and the AWO 2020 proposal. Percentage paid above the previous grade is calculated from minimum hourly wage rates.

Similarly, the difference between the minimum wage rates for Grade 2 and Grade 3 has become smaller at 2% in the proposed 2020 Order. In AWO 2012, 2016 and 2017, the difference between the two grades was around 10%. Since 2018, the difference between Grade 2 and 3 has decreased to 2-3%. This change means that the minimum wage rate for the majority of agricultural workers would now be equivalent to the NLW (or marginally above it) and the differences in hourly wage rate have become smaller between Grade 1 to 3. This change may lead to reduced incentives for Grade 1 and 2 workers to upskill so as to progress to Grade 3, although some workers may still be incentivised to pursue training to reach higher grades.

For other grades (4-6), the in grade difference are maintained at the same level as previous years (6-8%).

- **Year 1 and Year 2 Apprentice**

The minimum wage rates for the Year 1 and Year 2 apprentices within the 2020 Order are set as the same levels as the NMW/NLW 2020 apart from Year 2 apprentices aged 16-17. For this group, the hourly wage rate is higher than the NMW/NLW rates for Apprentice which other sectors would abide to. This will help the agricultural sector to become an appealing career choice for this particular group.

Compared to AWO 2019, the proposed hourly wage rates in the 2020 Order are 2% higher.

As there is no data available on the number of apprentices working in agriculture, the impact of changes in minimum wage rates of these Apprentice grades cannot be quantified.

- **Changes in other provisions**

In addition to the changes in minimum wage rates for different types of agricultural workers, there are a few other changes in other provisions (see Table 3). These include changes to the dog allowance, night allowance and birth and adoption grants, all of which have a 2% increase from the AWO 2019 rate.

Table 3: Changes to other provisions

Type	AWO 2020	AWO 2019	% increase
Dog allowance	£8.32	£8.17	2%
Night allowance	£1.58	£1.55	2%
Birth and adoption grants	£65.45	£64.29	2%

The costs and benefits of these changes cannot be quantified due to lack of data.

Farmers will need to familiarise themselves with changes to the calculation of holiday pay. There may be an additional cost to the employer of having to gather data and calculate pay for a longer time period. Where data is recorded electronically this cost should be zero/minimal. Where data is kept in hard copy there will be a material time burden. In addition, holiday pay may increase/decrease in individual cases depending on activity and pay during the extended reference period. Beyond this it is difficult to assess what, if any, the impact of extending the reference period will be.

- **Summary of quantification of wage costs/earnings**

Due to data availability, the breakdown by grade is not available for many of the worker groups. Therefore, only the costs and benefits associated with agricultural workers for Grade 1 (aged 25+) to Grade 6 were estimated for both basic pay and overtime pay in the RIA where the number of workers in each grade were estimated based on data from Farm Labour and Wage Statistics (Defra, 2012)⁴. These estimates were based on Defra's costings model and the hours worked per week collected from the Earnings and Hours of Agricultural and Horticultural Workers survey, run by Defra's Economics and Statistics Programme.

The hours were broken down into basic and overtime, and the calculation of the wage costs reflected this. Although the data is dated, it represented the only available source of data that contained break down information by grade of workers. It should also be noted that this was not Wales specific data and

⁴ Available at:
<http://webarchive.nationalarchives.gov.uk/20130123162956/http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-earnings-labour2012-120627.pdf>

represented the labour structure by grade of workers for England and Wales. Therefore, the assumption was made that the labour structure in Wales was similar to the overall estimate made by Defra in their survey.

The limited amount of Wales specific information has been identified as an area for attention. Work is underway to both fully explore the existing information sources and to gather up-to-date information directly to inform future orders.

The changes in costs or benefits related to other categories of workers are expected to be very small due to small number of people involved in those categories, which include Grade 1 workers aged between 16-24 and Year 2 Apprentice.

- **Enforcement cost**

In terms of enforcement costs, it is anticipated that administrative costs accruing to the Welsh Government would be broadly similar under Agricultural Wages Order 2020 as the Welsh Government is enforcing the Orders introduced under the 2014 Act.

The government enforcement costs associated with the 2014 Act for enforcing the provisions of the 2012 wages order was estimated at around £3,000 per year in the previous RIAs of the wages orders in 2016 and 2017. This was based on a reactive enforcement mechanism, where the Welsh Government would investigate any claims of potential underpayment and if necessary, issue enforcement notices. There were four formal cases needing varying levels of investigation during 2016-2018. It is difficult to predict the number of cases arising, or their precise nature. Enforcement costs continue to be based on the assumption that there are two cases per year to investigate.

No separate costing to Welsh Government associated with inspection/enforcement work. Although it is difficult to predict accurately the number of cases that may come forward, the enforcement will be met from existing provision.

- **Administrative cost**

In addition to the cost of compliance, there will be a cost to farm businesses for adjusting to the requirements of the 2020 Order.

Farmers will need to be familiar with both the Welsh AWO provisions and UK labour legislation (for example, in relation to the NMW) to ensure that workers are being correctly remunerated.

It is assumed that each employer would need one hour⁵ to familiarise themselves with the 2020 Order and make adjustments to pay rates and other

⁵ This is consistent with the estimates used in the RIA of abolishment of AWB by Defra and the RIA of the Act 2014.

provisions. Based on data from the Office for National Statistics (ONS)' Annual Survey of Hours and Earnings (2019)⁶, it is assumed that the average cost per hour of a farmer's time is £12.07 (figure for all employees in the agriculture, forestry and fishing industry, excluding overtime pay). The median value of agricultural labour cost from the same source was £10.21 per hour. Inclusion of non-wage labour costs, such as employer's national insurance and pension contributions would serve to increase such cost estimates. In addition, the hourly rate used here is an average/median value for all farm workers. In reality, however, those whose time is involved are likely to be the farmer owners or farm business managers whose wage rates are likely to be at the higher end of the wage rate distribution.

According to ONS statistics on business population by region and by sector, there are 14,980 businesses in agriculture, forestry and fishing sector in Wales in 2019 with 2,900 businesses being employers⁷. The administrative costs to farm businesses are therefore estimated at £35k for Wales assuming one hour required per business. If using the median value for the labour cost (£10.21 per hour), the total admin costs to farm businesses are estimated at £29.6k. The estimated cost would be higher if the wage rates for farm managers/owners were used and non-wage costs were reflected in the rates. However, it should also be noted that not all the 2,900 agricultural businesses who employed labour use the AWO, but it is not known how many do use the AWO.

6.2.1 Evidence Review

In this RIA, we have reviewed the evidence presented in the previous RIAs of AWO 2016, AWO 2017, AWO 2018, AWO 2019 and considered additional literature where relevant. Our conclusion is that the key points made in the previous RIAs on the minimum wage impacts are still valid, which are summarised below. However, it should be noted that the evidence was focused on the impact of minimum wages while the economic evidence on the effects of the multi-grade minimum wage structure (i.e. multiple wage floors) is rather limited.

- *Employment*: Provided minimum wage levels are set cautiously, their negative effect on employment levels within affected sectors can be minimised. Some evidence has been found for a reduction in hours worked, but this is not conclusive. There is also evidence suggesting that the introduction of the minimum wages was associated with an

⁶ Estimates for 2019 (provisional) of paid hours worked, weekly, hourly and annual earnings for UK employees by gender and full/part-time working by 2 digit Standard Industrial Classification 2007. Industry (2 digit SIC) - ASHE: Table 4.6a. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/industry2digitsicshetable4>

⁷ Table 21 Number of businesses in the private sector and their associated employment and turnover, by number of employees and industry section in Wales, start 2018 within statistics on BUSINESS POPULATION ESTIMATES FOR THE UK AND REGIONS 2018. Available at: <https://www.gov.uk/government/statistics/business-population-estimates-2018>.

increase in labour productivity. On balance, the evidence suggests that there are limited effects of the introduction of the minimum wages on employment. This is especially the case where the minimum wage rates have been set incrementally within context of economic/labour market conditions.

- *Wage rates and structure:* If minimum wages are set above current market rates, they act to raise the wage floor, tending to compress the wage structure by raising the wages of the lowest paid relative to others. The effect may be transmitted up the pay structure, leading to wage rises for those being paid more than the statutory minimum, although the extent to which this has taken place has varied across different minimum wage regimes.
- *In-work poverty:* Minimum wages tend to benefit the lowest-earning working households, thus having some positive impact on in-work poverty. This positive impact, however, may not necessarily positively impact on low earning households. Overall, the impact of minimum wages on poverty is very small. The Institute for Fiscal Studies⁸ has found that the National Living Wage will raise household incomes by less than 1% on average, even for poorer households.
- *Company level impacts:* Research suggests that firm responses to involuntary increases in wage costs can include increasing prices, increasing labour productivity⁹, accepting reduced profits, organisational changes (such as tighter human resource practices, increased performance standards at work, and better management practices), efficiency wage¹⁰ and training responses (increasing training provisions to employees). However, the relationships between company level responses and the pay structure with multiple minimum wage levels are an under-explored area within the literature. This seems unlikely to change given the limited use of multiple wage-minima arrangements.

6.3 Costs & benefits

This section assesses the potential costs and benefits for both policy options. However, significant limitations exist across data and methodology. Specifically, disaggregated up to date data for Wales are not always available and few methodologies exist to demonstrate the relationship between employment, business performance of the agricultural sector and minimum

⁸ Institutes for Fiscal Studies (IFS), 2016. Living Standards, Poverty and Inequality in the UK: 2015-16 to 2020-2. IFS Report R114.

⁹ Research on labour productivity growth in general tends to demonstrate linkages between the NMW and productivity that are positive but not statistically significant. [Source: David Metcalf, 'Why has the British National Minimum Wages had Little or No Impact on Employment?'. Journal of Industrial Relations, Vol 50:3, pp. 489-512 (pp. 501-502).]

¹⁰ The efficiency wages are based on the notion that wages do not only determine employment but also affect employees' productive behaviour or quality. Under certain conditions, it is optimal for employers to set compensation above the market clearing level in order to recruit, retain or motivate employees.

wages. As a result, some impacts cannot be quantified with any degree of accuracy. The quantification was focused on the impact on wage costs/earnings for Grade 1-6 agricultural workers where disaggregated data are most available. However, the distribution by grade of workers was based on the 2012 Defra study which did not use Wales specific data and is relatively dated. The impact on other categories of workers or the impact of changes in allowances generally affect very small groups of workers and therefore the impacts are expected to be minimal. Due to lack of detailed data on these groups, the impacts of changes related to them were not estimated. However, the administrative costs to the farmers are estimated for their time to familiarise themselves with and make adjustments in accordance to 2020 Order. Where estimates are provided, they are indicative, with Appendix A containing the detailed calculations of how these estimates were derived.

In terms of minimum wage rate changes, the 2020 Order represents a rise of 2% rise for agricultural workers within Grade 3-6. This affects over 2,800 workers (with 28% of whom being part-time and casual workers) out of the 13,200 paid agricultural workers in Wales in 2019.

As a result, this RIA takes the following approach to assessing each option:

- **Option 1:** Baseline option.
- **Option 2:** Provides more detailed estimates as to the impact of changes in minimum wage levels for Grades 1 to 6, aiming to calculate additional impacts that directly relate to Option 2.

Option 1: Do nothing

This is the baseline option and as such there are no additional costs or benefits associated with this 'do nothing' option.

Option 2: Introducing Agricultural Wages (Wales) Order 2020 to replace AWO 2019.

6.3.1 Impact on Employment

Empirical studies examining the employment impacts of the NMW/NLW suggest that labour demand has remained broadly unchanged despite this legislated rise in earnings for the lowest paid¹¹. This is consistent with the findings from the literature review in the previous RIAs of AWO 2016, AWO 2017, AWO 2018 and AWO 2019 for Wales.

In the previous RIAs, employment effect was estimated using a minimum wage elasticity of -0.19 (an average value from the literature). This mean value was based on a meta-analysis¹² (carried out in 2017) of 236 estimated minimum wage elasticities from 16 UK studies. The median value from these

¹¹ Riley, R. and Bondibene, C. (2015). Raising the Standard: Minimum Wages and Firm Productivity. National Institute of Economic and Social Research.

¹² A statistical analysis of a large collection of results from individual studies for the purpose of integrating the findings.

236 estimated elasticities was much smaller at -0.03 which means increases in minimum wages would lead to statistically insignificant reductions in employment. A more recent comprehensive systematic review and meta-analysis of the UK NMW empirical research carried out RAND Europe¹³ suggests an even smaller employment effect no overall statistically or economically significant adverse employment effect, neither on employment and hours nor on employment retention probabilities. The minimum wage elasticities reported by this study were -0.0097 and -0.0022 when considering partial correlations. This adverse employment effect is so small that it is negligible and has no meaningful policy implication.

The agricultural labour force in Wales in 2019 totalled 52,900 people, with 13,200 of these being employed as farm workers (see Table 7 Appendix A). No data is available as to the proportion of the total farm workers in each grade in Wales. However, Defra produced such data for the UK as a whole for 2012 based on historic data and assumptions. The estimates from this study can be combined with the 2019 data for the total agricultural labour force in Wales to provide crude estimates of workforce grade composition (see in Table 8 Appendix A). It is estimated that some 3,000 workers may be within Grade 1; 7,000 workers within Grade 2 and some 2,800 workers within Grades (3-6).

Based on these estimates, an application of the mean elasticity estimate (-0.19) and the assumption that workers move from the current minimum to the new minimum wage, it is estimated that there would be a reduction in employment of 11 farm workers (see Table 15 in Appendix B for detailed calculations). It should be noted that these minimum pay rate increases are not the full difference between AWO 2019 and the 2020 Order; instead, it has taken account of forthcoming increases in NMW and NLW from April 2020. If using the median value of elasticity coefficient -0.03, the reduction in employment would be 2 people (see Table 16 at Appendix B). If using the elasticities of -0.0097 and -0.0022, the reductions in employment would be minimal. Overall, the impact on employment is negligible.

In terms of reductions to hours worked, some evidence¹⁴ suggests that it is likely that some farm businesses will seek to absorb higher labour costs through reducing the number of hours worked in addition to other effects on employment, although this cannot be estimated with any degree of accuracy.

¹³ Hafner, M et.al, 2017. The impact of the National Minimum Wage on employment: a meta-analysis. A report for the UK Low Pay Commission.

¹⁴ Low Pay Commission (LPC) reviewed the impact of the National Minimum Wage (NMW) in 2019 and concluded that in general there was little effect on employment but found some evidence that the NMW had led to small reductions in hours. Although the evidence suggested that the introduction of the NLW in 2016 and the subsequent upratings in 2017 and 2018 did not affect working hours for any of main groups of directly affected employees, the longitudinal Labour Force Survey found that men who worked full-time experienced a reduction in working hours following the introduction of the NLW in 2016. This report is available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/852508/The_impact_of_the_minimum_wage_on_employment_and_hours.pdf

6.3.2 Earnings

In 2012, Defra published a labour force model which was used to calculate gross wage costs at a UK level. The estimated additional costs of the proposed pay rate increases for each worker type (full time, part time and casual) have been calculated by multiplying the increase per hour for the respective grades, the number of hours worked per week, the number of weeks worked per year and the number of workers in the industry (not adjusted to taking account of non-wage labour costs). There are separate costings for basic and overtime. As disaggregated data by grade of workers for Wales were not available, the cost estimates are based on these 2012 UK assumptions combined with 2016 agricultural labour force data for Wales (see Table 7 to Table 10 in Appendix A) of changes in gross annual wage costs for Option 2 relative to the baseline option. These estimates are also provided in Table 4, which suggests that the changes in costs for Option 2 are estimated at £0.9million in 2020-21 with the largest impact from Grade 4 workers. This represents a transfer from farm businesses to farm labour, with the former incurring an equivalent cost of £0.9million. Although the basis used to estimate the number of workers in each grade, the number of hours worked per week and the number of weeks worked per year is partly relying on data from the 2012 Defra cost model, it still represents the best estimate that is available for calculating the additional labour costs as a result of pay rate rises.

The limited amount of Wales specific information has been identified as an area for attention. Work is underway to both fully explore the existing information sources and to gather up-to-date information directly to inform future orders.

It should also be noted that the difference in minimum wage rates between Option 1 and 2 is not the full difference between AWO 2019 and the 2020 Order. It also takes account of forthcoming statutory NMW and NLW from April 2020.

Table 4: Estimated changes in annual wage costs, waged agricultural workforce, Wales 2020-21 (a-c)

Grade	Full-time (£)		Part-time (£)		Casual (£)		Total (£)
	Basic	Overtime	Basic	Overtime	Basic	Overtime	
1	£0	£0	£0	£0	£0	£0	£0
2	£0	£0	£0	£0	£0	£0	£0
3	£101,402	£23,586	£36,062	£0	£0	£0	£161,051
4	£359,134	£83,534	£60,211	£0	£0	£0	£502,879
5	£139,428	£32,431	£17,387	£0	£0	£0	£189,246
6	£66,897	£15,560	£6,118	£0	£0	£0	£88,575
Total (£)	£666,862	£155,111	£119,778	£0	£0	£0	£941,751

Notes:

(a) Data assumes that workers are earning no more than the hourly minimum.

(b) Defra assumed that part-time workers do not work overtime.

(c) Totals may not sum due to rounding.

Source: Authors' calculations

Option 2 may create a wage difference between Wales and England, potentially disadvantaging farmers who largely compete with producers based in England, as is the case for the dairy industry. More generally, this would affect actual wage rates/terms and mobility of labour and potentially increase to the cost base. This relative increase to the cost base may accentuate the degree to which decreases in profits/ hours worked, or increases in prices may take place. However, farmer businesses in Wales are generally price-takers with limited power to influence the price of their goods and there will be limited scope to pass on cost increases via price rises. Despite this, it is reasonable to conclude that the increased cost base associated with Option 2 will have some negative impact on the sector's competitive positioning with those businesses located in England, such impacts are likely to be relatively marginal in overall terms. In general, changes in market conditions have a much larger impact on the agricultural sector than differences in wage rates. In other words, structural changes in the agricultural sector are more likely to be driven by the changes in market conditions while impact of the differences in wages rates are relatively modest.

The distribution by grade was based on data from Defra which was not Wales specific and has not been updated since 2012. As such, there are some uncertainties around whether the data from the Defra study is representative of the distribution of farm workers by grade in Wales. Therefore, sensitivity analysis was carried out to test the impact on the results of different distribution of farm worker by grade.

Three tests were carried out varying the percentages for Grade 2, Grade 4 or Grade 5 full-time workers. Composition 1 is the baseline; composition 2 increasing Grade 2 workers by 10% and reducing Grade 4 workers by 10%; composition 3 increasing Grade 2 workers by 10% and reducing Grade 5 workers by 10%¹⁵. For composition 1, the wage cost of Option 2 is estimated at £0.9million. The wage costs based on composition 2 and 3 are both estimated at £0.8million. Collection of data on farm workers by grade in Wales would help improving accuracy of estimates.

Composition 1			
Grade	Full-time	Part-time	Casual
Grade 1	6%	14%	39%
Grade 2	39%	63%	61%
Grade 3	9%	7%	
Grade 4	30%	11%	

¹⁵ 10% is an arbitrary number. As the actual distribution by grade for Wales is not known, a 10% redistribution between grades was assumed and deemed to be big enough to test sensitivity.

Grade 5	11%	3%	
Grade 6	5%	1%	

Composition 2			
Grade	Full-time	Part-time	Casual
Grade 1	6%	14%	39%
Grade 2	49%	63%	61%
Grade 3	9%	7%	
Grade 4	20%	11%	
Grade 5	11%	3%	
Grade 6	5%	1%	

Composition 3			
Grade	Full-time	Part-time	Casual
Grade 1	6%	14%	39%
Grade 2	49%	63%	61%
Grade 3	9%	7%	
Grade 4	30%	11%	
Grade 5	1%	3%	
Grade 6	5%	1%	

6.3.3 Impact on prices, productivity and profitability

As well as impacting on total wage costs and labour inputs, increases to the cost base caused by additional wage costs may be expected to impact on farm businesses – and three issues profits, prices and productivity are briefly discussed. The extent to which these outcomes will occur in relation to Option 2 depends on a broad range of factors affecting individual farm businesses. Existing literature is unclear on the linkages between minimum wages and these factors, which are therefore assessed qualitatively.

In relation to output prices, farms in Wales are generally price-takers with limited power to influence the price of their goods. While such influence will vary according to the type and nature of the product being sold, Welsh farmers are generally operating in a national or international market with relatively limited product differentiation. When combined with current market pressures, this means that passing on cost increases via price rises seems unlikely, although farms in some sectors may be more likely than others to have a marginally greater ability to increase prices.

There is limited evidence as to the linkage between minimum wage structure and labour productivity on farms in Wales. The scope available to each farm to exploit productivity improvements will depend to a large extent on issues such as technology adoption, characteristics of the farm and farmer and any

scope for economies of scale. Overall, there is insufficient evidence to assess the likely outcomes in terms of productivity implications.

In the absence of other adjustments, increased wage costs would be expected to put downward pressure on profits (reflecting the transfers to agricultural workers). In relation to profitability, there is great variation between farms in Wales and the extent of impacts will vary across farms.

6.3.4 Cost: government enforcement

It is considered that the enforcement cost related to Option 2 would remain at similar levels with Option 1.

6.3.5 Benefits

6.3.5.1 Impact on Earnings

Under the previously explained assumptions, the proposed changes to minimum wage rates are estimated to raise total wages received by agricultural workers by some £0.9 million per annum. It should be noted that these benefits are not related to full change between AWO 2019 and the 2020 Order; instead, they relate to the changes in wage rates taking account of forthcoming increases in NMW and NLW from April 2020.

This sum can be expected to have further indirect impacts in terms of localised spending power, with a greater concentration within rural areas with a higher proportion of agricultural workers although this also depends on patterns of expenditure that would have taken place from farm businesses (given the transfers).

6.3.5.2 Impact on poverty including in-work poverty

By raising the earnings floor, minimum wages might be expected to raise household income. With all else being equal, some potential impact on in-work poverty is expected, although this could be offset by a reduction in hours worked/employment and, where relevant, could be dampened by the effects of the tax and benefits system whereby workers would pay more tax on increased pay and/or receive reduced benefits. The effect also depends on business and individual labour decisions.

The raising of minimum wage levels will have had some impact on in-work poverty by supporting the wages of the lowest paid workers. Although evidence is not available on the effects of multiple wage floors compared to single wage floors, the use of multiple minimal wage structure may accentuate impact on in work poverty, given that more workers will be affected than would be the case for a single wage floor. Putting this into the context of agricultural workers in Wales, of the 13,200 waged workers within the agriculture sector in Wales in 2019, 28% were full-time. The remaining 72% were part-time, seasonal or casual. The probability of in-work poverty is generally higher for

part-time, seasonal or casual workers than full-time workers. This relates to around 9,500 farm workers on part-time or seasonal basis.

There is an increase of 2% in hour rates for Grade 3-6 workers. This could positively impact some 2,000 people on full-time basis, 800 on part-time basis (see Table 10) in Appendix A.

However, total impact on overall in-work poverty and on rural poverty in general, will be limited due to the small number of people involved and the more uncertain impact on household poverty.

6.3.5.3 Impact on training and skills

It is anticipated that the 2020 Order will continue to enable up skilling and a clearer career structure within the agricultural sector. It will contribute to developing and retaining skills across the entire agricultural sector. ADAS carried out a study on the use of AWO for Welsh Government in early 2016 which involved a survey of 176 farm businesses that employed labour across different farm size and type. The survey collected responses from 34 AWO users, 109 non-users and 33 who had never heard of the AWO. Among those who were aware of the AWO (143 farmers), a higher percentage (49%) of AWO users than (45%) non-users thought AWO was somewhat or very useful in staff skill development and performance, although this difference is not statistically significant. Within the non-users of AWO (109 farm businesses), 41% thought AWO would be useful in encouraging staff to seek new skills or qualifications in order to obtain higher grades. It should be noted, however, the percentage of surveyed farm businesses who used AWO was relatively low (20%) which suggests that the actual impact of AWO on training and skills might be relatively limited in scale.

Overall, the increase to agricultural minimum wage levels in Wales offers the opportunity to incentivise skills acquisition within the agricultural sector, potentially increasing the number of people receiving all types of training within the sector, and potentially enhancing the supply of skilled labour. As the minimum wage rates set out in the 2020 Order are generally higher than NMW/NLW and it maintains a privilege rate not universally enjoyed by other sectors, this should help to retain the employment and skills within the agricultural industry. The up skilling impact is more related to the pay structure, which will be maintained under the 2020 Order. However, the potential increase in labour cost may to some extent negatively affect the provision of up skilling by employers.

6.4 Sector impacts

6.4.1 Impact on local government

No evidence of significant differential impact.

6.4.2 Impact on voluntary sector

No evidence of significant differential impact.

6.4.3 Impact on small businesses

The increase in costs associated with pay and other amended terms and conditions will affect farm businesses, including small businesses in the sector. The minimum agricultural wage rates had been updated annually by AWB until 2013. Grade 1 workers' pay rates were adjusted between 2013 and 2015 in line with NMW/NLW. The pay rates were further raised in the AWO 2016, AWO 2017, AWO 2018 and AWO 2019. It is important to acknowledge though that these rates only set statutory minimum wage levels and that employers may pay higher wages to workers to reflect their skills and the level of responsibilities taken on farm.

According to the Office for National Statistics (see Table 5), there are 14,980 agricultural, forestry and fishing businesses in Wales and 19% are employer businesses in 2019. The figures for England were 105,570 and 37%. The data suggests that agriculture in Wales is dominated by small businesses (16% being businesses that employ less than five employees, less than 4% being businesses with five and more employees) and the majority of businesses do not employ labour (74%). For smaller business with paid labour, the increases in labour costs as a result of increases in AMW may have a negative impact on business profitability.

ADAS carried out a study on the use of AWO for Welsh Government in early 2016 which involved a survey of 176 farm businesses that employed labour across different farm size and type. The study suggested that the average labour cost (for paid labour) was around 18% of the total inputs, but no statistically significant differences were found between different farm sizes. This suggests that in terms of the cost structure (cost of paid labour as a percentage of total costs), it is similar across all farm sizes and there is no indication that smaller businesses would be affected disproportionately due to increases in the cost of paid labour.

Table 5: Number of agricultural businesses by size band in England and Wales (2019)

Agriculture, Forestry and Fishing	England		Wales	
	No. of Businesses	%	No. of Businesses	%
Number of businesses	105,570	100.0	14,980	100.0
Number of employers	39,125	37.1	2,900	19.4
With no employees (unregistered)*	6,355	6.0	1,050	7.0
With no employees (registered)*	60,090	56.9	11,030	73.6
1	13,345	12.6	1,195	8.0
2-4	17,460	16.5	1,175	7.8
5-9	5,220	4.9	395	2.6
10-19	1,850	1.8	105	0.7

20-49	800	0.8	25	0.2
50-99	265	0.3	5	0.0
100-199	100	0.1	0	0.0
200-249	20	0.0	0	0.0
250-499	40	0.0	0	0.0
500 or more	25	0.0	0	0.0

Source: ONS (2019) Business population estimates for the UK and regions 2019, Table 20 and Table 21. <https://www.gov.uk/government/statistics/business-population-estimates-2019>
Note: * Businesses with no employees can either be 'registered' for VAT or PAYE or are 'unregistered'.

The majority of farms in Wales are small businesses and the policy has been developed within this context. As a result, the impact of Option 2 is not expected to impose any additional or disproportionate impact on small businesses. The larger farms, dairy farms and horticultural businesses tend to use more paid labour than the smaller businesses or other farm types. These farms may face more pressure from labour cost increases.

6.4.4 Impact by sector

The impact on different sectors may vary depending on the composition of cost base of the farm businesses. The most recent Farm Business Survey data for Wales suggests that the costs for casual and regular labour accounted for 4-6% of their agricultural cost base (see Table 6).

Table 6 : Labour cost as a percentage of total input for farm businesses in Wales by sector (2017-2018) and (2018-2019)

Farm type	Labour cost (£), casual and regular labour		Agricultural cost (£)		Share of labour cost (%)	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
LFA Cattle and Sheep Farms	3,400	3,300	82,000	89,100	4%	4%
Lowland Cattle and Sheep Farms	3,000	2,700	77,500	77,000	4%	4%
Dairy	18,600	23,700	312,000	372,800	6%	6%
All Farm Types	5,900	6,600	118,100	134,100	5%	5%

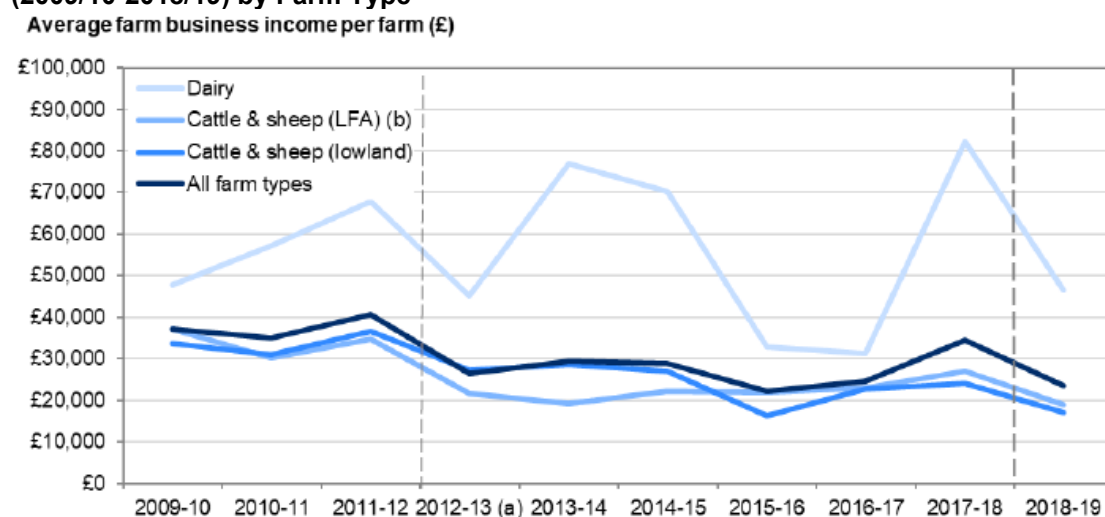
Source: Calculated from Farm Business Survey (FBS) data for Wales (2018/2019).
<https://gov.wales/farm-incomes-april-2018-march-2019>

There is limited evidence as to labour productivity on farms in Wales. The scope available to each farm to exploit productivity improvements will depend to a large extent on issues such as technology adoption, characteristics of the farm and farmer and any scope for economies of scale. Overall, there is insufficient evidence to assess the likely outcomes in terms of productivity improvements.

In relation to profitability, there is variation between farms in Wales. Information on farm business income for 2018-19 suggests that there is variation across the major farm types. For dairy farms, the average farm business income was around £46,600, whilst cattle and sheep farms in the Less Favoured Area (LFA) was around £18,900, and lowland cattle and sheep farms around £17,100¹⁶.

Time series of farm business income data (see Figure 1) suggests that business profitability across the main farm types stays at a low level and that there is also variation between years and between farm types. For example, the farm business income for the dairy sector has fluctuated most dramatically (large decline in 2015/16 and 2016/17, bounced back in 2017/18 fell substantially again in 2018/2019) in recent years and income for LFA cattle and sheep farms have been relatively stable but at low levels.

Figure 1: Farm Business Income (in real terms at 2018/19 prices) in Recent Years (2009/10-2018/19) by Farm Type



Source: Based on Statistics on Farm Incomes (2018-2019).

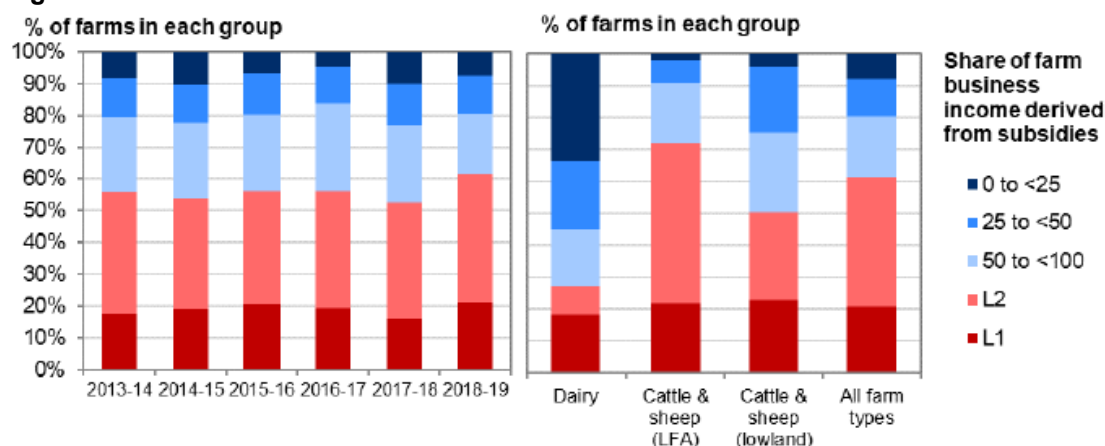
It should be noted however, the profitability data of farm businesses should be interpreted in the context that the industry is currently heavily relying on public subsidies. According to the Farm Business Survey, over 50% of all farms either made a loss or would have done so without subsidy in the past few years since 2013-14 and this percentage increased to over 60% in year 2018-19 (see Figure 2). The level of dependence varies between farm types. In 2018-19, around 70% of cattle and sheep (LFA) farms either made a loss or would have done so without subsidy, compared with around 50% of lowland cattle and sheep farms and around 25% of dairy farms.

As a wider context, this dependence on subsidy can leave farms vulnerable to policy changes especially after Brexit. Increases in labour cost would add

¹⁶ Source: Welsh Government 2019. Statistics on Farm Incomes. Available at: <https://gov.wales/farm-incomes-april-2018-march-2019>. There was a significant decrease (-33% from the previous year) in farm business income across all farms in the year 2018-19.

more pressure to farm business profitability particularly for those farms that are making a loss with and without subsidies.

Figure 2: Variation in subsidies* as a share of farm business income in Wales



Source: Farm Business Survey Quoted in Statistics Release on Farm Incomes in Wales 2018/19.

Note *: subsidies include agri-environment payments and single farm payments; L1 - Including subsidy, the farm made a loss; L2 - Without subsidy, farm would have made a loss.

Several studies (AHDB 2017; Dwyer 2018; House of Commons Welsh Affairs Committee, 2018)¹⁷ on the impacts of Brexit on agriculture in Wales suggest that many parts of the agricultural supply chain are heavily reliant on migrant workers from the EU. Often, the demand for labour in agriculture and the associated supply chain is on a seasonal basis as opposed to year-round employment. If there is no longer free movement of workers between the UK and the rest of the EU post-Brexit, availability and the cost of labour will be negatively impacted. The most vulnerable sectors include horticultural sector and wider agri-food sectors such as abattoirs, veterinary services, meat cutting, dairy processing plants and food packing.

In general terms, increases to the agricultural cost base will impact on farm income and profitability, but the extent of this cannot be accurately forecast. However, it is reasonable to assume that the 2020 Order may add further pressure on the cost base increases when compared to baseline.

6.5 Consultation

The Panel met to decide whether to propose changes to the 2020 wages order on 2 September 2019. A targeted consultation on their proposals was conducted from 19 September – 16 October 2019. The proposals were emailed to an extensive list of people and organisations and were made available on the Agricultural Advisory Panel for Wales' page of the Welsh Government website. The consultation paper was also published in the Farmers Weekly and the Farmers Guardian. It did not lead to many more responses but at least an attempt has been made to widen the availability of

¹⁷ AHDB, 2017. Brexit Scenarios: an impact assessment: https://ahdb.org.uk/documents/Horizon_Brexit_Analysis_20September2016.pdf

Dwyer, J. 2018. The Implications of Brexit for Agriculture, Rural Areas and Land Use in Wales. Report to Public Policy Institute for Wales.

the consultation process

Key stakeholders, including the farming unions, UNITE, and organisations such as the NFU Cymru were included. Panel members were encouraged to share the proposals throughout their networks.

A total of four responses were received. One response was in favour of the changes, one abstained and two raised concerns over the Wages order as a whole.

All relevant concerns raised by the consultee organisations were discussed at the Panel meeting in November 2019.

6.6 Competition Assessment

See Appendix C.

6.7 Conclusion

Potential costs and benefits for both policy options are considered and compared. However, significant limitations exist across data and methodology. Specifically, disaggregated up to date data for Wales are not always available and few methodologies exist to demonstrate the relationship between employment, business performance of the agricultural sector and minimum wages. As a result, some impacts cannot be quantified with any degree of accuracy. The quantification was focused on the impact on wage costs/earnings for Grade 1-6 agricultural workers where disaggregated data are most available. However, the distribution by grade of workers was based on the Defra study in 2012 which was not Wales specific. The impact on other categories of workers or the impact of changes in other allowances generally affect very small groups of workers and the impacts are expected to be minimal. Due to lack of detailed data on these groups, the impacts of changes related to them were not estimated. However, the administrative costs to the farmers are estimated for their time to familiarise themselves with and make adjustments in accordance to the 2020 Order. It should also be noted that the two policy scenarios are not the full difference between the 2020 Order and the 2019 Order; the differences in labour minimum wage rates also take account of the forthcoming changes in NMW and NLW from April 2020.

In terms of the relative increases within the pay structure, the wage rate for Grade 1 workers (aged 25 and above) is set at the NMW/NLW level from April 2020. This increase represents a 6% increase from the AWO 2019 rate. There is a 2% increase for Grade 3-6 workers. As there are no differences in Grade 1 and 2 worker in the 2020 Order proposal, the transitional Grade 1 could be considered for removal from the pay structure.

Potential costs that are additional for Option 2 are summarised as follows:

1. *Employment*: The proposed increases may lead to reduction of about 11 or fewer agricultural jobs in Wales. The overall impact on

employment is negligible. Reductions in hours worked may take place, but cannot be quantified.

2. **Earnings:** The total transfer could be raised by some £0.9 million per annum. This is the estimate for additional earnings under the 2020 Order also taking account of changes in NMW/NLW from April 2020.
3. **Prices, productivity and profitability:** All else given, this is likely to put downward pressure on farm business profits, but with an unclear effect on productivity. Output price rises enabling margins to be maintained seem unlikely given that the farm businesses are generally price-takers and there is limited pricing power of farm businesses. In terms changes in agricultural outputs, they are more directly affected by broader agricultural market conditions.
4. **Administrative costs:** there will be a cost to farm businesses for adjusting to the requirements of the 2020 Order. It is estimated that this will cost farming businesses £29.6k-£35k.
5. **Government enforcement:** It is likely that administrative costs accruing to the Welsh Government would be broadly similar under both options as the Welsh Government is already enforcing the AWO regime that has been preserved under the 2014 Act, assuming no changes in the volume of case work to investigate each year.

Potential benefits that are additional to Option 2 include:

1. **Earnings:** The proposed minimum wage rate changes are estimated to transfer some £0.9 million per annum to agricultural workers (from employers) (excluding the effects of non-wage labour costs) in terms of their total gross income, with potential impacts throughout the wages distribution associated with the differential minimum wage rates for the different grades.
2. **In-work poverty:** Option 2 would be expected to reduce in-work poverty to some extent (to the extent that the higher hourly wage rates are not offset by reduced hours/employment), with a geographic focus on areas with a higher concentration of agricultural employment. However, this effect varies across businesses and individual labours depending on individual circumstances and decisions.
3. **Training and skills:** Uprating minimum wages throughout the grade structure and for all categories of workers, including apprentices, will provide greater incentives for workers to acquire skills and progress through the grade system. Compared to other industries, as the AWO 2020 minimum wage rates are generally higher than NMW and NLW, it maintains a privilege rate that is not universally enjoyed by other sectors than agriculture. This should help to retain the employment and

skills within the agricultural industry. Option 2 would increase wages for all grades in line with previous arrangements under the AWO 2019. It is reasonable to conclude that Option 2 could be more likely to support up skilling within the sector, as well as potentially having a positive impact on efficiency. However, this up skilling benefit is more related to the grade structure itself rather than the pay rates and also depends on the ability of the businesses to pay for further training after the increase in labour costs.

In conclusion, Option 2 provides an established and previously accepted approach to the setting of minimum wages and other aspects of the employment relationship. With wage rates increasing and linked to NMW (for Grade 1 and 2 workers), the 2020 Order will benefit the waged workforce in terms of increasing earnings and supporting further up skilling within the industry. However, this up skilling benefit is more related to the grade structure itself rather than the pay rates and may be offset to some extent by the pressure from increases in labour costs for farm businesses.

APPENDIX A: Supporting Calculations for Cost and Benefit Estimates

1. Employment Data

Table 7: Persons engaged in work on agricultural holdings, Wales (2019)

Type of Labour		Number of people
Total farmers, partners, directors and spouses: (a)		
	Full-time	18,100
	Part-time (b)	21,600
	Total	39,700
Farm workers:		
	Regular full-time (c)	3,700*
	Regular part-time (b) (c)	3,600*
	Seasonal or casual workers	5,900*
	Total farm workers	13,200
Total labour force		52,900

Source: Welsh Government, Welsh Agricultural Statistics, 2019.

<https://gov.wales/sites/default/files/statistics-and-research/2019-11/survey-agriculture-and-horticulture-june-2019-730.pdf>

Note:

(a) Figures are for main and minor holdings.

(b) Part-time defined as less than 39 hours per week.

(c) Includes salaried managers.

* Calculated based on percentage composition of different types of workers in 2016.

2. Earnings

Table 8: Persons engaged in work on agricultural holdings, Wales (2019)

	Type of labour	No. of people	% composition
Full-time	Regular full-time farm workers*	3,700	28%
Part-time	Regular part-time farm workers	3,600	27%
Casual	Seasonal or casual workers	5,900	45%
Total waged labour force		13, 200	100%

Note:

Source: Figures for farm workers by type are from Welsh Government, Welsh Agricultural Statistics are not available for 2018 but estimated base on 2016 figures on composition by type [online] <http://gov.wales/statistics-and-research/welsh-agricultural-statistics/?lang=en>. Number of workers in each category are calculated based on total no. of workers in 2018 and composition by type of workers in 2016.

Table 9: Profile of workers at each AWO grade (average %), UK (2007-2010)

Grade	Full-time	Part-time (a)	Casual
Grade 1	6%	14%	39%
Grade 2	39%	63%	61%
Grade 3	9%	7%	
Grade 4	30%	11%	
Grade 5	11%	3%	
Grade 6	5%	1%	

Source: Defra Farm Labour and Wage Statistics, 2012. [online] <http://webarchive.nationalarchives.gov.uk/20130123162956/http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-earnings-labour2012-120627.pdf> , Table 12 on p.13.

Note: (a) Totals do not sum to 100% due to rounding.

Table 10 combines data from Table 8 and Table 9 to provide rough estimates of the number of full time, part-time and casual staff within each grade in Wales using employment data for year 2019.

Table 10: Number of workers at each AWO grade, estimated for Wales 2019(a)

Grade	Full-time	Part-time	Casual
Grade 1	222	504	2,301
Grade 2	1,443	2,268	3,599
Grade 3	333	252	
Grade 4	1,110	396	
Grade 5	407	108	
Grade 6	185	36	
Total	3,700	3,600	5,900

Note: (a) Totals do not add up to 13,200 due to rounding in Table 9.

Table 11 provides Defra's estimates of the average hours worked by full time, part-time and casual staff.

Table 11: Hours worked by worker type per week, UK, 2003 to 2010 average

Worker type	Total hours worked	Basic hours	Overtime hours
full time (a)	42.5	36.3	6.2
part time (b)	17.2	17.2	0
Casual (c)	29.4	26.5	2.9

Source: (a) and (b) Total no. of hours worked are based on estimates from Brookdale Consulting Report to the Welsh Government. Agriculture in Wales: Welsh Labour Market Information. Basic and overtime hours are estimated based on total no. of hours and split between basic and overtime hours from the Defra (2012) Farm Labour and Wage Statistics.. (c) Defra Farm Labour and Wage Statistics, 2012. [online] <http://webarchive.nationalarchives.gov.uk/20130123162956/http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-earnings-labour2012-120627.pdf> , Table 10 on p.12.

Note: (b) Assumed that part-time workers do not work overtime.

Table 13 summarises the number of weeks that each type of workers worked per year.

Table 12: Number of weeks worked per year by different type of employment

Worker type	No. of weeks worked at Basic hours	No. of weeks worked at overtime hours
full time	52	47.6
part time (a)	52	49.2
Casual	10	10

Source: Defra Farm Labour and Wage Statistics, 2012. [online] <http://webarchive.nationalarchives.gov.uk/20130123162956/http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-earnings-labour2012-120627.pdf>, Table 39 on p.36.

Table 13 provides the agricultural minimum wages set in the AWO 2018 and 2019 for the agricultural industry and the increases in wage rates by grade for both basic and overtime pay.

Table 13: AWO hourly pay rates, baseline and 2020

Grade or category of worker	Basic pay 2020	Baseline Basic pay	Basic pay increase	Overtime pay increase*
Grade 1 work (aged 25+)	£8.72**	£8.72**	£0.51	£0
Grade 2 worker	£8.72**	£8.72**	£0.27	£0
Grade 3 worker	£8.86	£8.70	£0.16	£0.24
Grade 4 worker	£9.53	£9.36	£0.17	£0.25
Grade 5 worker	£10.06	£9.88	£0.18	£0.27
Grade 6 worker	£10.83	£10.64	£0.19	£0.29

Source: UK Government, Agricultural Workers' Rights [online] <https://www.gov.uk/agricultural-workers-rights/pay-and-overtime>

Note: * Overtime pay levels are set at 1.5 times of basic rates.

** The rates set at NLW levels from April 2020.

Table 14 combines data in Table 8, Table 10-Table 13 to provide a rough estimate of the additional labour costs per year for Option 2 relative to Option 1 in Wales across all grades for full time, part time and casual workers. The calculations for the additional wages costs were based on the number of workers in each grade by type (full time, part time and casual) multiplied by the increase per hour for the respective grades, the number of hours worked per week and the number of weeks worked per year.

Table 14: Additional labour costs per year for Option 2.

Grade	Full-time (£)		Part-time(£)		Casual (£)		Total (£)
	Basic	Overtime	Basic	Overtime	Basic	Overtime	
1	£0	£0	£0	£0	£0	£0	£0
2	£0	£0	£0	£0	£0	£0	£0
3	£101,402	£23,586	£36,062	£0	£0	£0	£161,051
4	£359,134	£83,534	£60,211	£0	£0	£0	£502,879
5	£139,428	£32,431	£17,387	£0	£0	£0	£189,246
6	£66,897	£15,560	£6,118	£0	£0	£0	£88,575
Total (£)	£666,862	£155,111	£119,778	£0	£0	£0	£941,751

APPENDIX B: Calculations of Employment Effect

Wage elasticity of supply is the grade of influence on the supply of labour caused by a change of wages.

The formula for wage elasticity is: Wage elasticity = change of supply of labour in percentage / change of wage in percentage.

Therefore:

- Change of supply of labour in percentage = wage elasticity * change of wage in percentage;
- Absolute change in labour supply = number of workers * change of supply of labour in percentage (i.e. wage elasticity * change of wage in percentage)

Table 15: Change in labour supply assuming wage elasticity=-0.19

	No. of workers (a)	Wage elasticity (b)	Change of wage in % (c)	Absolute changes in no, of workers (d) (d=a*b*c)
Grade 1 workers	3,027	-0.19	0.00%	0
Grade 2 workers	7,310	-0.19	0.00%	0
Grade 3-6 workers	2,863	-0.19	2.00%	-11
Total	13,200	-	-	-11

Table 16: Change in labour supply assuming wage elasticity=-0.03

	No. of workers (a)	Wage elasticity (b)	Change of wage in % (c)	Absolute changes in no, of workers (d) (d=a*b*c)
Grade 1 workers	3,027	-0.03	0.00%	0
Grade 2 workers	7,310	-0.03	0.00%	0
Grade 3-6 workers	2,863	-0.03	2.00%	-2
Total	13,200	-	-	-2

APPENDIX C: The Competition Assessment

Answers to the competition filter test

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 D - The Panel's consultation letter

Agricultural Advisory Panel for Wales

Dear Consultee

The Agricultural Advisory Panel for Wales was established under The Agricultural Sector (Wales) Act 2014. One of its key responsibilities is "to prepare agricultural wages orders in draft, consulting on such orders and submitting them to the Welsh Ministers for approval".

As Chair of the Panel I am writing to ask for your views on the Panel's proposed changes to the terms and conditions for agricultural workers, to be included in the Agricultural Wages Order 2020. These proposals were made at the Panel's meeting on 2 September and are listed below.

The Panel came to these proposed rates taking into consideration the current uncertainties surrounding the agricultural industry and the need to make sure farm workers are paid at a fair rate.

1. Rates of Pay

The Panel proposes that the minimum rates of pay for agricultural workers increase by 1.8% across all pay bands as follows:

	Current Rate £ per Hour	Proposed Rate £ per Hour
Grade 1 (under 16)	£3.54	£3.60
Grade 1 (aged 16- 24)	£7.70	£7.84
Grade 1 (aged 25+)	£8.21	£8.36
Grade 2	£8.45	£8.60
Grade 3	£8.70	£8.86
Grade 4	£9.36	£9.53
Grade 5	£9.88	£10.06
Grade 6	£10.64	£10.83

Apprentice rates to be raised as follows:

	Current Rate £ per Hour	Proposed Rate £ Per Hour
Apprentice Year 1	£4.00	£4.07
Apprentice Year 2 (aged 16- 17)	£4.29	£4.37
Apprentice Year 2 (aged 18- 20)	£6.15	£6.26
Apprentice Year 2 (aged 21- 24)	£7.70	£9.09
Apprentice Year 2 (aged 25+)	£8.21	£8.36

These rates may be increased in the event of an increase in the National Minimum or National Living Wage above the proposed minimum rates of pay for agricultural workers.

Other proposed allowances:

Dog Allowance	£8.17	£8.32	Per Dog Per Week
Night Time Work Allowance	£1.55	£1.58	Per Hour of Night Work
Birth Adoption Allowance	£64.29	£65.45	For Each Child

2. Other Proposed Changes

The National Assembly for Wales' Constitutional and Legislative Affairs Committee, ('the committee') put the 2019 Wages order through a technical scrutiny. This highlighted minor clarification points within the order relating to:

a) Accommodation Offset Allowance

The committee felt Article 15(1) and (2) of the Agricultural Wages Order 2019 that there was potential ambiguity in relation to how the Accommodation Offset Allowance should be applied to agricultural workers' wages.

It was agreed by the Panel that Article 15 of the Order be reworded to remove any potential ambiguity and clarify that the Accommodation Offset Allowance should be a weekly deduction from the agricultural worker's minimum wage where a house (as defined by the Order) is provided and a daily deduction from the agricultural worker's minimum wage each day that other accommodation (as defined by the Order) is provided to the agricultural worker.

b) Agricultural Sick Pay

Article 21(2) sets out the maximum number of weeks an agricultural worker is entitled to agricultural sick pay in each period of entitlement. The committee highlighted there was an unintended consequence from the current wording of the Order in that, where an agricultural worker has been employed for exactly 24, 36, 48, and 59 months they can be entitled to the lower and higher level of

entitlement. As an example, an agricultural worker employed for exactly 24 months will be entitled to 13 weeks sick pay (on the basis of being employed for not more than 24 months) and 16 weeks sick pay (on the basis of being employed at least 24 months).

The Panel propose the following changes to the Article 21(2) Agricultural Wages Order 2020 by inserting the following:

“During each period of entitlement, the maximum number of weeks that an agricultural worker is entitled to agricultural sick pay is:

13 weeks in the second year of employment;

16 weeks in the third year of employment;

19 weeks in the fourth year of employment;

22 weeks in the fifth year of employment;

26 weeks in the sixth and all subsequent years of employment.”

c) Calculation of Holiday Entitlement and/or Pay for Those Working Variable Hours

In order to ensure the 2020 Order keeps step with changes in legislation which are due to come into force on 6 April 2020, the Panel propose that the provision in Article 34(4) be amended to increase the reference period for determining an average week's pay for the purposes of calculating holiday pay from 12 weeks to 52 weeks. In addition, in order to ensure consistency between the provisions of the Order the Panel propose that the reference period for determining the holiday entitlement of agricultural workers working variable hours under Article 31(1), also be changed from 12 weeks to 52 weeks. The Panel therefore propose the following amendment to the wording of the Articles: “Article 31(1) Where an agricultural worker works their basic hours on a varying number of days each week, the number of days worked each week for the purposes of the Table in Schedule 5, is to be taken as an average of the number of qualifying days worked each week during the period of 52 weeks immediately preceding the commencement of the agricultural worker's annual leave and that average number of qualifying days must, where appropriate, be rounded to the nearest whole day.

Article 34 (4) Where the agricultural worker's normal working hours vary from week to week, or where an agricultural worker with normal working hours (as in paragraph (3)) works overtime in addition to those hours, the amount of the agricultural worker's normal weekly pay for the purposes of paragraph (2) is calculated by adding together the amount of the agricultural worker's normal weekly pay in each of the 52 weeks immediately preceding the commencement of the worker's annual leave and dividing the total by 52.”

I should be grateful for your comments on these proposals before 16 October 2019 so that the Panel may submit our advice to Ministers as required by the Agricultural Sector (Wales) Act 2014.

The responses to this consultation will be made publicly available. Should you wish to remain anonymous, please indicate this within your response. Thank you in advance for your input.

Please respond to the Panel Manager in writing at the address below or by email to:

Ryan Davies
Agricultural Advisory Panel Manager
Welsh Government
Spa Road East
Llandrindod Wells
Powys
LD1 5HA

Ryan.Davies@gov.wales

Yours sincerely

Lionel Walford
Chair
Agricultural Advisory Panel for Wales

CONSULTATION DISTRIBUTION LIST

A	Aberdeen-Angus Cattle Society
	Action for Children
	Action on Hearing Loss (RNID)
	ADAS
	Age Alliance Wales
	Age Cymru
	a:gender
	Agricultural Business
	AHDB Dairy
	All Wales People First
	Animal & Plant Health Agency (APHA)
	Associated British Ports
	Association of Labour Providers (ALP)
	Association of Professional Staffing Companies (APSCo)
	Atkins Global
	Autism Spectrum Connections Cymru (ASCC)
B	Baha’l Council for Wales
	BAM Nuttall Ltd
	Barnardo’s Cymru
	BAWSO
	Bevan Foundation
	Bi Cymru
	Black Environment Network (BEN UK)
	Brecon Beacons National Park
	British Blonde Society
	British Blue Cattle Society
	British Deaf Association (Wales)
	British Dyslexia Association
	British Limousin Cattle Society
	British Pakistan Foundation
	British Red Cross (Wales)
	British Retail Consortium (BRC)
	British Simmental Cattle Society
	British Veterinary Association
	British Water
	British Youth Council
Brown Swiss Cattle Society	
C	CADW
	Cafod
	Campaign for the Protection of Rural Wales (CPRW)
	Canal and River Trust
	Canolfan Dysgu Cymru
	Cardiff City and County Council
	Carers Wales

	Cartrefi Cymru
	Catch Up
	Celtic Ecology & Conservation Ltd
	Central Association of Agricultural Valuers (CAAV)
	Centre for Ageing and Dementia Research
	Centre for Alternative Technology
	Centre for Social Justice (CSJ)
	Centre of Sign Sight Sound
	Cered
	Change Grow Live
	Chartered Institute for Environmental Health
	Chartered Institute of Housing
	Children in Wales / Plant yng Nghymru
	Children's Commissioner for Wales
	The Church in Wales
	Chwarae Teg
	Citizens Advice Cymru
	Clee, Tompkinson & Francis
	Clwyd-Powys Archaeological Trust
	Coal Authority
	Coastal Zone and Marine Environment Studies Research Unit
	Colegau Cymru
	Coleg Cambria
	Coleg Cymraeg Cenedlaethol
	Coleg Sir Gar
	Common Vision
	Communication Matters
	Community Housing Cymru
	Community Land Advisory Service (CLAS Cymru)
	Confederation of British Industry (CBI)
	Conservation Volunteers (TCV)
	Consortium
	Constructing Excellence in Wales
	Contact Cymru (Contact a Family)
	Continuous Cover Forestry Group (CCFG)
	Council for Wales Voluntary Youth Services (CWYVS)
	Country Land & Business Association (CLA)
	Crown Estate
	CTP International
	Cyfieithwyr Cymru
	Cymdeithas Eisteddfodau Cymru
	Cynnal Cymru
	Cytun

D	Dairy Development Centre (DDC)
	Dairy Group
	Dartmoor Society
	Davis Meade Property Consultants (DMPC)
	DEFRA

	Denbighshire County Council
	Dept of Agriculture, Environment & Rural Affairs – NI (DAERA)
	Dept for Business, Energy & Industrial Strategy (BEIS)
	Disability Advice Project
	Disability Arts Cymru
	Disability Powys
	Disability Sport Wales (DSW)
	Disability Wales / Anabledd Cymru
	Diverse Cymru
	Duffryn Community Link
	Dwr Cymru
	Dyfi Biosphere
E	Edward Perkins Chartered Surveyors
	EH Law
	Eisteddfod Genedlaethol Cymru
	Elan Valley Trust
	Energy Savings Trust
	Environment Agency
	Epilepsy Wales
	Equality & Human Rights Commission
	Ethnic Minorities and Youth Support Team Wales (EYST)
Evangelical Alliance Wales	
F	Farmers Union of Wales (FUW)
	Farming & Wildlife Advisory Group (FWAG)
	Federation of Petroleum Suppliers (FPS)
	Federation of Small Businesses (FSB)
	Ffos Las Racecourse
	Fjord Horse
	Focus on Labour Exploitation (FLEX)
	Forest Research
	Freelancer & Contractor Services Association (FCSA)
	Freightliner
	Friends of the Earth Cymru
	Fuel Experts Association
	Future Farmers of Wales
G	Gofal Cymru
	Guide Dogs Cymru
H	Horticulture Wales
	HSBC Agriculture
	Humanists UK
	Hybu Cig Cymru
I	Institute of Biological, Environmental & Rural Sciences – Aberystwyth Uni (IBERS)
	Institute of Chartered Foresters
	Institute of Occupational Safety & Health (IOSH)

	Institution of Civil Engineers (ICE)
J	The Jewish Leadership Council
	The Joseph Rowntree Foundation (JRF)
K	Keep Wales Tidy
L	Labour Research Department
	LANDEX (Land Based Colleges Aspiring to Excellence)
	Landscape Institute
	LANTRA
	LEAF Education
	Learning Disability Coalition
	Learning Disability Wales
	Leonard Cheshire Trust
	Llais y Goedwig
	Llanishen Reservoir Action Group
	Lloyds Bank plc (Agriculture)
	Low Pay Commission
Lusitano Breed Society of Great Britain	
M	Maelor Forest Nurseries Ltd
	Marine Conservation Society
	MEIC
	Mencap Cymru
	Menter a Business
	Menter Mon
	Mentrau Iaith Cymru
	Merched y Wawr
	Meyrick Estate Management Ltd (Bordogan Estate)
	Mid & West Wales Fire and Rescue Service
	MIND Cymru
	Mineral Products Association
	Mudiad Meithrin
	Multiple Sclerosis (MS) Society Wales
Muslim Council of Wales	
N	National Allotment Society
	National Autistic Society Cymru
	National Beef Association (NBA)
	National Deaf Childrens Society Cymru
	National Energy Action Wales (NEA Cymru)
	National Farmers Union (NFU Cymru)
	National Federation of Women's Institutes (NFWI Wales)
	National Hate Crime Report and Support Centre Wales
	National Parks Wales
	National Sewerage Association
	National Trust
	National Youth Agency

	Nationwide Access Consultants Limited
	Natural Resources Wales (NRW)
	Network She
	NFU Mutual
	NHS Centre for Equality & Human Rights
	North Wales Regional Equality Network (NWREN)
	NPTC Group
	NSPCC Wales
O	Office of the Secretary of State for Wales
	OFTEC
	OHES Environmental
	Oil Facilities Limited (OFL)
	Oil Recycling Association
	Older People's Commissioner for Wales
	Oxfam Cymru
P	Participation Cymru
	Pembrokeshire Coast National Park
	Planning Inspectorate (PINS)
	Powys County Council
	Prime Cymru
	Prince's Trust Cymru
	Public Health Wales
R	R.A.B.I Wales / Cymru
	Race Council Cymru
	Race Equality First
	Ramblers
	Recruitment & Employment Confederation (REC)
	Red Ruby Devon Cattle Society
	Regional Community Cohesion Coordinators
	Resolution Foundation
	RH & S Mottershead
	RICS Wales
	Royal National Institute of Blind People (RNIB)
	Royal Society for the Protection of Birds (RSPB)
	Royal Town Planning Institute (RTPI)
	Royal Welsh Agricultural Society (RWAS)
S	Santander (Agriculture)
	Save the Children Wales
	Scope
	Scottish Government
	Severn Rivers Trust
	SEWREC – The Social Justice Charity for South East Wales
	Shaw Trust
	Shelter Cymru
	SNAP Cymru
	Snowdonia National Park

	South East Wales Equality Network (SEWEN)
	SOVA
	Sparkle
	Stonewall Cymru
	Sustainable Farming Consultancy
	Swansea Disability Forum
T	T'ai Pawb
	TCS Management
	Tenant Farmers Association (TFA)
	Tir Enterprises Ltd
	Travelling Ahead
	Tros Gynnal Plant
U	UK Youth
	Unique Transgender Network
	UNISON
	United Utilities
	Unite the Union
	University of Bangor
	Urdd Gobaith Cymru
V	Victim Support Cymru
	Visit Wales
W	Wales Assembly of Women
	Wales Council for Deaf People
	Wales Council for Voluntary Action (WCVA)
	Wales Council of the Blind
	Wales Environment Link
	Wales Federation of Young Farmers Clubs (YFC Wales) (+ 12 counties)
	Wales Tourism Alliance
	Wales TUC Cymru
	Water Regulations Advisory Service (WRAS)
	Water UK
	Watts and Morgan
	Wellness Recovery Action Plan (WRAP)
	Welsh Black Cattle Society
	Welsh Lamb & Beef Producers (WLBP)
	Welsh Language Commissioner
	Welsh Lavender Ltd
	Welsh Local Government Association (WLGA)
	Welsh Refugee Council
	Welsh Women's Aid
	West Wales Rivers Trust
	Whittingham Riddell
Whizz Kids	
Wildfowl & Wetlands Trust (WWT)	
Wildlife Trust of South and West Wales	

	Wildlife Trusts Wales
	WISE
	Women Connect First
	Women in Agriculture Network
	Women in Property
	Women in Rural Enterprise (WiRE)
	Women in Wales
	Women on Boards
	Women's Engineering Society (WES)
	Women's Equality Network (WEN Wales)
	Women's Farm and Garden Association (WFGA)
	Woodland Trust
	WWF Cymru
	Wye & Usk Foundation
Y	Young Wales
	Youth United Foundation