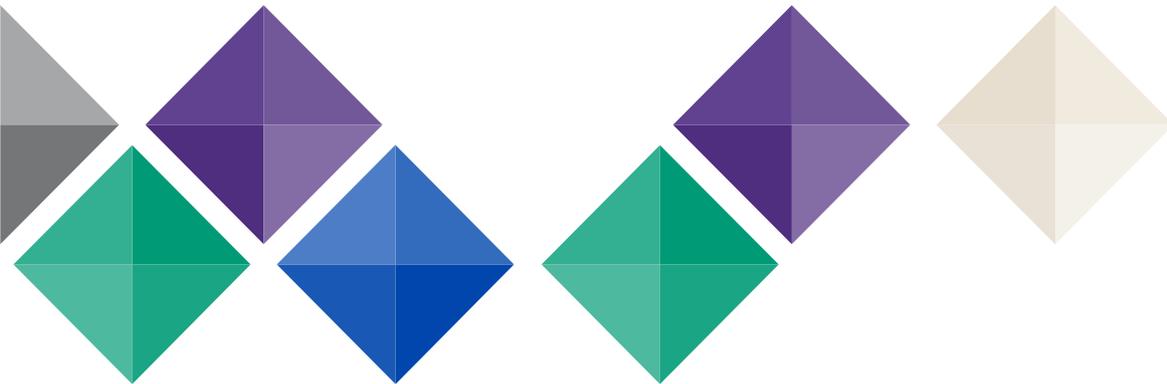


FDF Economic contribution and growth opportunities

June 2017



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Foreword



Foreword

Gavin Darby, Chief Executive of Premier Foods and Food and Drink Federation President

The food and drink industry is the UK's largest manufacturing sector, contributing £28.2 billion to the economy annually and employing 400,000 people. We are a key part of the nation's £110 billion 'farm to fork' food chain.

Our industry is critical to national security and the prosperity of our wider economy. We have a well-earned global reputation for provenance, quality and innovation.

The challenges we face in the next few years are unparalleled. The market environment in which we operate remains uncertain. We are a resilient and adaptable industry - we know there are huge opportunities available to our sector so we can sell more great British food. Therefore, it is key that we identify how best to harness our own growth potential and improve productivity.

With this in mind, FDF commissioned Grant Thornton to undertake this independent research project identifying both the opportunities available to manufacturers and the barriers to growth. This was done through the collation of the latest quantitative data and by speaking at length with FDF members to add a qualitative perspective.

This research focuses on three core areas: innovation, trade and skills. All are framed against the backdrop of the UK leaving the European Union. The findings highlight the diversity of our industry, and in particular, how risks and opportunities can vary from business to business and across regions.

The findings also highlight the work we need to do to increase growth and how we can achieve this. The report makes a compelling case for Government to invest in the food and drink industry, identifying clear actions and areas of support. Our sector has long been a manufacturing success story but it is clear there is still much untapped growth potential.

In partnership with Government, the food and drink industry will seize upon these opportunities, maximising growth and boosting productivity. We believe the food and drink industry can be an engine for economic growth in the UK, while continuing to provide safe, innovative and nutritious food and drink to the nation.

Approach



Methodology

Primary and secondary research approach

This report has been prepared based on extensive primary research supported by secondary research to build a robust picture of the FDM industry in the UK. The methodology comprised three strands: an **Online Survey**, **Semi-structured interviews with industry leaders** and **Desk Based Research and Data Analysis**.

- Following consultations with FDF, Grant Thornton developed a questionnaire that was sent out to members of the UK FDM industry via an online survey. The questions asked were directly linked to skills, innovation and trade
- The survey was addressed primarily to executives and other senior members of FDM (SME's and Corporates) in the UK. The survey was sent out to
 - FDF members;
 - The Regional Food Group Alliance members; and
 - Grant Thornton's FDM contacts
- The online survey ran from March to May 2017
- Parallel to the survey, Grant Thornton conducted 17 semi-structured telephone interviews with executives and senior staff of UK FDM businesses. The interviews were designed to gain in-depth views around some of the topics addressed by the survey questionnaire and included some additional questions
- The study was also supported by detailed desktop research and analysis drawing on a broad range of national statistics
- There were some limitations in relation to the desktop research. Wherever food and soft drinks specific data was not available, it was substituted for food, beverage and tobacco data. However, wherever this is the case, it has been clearly indicated
- The key findings from the analysis were presented, discussed and tested with various FDM businesses and senior members of the FDF team

Survey Population

Survey population

The survey and interview sample represents 11% of the FDM sector (including alcohol manufacturers) by turnover value.

In terms of subsector representation in the survey, the largest subsector by response was the manufacture of Other food products (42.7%) within which the largest subsector was tea and coffee, followed by sugars and syrups, chocolates and herbs seasoning and spices.

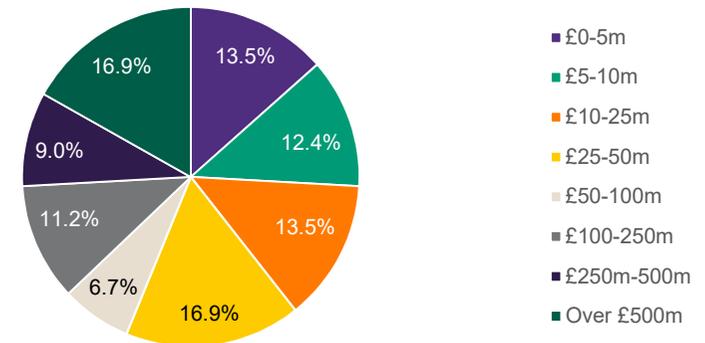
Outside of the Other food products subsector the largest number of responses came from the Bakery subsector (11.2%), followed by Grain and starch products, Fruit and vegetables and Meat and meat products, all of which had 7.9% of responses.

With regards to company size, the survey captures a broad mix of companies within FDM (see graphs opposite).

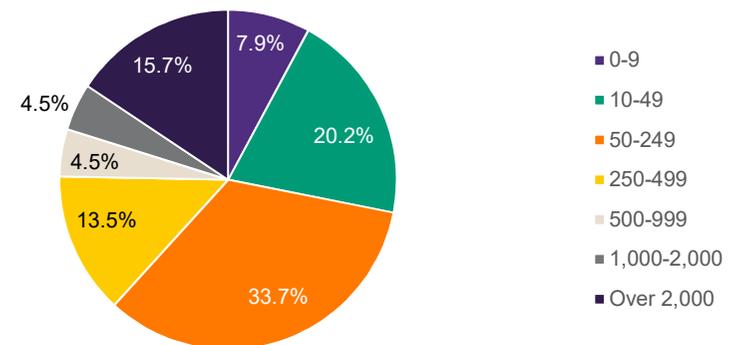
Just over half of the companies surveyed (56.3%) can be classed as SMEs, with an annual turnover of up to £50 million.

Survey respondents by size

Turnover



Number of employees



Notes: Based on 89 respondents
Source: Grant Thornton survey

Skills



Chapter introduction

The Food and Drink Manufacturing sector is the largest manufacturing sector in the UK, employing nearly 400,000 people. Often characterised as being low-skilled and, consequently, low in pay, the reality is very different. There are a broad range of opportunities available to build a career within the sector and, unlike other manufacturing industries, these opportunities can be found the length and breadth of the country.

Nevertheless, the sector faces considerable challenges. An ageing workforce, coupled with the implications for the EU Exit and the impact it may have on EU nationals working in the sector, alongside the increased use of automation and robotics mean employment and skill levels in the sector are in a state of flux.

A sector that combines national reach with local importance

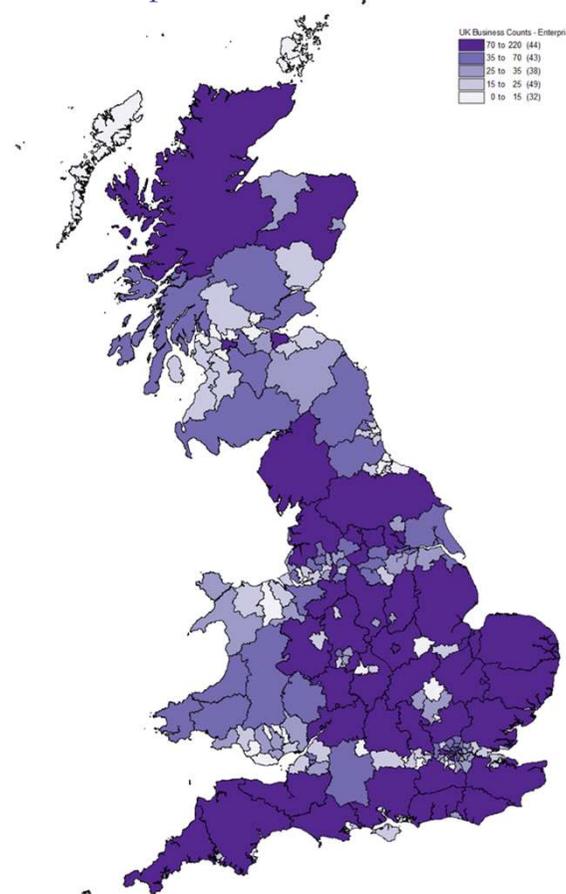
Geographic spread

As noted in the previous chapter, with 392,750 employees in the sector in 2015 and businesses running the length and breadth of the country, the UK FDM sector plays a significant role in providing employment opportunities across the country.

Employment in the sector is varied, with different subsectors requiring different skill sets, however the mix of skills needed within the sector range from low skilled to vey high level, niche roles.

In a series of interviews with industry leaders in the sector it became clear that though it is an internationally facing sector whose prosperity has a very real impact upon the UK as a whole, some of its biggest impacts will be at a local level. The presence of having an FDM company locally can have a hugely beneficial impact on local community whether that is purely through employment opportunities or companies becoming involved with local education and community initiatives.

Heat map of FDM companies



Source: Grant Thornton Place Analytics



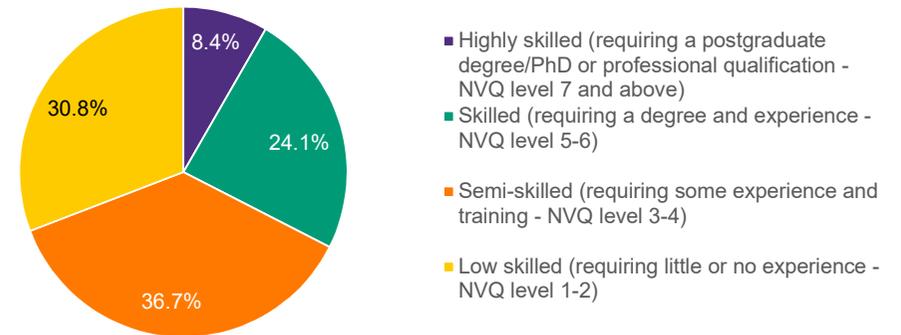
Has a diverse range of skills

Workforce composition – skills

The subsector with the highest number of employees is Bakery, with around 100,000 employees. This subsector, combined with the Other food products and Meat and meat products account for two thirds of employees within the sector.

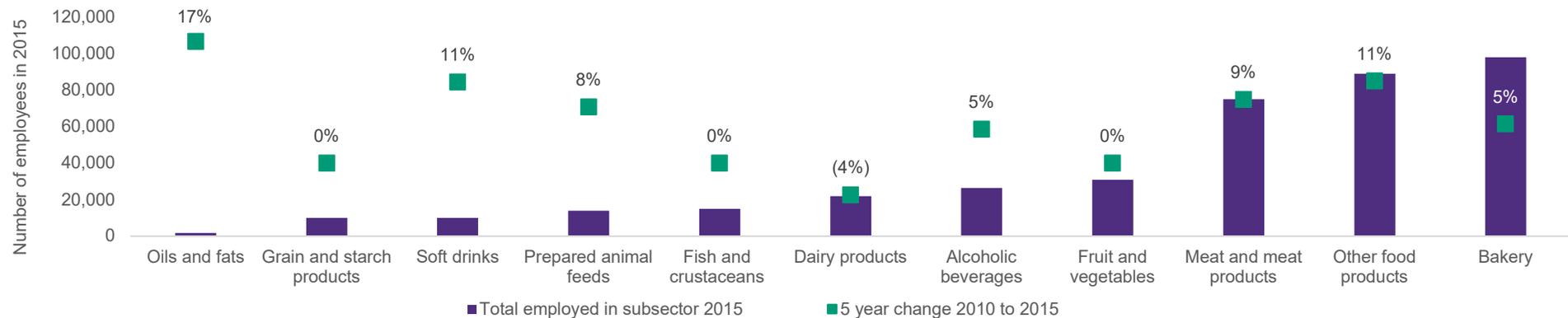
Results from the Grant Thornton survey found that in terms of employees, there is a fairly even mix of skills across the workforce. Just under a third (30.8%) of employees are low skilled (requiring little or no experience) and just over a third (36.7%) are semi-skilled (requiring some experience and training) end of the spectrum. The remaining third of employees are in the skilled (requiring a degree and experience) or highly skilled (requiring a postgraduate degree/PhD or professional qualification).

What proportion of your UK workforce is classified as: Highly Skilled, Skilled, Semi-Skilled, Low Skilled



Notes: Based on 49 respondents
Source: Grant Thornton survey

5 year changes employee numbers by subsector



Source: BRES data from ONS (Nomis) N. Ireland data not included

Strong reliance on migrant workers

Workforce composition – skill level by nationality

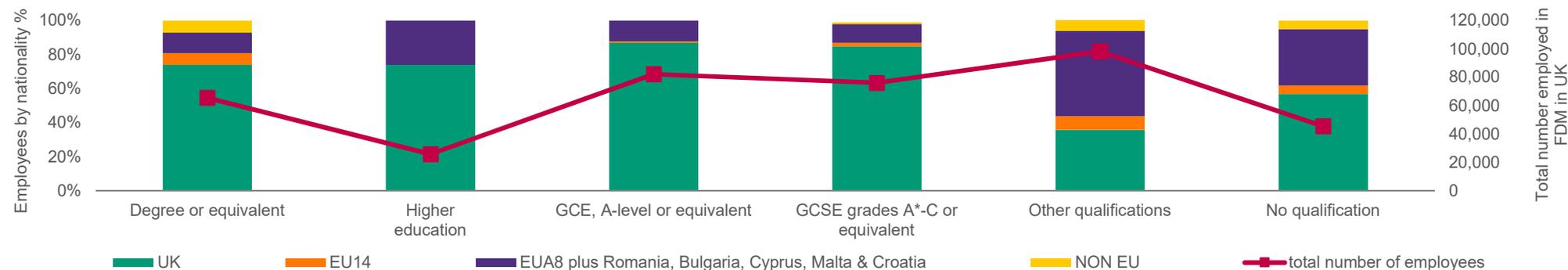
Using education levels as a proxy for skill levels within the FDM sector it is possible to better understand more about the composition of the workforce. From this analysis, several things are clear. The first is that the workforce is diverse, not only across skill level but also by nationality, in fact, migrant workers make up 38% of total employment in the FDM sector, 2.5 times the rate across the wider economy.

The second is that the common perception that migrant workers in the sector are unskilled, is false. Though EU workers make up 38% of employees in roles which require no qualifications, there is a significant proportion of workers who have different qualifications, such as an International Baccalaureate, working in the sector. Looking at the other end of the spectrum, around 19% of those working in higher skilled jobs (with a higher education or degree) are from the EU.

Interviews with industry leaders in the sector underlined this polarity with one saying: “We don’t need skilled labour. The most important thing is a desire to work, not to be fluent in English with a degree” whilst another said: “ In the UK we have an R&D facility staffed by 12 people... of the 12, six have come from Spain”. What is clear from this is that the sector is hugely exposed in the event of an EU Exit negotiation that limits the rights of EU workers currently in the UK, or restricts the free movement of people. These employees are educated, capable and, as one industry leader noted, increasingly long serving: “We employ a lot of Polish workers and many of them have service of ten years or more these days.”

The other key point to note in relation to this graph is that UK workers within the sector are largely within the semi-skilled centre of the workforce. For reasons that this chapter will go on to explain, this will also have potential repercussions for the future of the workforce and UK’s ability to provide home-grown talent.

Skill level in FDM by nationality



Source: Annual Population Survey, ONS, ad hoc report

EU Exit has potentially significant implications

Implications of the EU Exit

Responses to the Grant Thornton survey found that the mean percentage of UK nationals within the FDM workforce was 79.3%, with 16.3% EEA nationals (EU plus Iceland, Liechtenstein and Norway) and 2.3% non-EEA nationals. However, statistics from DEFRA suggest there is a much greater proportion of EU workers in the sector that the survey responses suggest, with EU27 workers making up 29% of the FDM workforce in 2015.

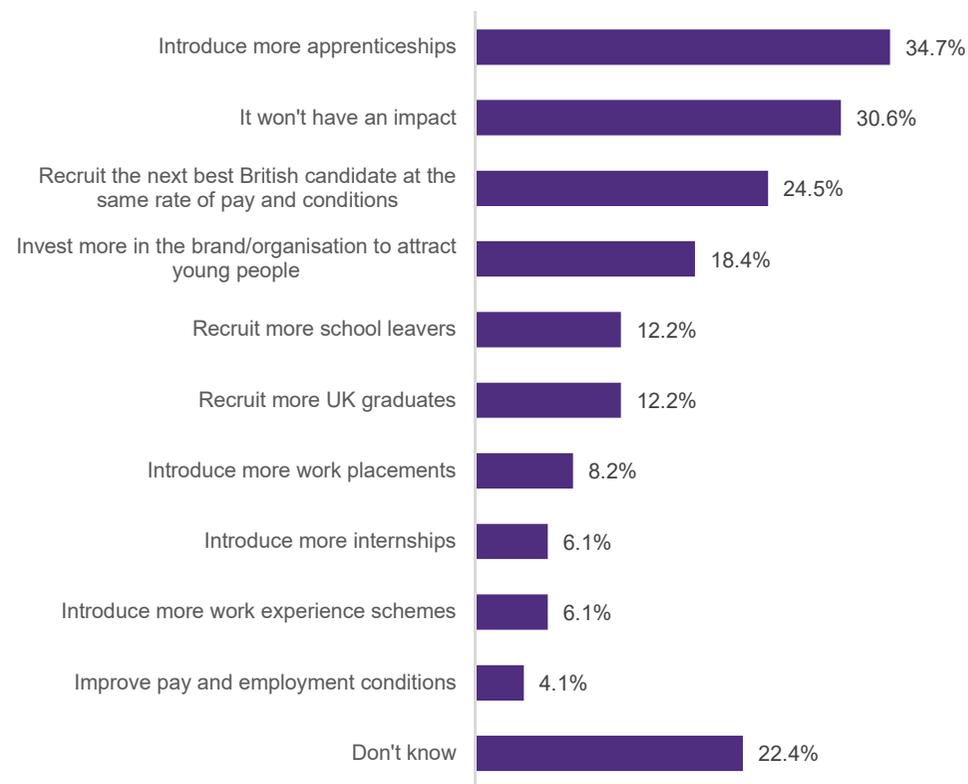
For several companies, though they felt they weren't directly exposed to the impact the EU Exit might have on the availability of migrant workers in the sector, they did raise concerns around their supply chain being impacted, especially if they are heavily reliant on the agricultural sector.

Despite the potentially significant implications EU Exit negotiations could have on the sector only 18.4% of respondents had made workforce projections in the context of the EU Exit, whilst 81.6% had not, with several citing the need for greater clarity around the implications of the EU before making any decisions.

When asked for their thoughts on what the company might do to plan for the impact of the EU Exit on their workforce: 34.7% of survey respondents thought that they would introduce more apprenticeships to futureproof the workforce; 30.6% said that the EU Exit would not have an impact; and 24.5% said that they would seek to recruit the next best British candidate at the same rate of pay and conditions. The solutions that proved least attractive were improving pay and employment conditions (4.1%) and introducing more work experience or internships (6.1% respectively). Respondents were also asked to provide comments on other solutions if none of the options provided were applicable. The most popular responses to this were that they were waiting for greater clarity in relation to the EU Exit and that increased automation would lessen the need for additional recruitment.

Together these findings suggest that the industry is not yet sufficiently prepared. There is a need to ensure that further clarity emerges so that the industry is best placed to respond depending on the direction the EU Exit negotiations take.

How does your company plan to respond to potential changes/restrictions to EU immigration policy?



Notes: Based on 49 responses
Source: Grant Thornton Survey

Some parts of the sector more exposed to changes in migrant worker numbers than others

Implications of the EU Exit

Across the FDM subsectors, some subsectors would appear to be more exposed to these risks than others. The table opposite highlights the responses to the Grant Thornton survey, broken down by subsector. From this, it seems that those least exposed to potential changes in workforce would be the distilling, rectifying and blending of spirits (0% EEA nationals) and the processing and preserving of meat and production of meat products (5% EEA nationals). However, anecdotal evidence would suggest that the meat industry has a high number of EEA workers, this is supported by the British Meat Processors Association who estimate that EU nationals make up around 63% of the subsector workforce, rising even higher to between 70-80% in smaller factories.

According to the Grant Thornton survey, those most exposed are Soft drinks (21%), Other food products (19.6%) and Grain and starch products (17.8%).

There are also some areas of the country which may be disproportionately affected by changes to immigration and free movement. An industry leader stated that when it comes to immigration: *“You can get an industry average but some factories will be more exposed than others...due to demographics”*. Analysis undertaken by Grant Thornton into the number of FDM businesses in a region versus the number of EU immigrants in a region highlights this point, with Corby and Boston the parts of the country most likely to face difficulties if there is an exodus of EU migrants. Surprisingly, a number of London boroughs feature on the list of areas with high levels of both EU migrants and FDM companies, highlighting again the broad geographic reach of the sector.

What is clear from this is that although companies within FDM may be struggling to understand the exact ways in which their own workforce may be affected by the EU Exit it is clear that migrant workers are a hugely valued part of the UK’s FDM workforce with one industry leader noting that: *“You need a diverse workforce from around the world to be a world class success... To make sure we are world class we need to recruit from a global talent pool without restrictions.”*

| | Average of UK nationals | Average of EEA nationals | Average of Non-EEA nationals |
|---|-------------------------|--------------------------|------------------------------|
| Spirits (1 response) | 100.0% | 0.0% | 0.0% |
| Meat and meat products (2 responses) | 94.0% | 5.0% | 1.0% |
| Dairy products (1 response) | 90.0% | 10.0% | 0.0% |
| Malt (1 response) | 90.0% | 2.0% | 8.0% |
| Fruit and vegetables (2 responses) | 85.0% | 13.5% | 1.5% |
| Bakery (4 responses) | 82.7% | 14.3% | 1.0% |
| Grain and starch products (6 responses) | 79.2% | 17.8% | 2.5% |
| Other food products (25 responses) | 76.3% | 19.6% | 2.8% |
| Soft drinks (1 response) | 73.0% | 21.0% | 6.0% |
| Cider and other fruit wines (2 responses) | 66.0% | 17.0% | 0.0% |

Notes: Based on 49 responses
Source: Grant Thornton Survey

Top 10: Nationally

| | Area | Region |
|----|-------------------------|----------------------|
| 1 | Corby | East Midlands |
| 2 | Boston | East Midlands |
| 3 | Haringey | London |
| 4 | Newham | London |
| 5 | Brent | London |
| 6 | Ealing | London |
| 7 | Kensington and Chelsea | London |
| 8 | Breckland | East of England |
| 9 | North East Lincolnshire | Yorkshire and Humber |
| 10 | Merton | London |

Source: Nomis and ONS

Top 10: Outside of London

| | Area | Region |
|----|-------------------------|----------------------|
| 1 | Corby | East Midlands |
| 2 | Boston | East Midlands |
| 3 | Breckland | East of England |
| 4 | North East Lincolnshire | Yorkshire and Humber |
| 5 | Leicester | East Midlands |
| 6 | Slough | South East |
| 7 | Peterborough | East of England |
| 8 | Blackpool | North West |
| 9 | Blackburn with Darwen | North West |
| 10 | Kingston upon Hull | Yorkshire and Humber |

The workforce is ageing meaning a decline in highly experienced workers over the next 10 years

Demographic shift

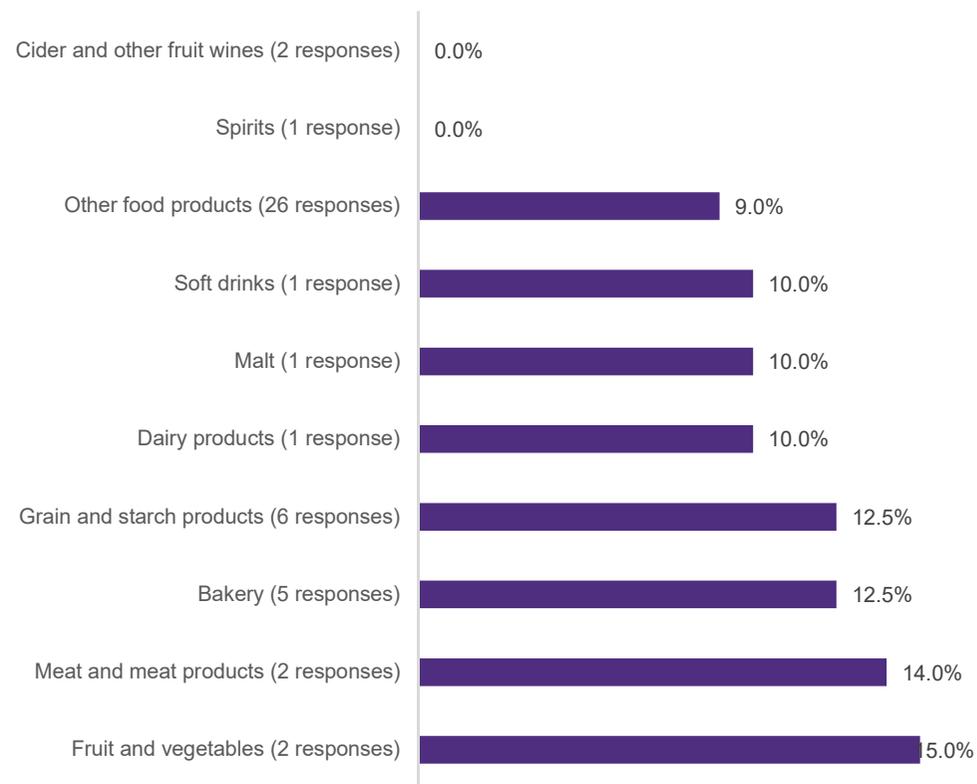
Another factor affecting the FDM workforce is that it is likely to see significant changes over the next ten years as a high proportion of employees will reach retirement age. Respondents to the Grant Thornton survey said that on average, they expected 10.5% of their workforce to retire within the next 10 years. However, from interviews conducted with industry leaders in the sector the reality may be much greater with one saying that 20% will retire in the next ten years.

On a subsector level, there are some which are particularly exposed to this change with Fruit and vegetable (15%), Meat (14%), Bakery (12.5%) and Grain and starches (12.5%) subsectors reporting the biggest changes. One industry leader noted that although their company wouldn't be as exposed to this demographic change, their supply chain would be: *"the average age of a farmer [in this sector] is 57. It's hard to get people into agriculture."* Some of these subsectors will also be doubly exposed to changes in workforce as a result of changing demographics and the EU Exit.

Interviews with industry leaders also highlighted the key role these older employees play with one noting that the average length of service in their company is 27 years, something which isn't unusual in the sector.

Although these employees are valued for their long service and experience, the increasing level of automation and technology in FDM, which is often viewed as being both the cause of and solution to a potential decline in employee numbers, has posed some challenges in terms of ability to adapt to these changes. One industry leader said *"we've got a very loyal, long serving workforce. Many joined after they left school and 30 years later they're still here. Age isn't an issue... the hard part of longer service is adaptation to change, that can be quite scary."* Another industry leader noted that, skills and experience play a greater part than being technologically minded when it comes to newer technologies: *"if you've got a piece of machinery worth £100,000 you wouldn't give it to a 21 year old, you need someone with expertise and experience."*

What proportion of your workforce is scheduled to retire in the next 10 years?



Notes: Based on 49 responses
Source: Grant Thornton Survey

Some existing roles are already very hard to fill

Difficult roles to fill

Aside from the problems facing the FDM sector in terms of the implications of the EU Exit and an ageing workforce, the other employment pressure facing FDM companies is the ability to attract the right talent to the business.

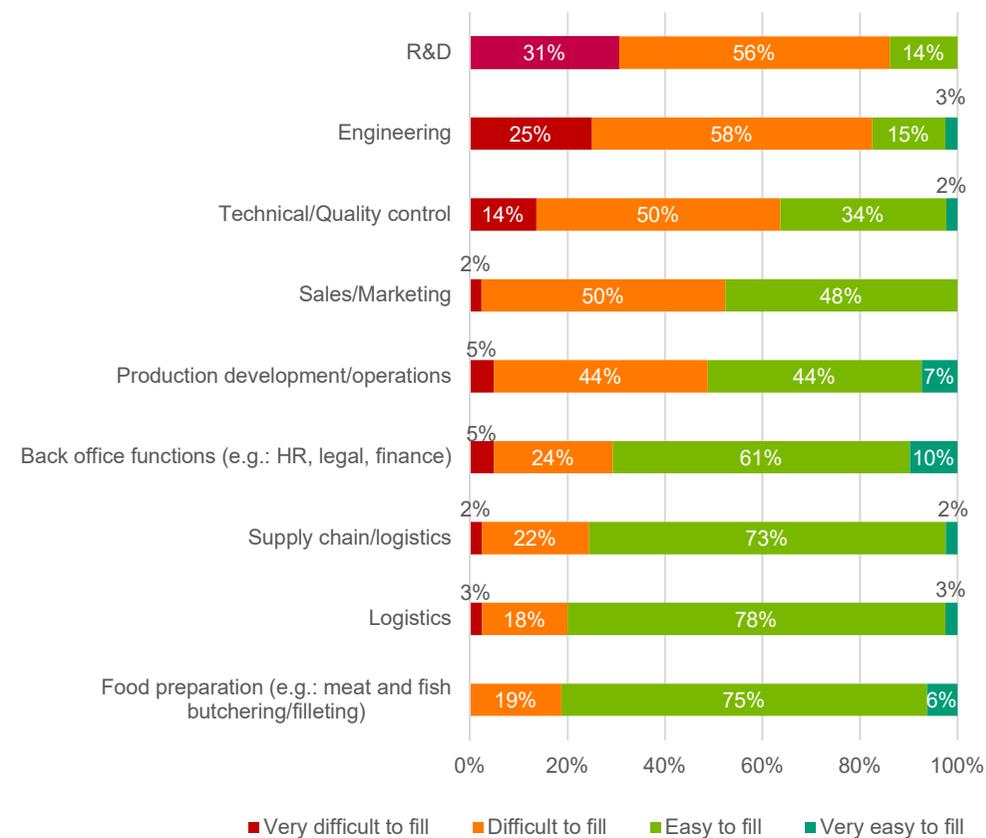
Respondents to the Grant Thornton survey were asked to state any roles that they found difficulty in filling. Across all respondents the easiest roles to fill (Easy to fill & Very easy to fill) are Food Preparation (81.3%) – presumably as a result of large numbers of immigrant workers in these roles - , Logistics (80%) and Supply Chain/Logistics (75.6%). The most difficult roles to fill (Very difficult to fill & Difficult to fill) are R&D (86.2%), Engineering (82.5%) and Technical/Quality Control (63.6%).

With regards to the roles that are difficult to fill both the largest and smallest companies that responded to the survey struggle to fill some back office roles such as HR, legal and finance (see overleaf).

Across the board, the most difficult roles to fill are the very technically skilled Engineering, R&D and Technical/Quality control (see overleaf). Given that the sector is already finding it difficult to fill these roles, coupled with the potential loss of 19% of highly skilled workers from the EU, it is clear that the sector must ensure a strong pipeline of highly skilled workers if it is to retain its world leading edge.

Looking at companies by size, both employee numbers and turnover, it's clear that the size of the company may impact its ability to attract talent. However, interviews with industry leaders suggested that SMEs in the sector may need more support to attract and upskill their employees. One industry leader said that: *“we have to continue to invest in upskilling... we are sophisticated in our approach but it's more difficult for SMEs”* whilst another highlighted the difficulties of Tier 2 visa scheme for SMEs: *“We need the government to do something to help SMEs... it took five months to hire a South African through a Tier 2 visa scheme.”*

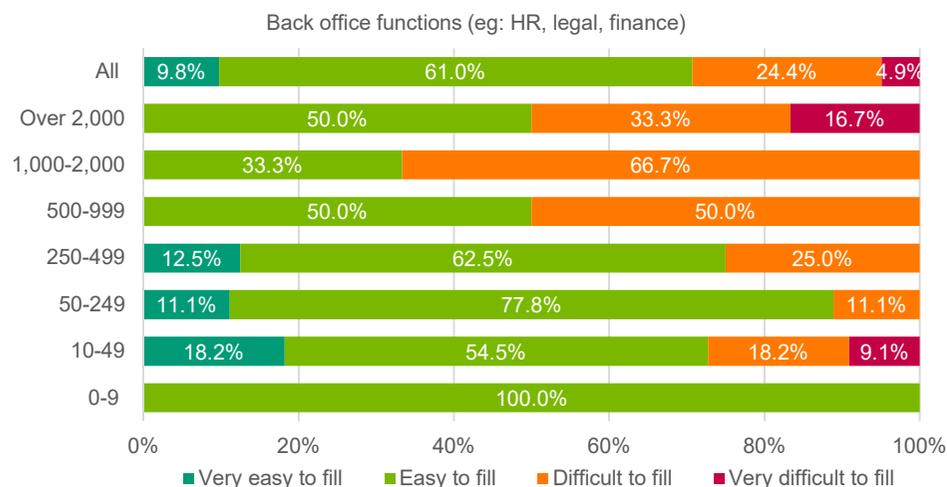
Do you have any roles that are difficult to fill?



Notes: Based on 47 responses
Source: Grant Thornton survey.

Larger companies find it harder to recruit for back office functions than smaller companies

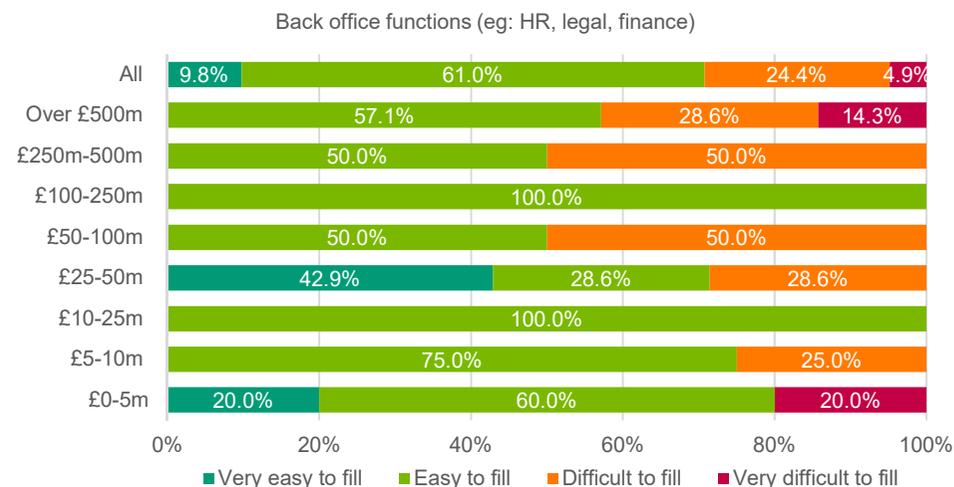
Analysis by number of employees



Notes: Based on 41 responses
Source: Grant Thornton survey.

Based on the responses to this question, it appears that the larger organisations find it more difficult to fill back office functions. Those groups of organisations with over 2,000 employees, 1,000 to 2,000 employees and 500 to 999 employees, had a greater proportion of respondents that found it more difficult (difficult or very difficult) to fill these roles than then the average proportion across all respondents. In part this will be because smaller organisations require small back office teams.

Analysis by turnover

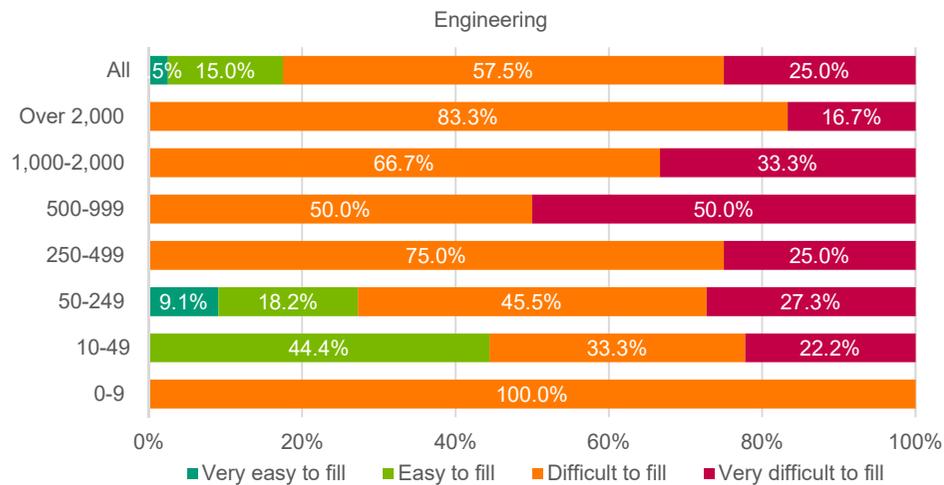


Notes: Based on 41 responses
Source: Grant Thornton survey.

Those organisations with £250 million to £500 million and £50 million to £100 million have the greatest difficulty in filling back office functions with 50% of respondents in those group stating that they have difficulty. Organisation with £100 million to £250 million and £5 million to £10 million appear to have the greatest ease in recruiting these roles with 100% stating they find these roles easy to fill.

Companies of all sizes struggle with recruiting engineers

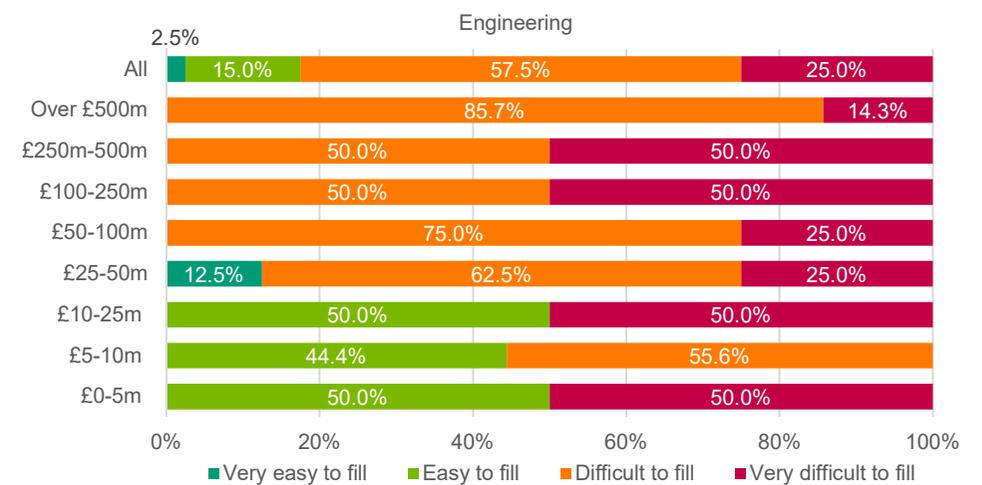
Analysis by number of employees



Notes: Based on 41 responses
Source: Grant Thornton survey.

Organisations of all sizes find it difficult to fill engineering roles. Only respondents in the 10 to 49 employee and 250 to 499 employee groups had any respondents that found it easy or very easy to fill engineering roles.

Analysis by turnover

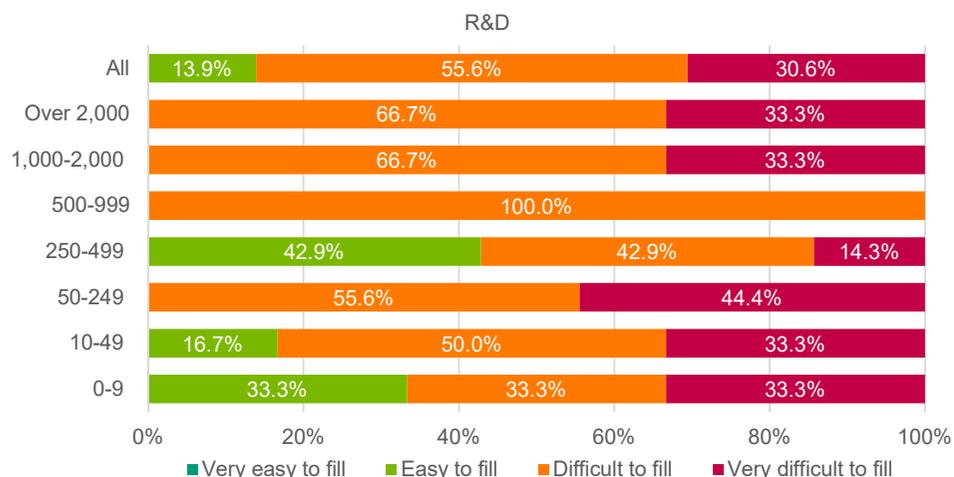


Notes: Based on 40 responses
Source: Grant Thornton survey.

Larger organisations appear to have greater difficulty in filling engineering roles with all organisations with a turnover greater than £50 million stating that they have difficulty in filling these roles (difficult or very difficult to fill).

Smaller companies find it harder to recruit R&D employees than larger companies

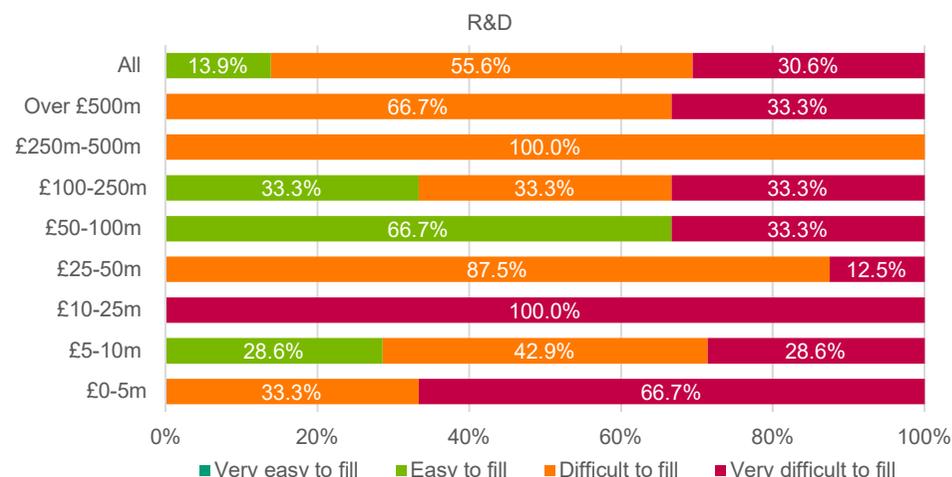
Analysis by number of employees



Notes: Based on 36 responses
Source: Grant Thornton survey.

All organisations with over 500 employees find it difficult or very difficult to fill R&D roles. This was also the case for organisations with 50 to 249 employees. The group of organisations with 250 to 499 employees had the greatest proportion of respondents who found these roles easy to fill at 42.9%. No organisation stated that R&D roles are very easy to fill.

Analysis by turnover

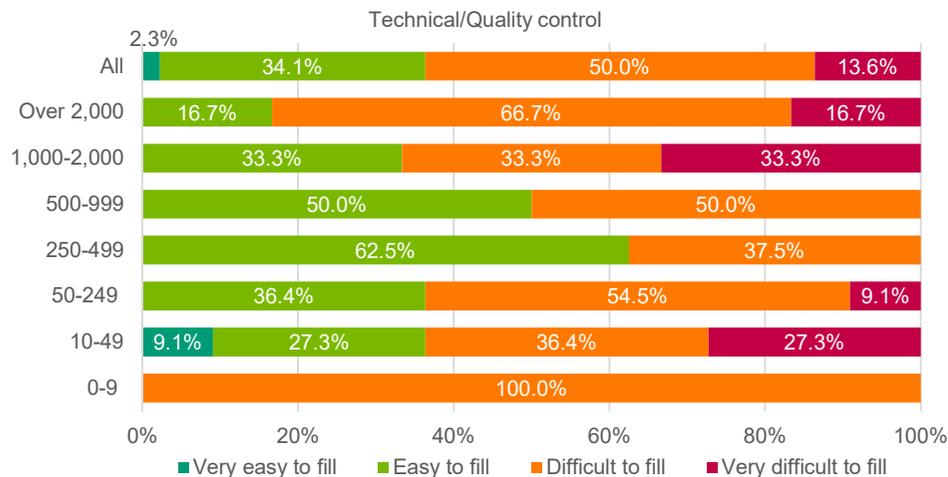


Notes: Based on 36 responses
Source: Grant Thornton survey.

R&D roles appear to be difficult to fill with organisations of all sizes. Those in the £50 million to £100 million turnover bracket appear to have the greatest ease with 66.7% of respondents stating that these roles are easy to fill.

The largest and smallest companies struggle to recruit Technical/Quality Control employees

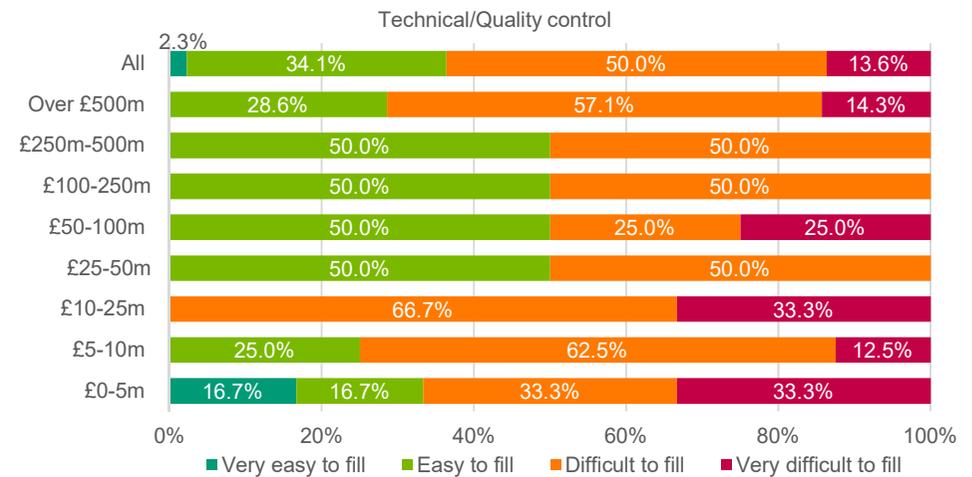
Analysis by number of employees



Notes: Based on 44 responses
Source: Grant Thornton survey.

There appears to be difficulty in the largest and smallest organisations in recruiting technical and quality control roles. 100% of those organisations with 0 to 9 employees found these roles difficult to fill. The next greatest difficulty was reported in those organisations with over 2,000 employees with 66.7% stating these roles are difficult to fill and a further 16.7% are very difficult to fill.

Analysis by turnover



Notes: Based on 44 responses
Source: Grant Thornton survey.

It appears that smaller organisations have greater difficulty in filling technical or quality roles. Just four of the nineteen respondents with less than £50 million turnover found technical or quality roles easy or very easy to fill.

The perception of the sector impacts its attractiveness

Retention difficulties

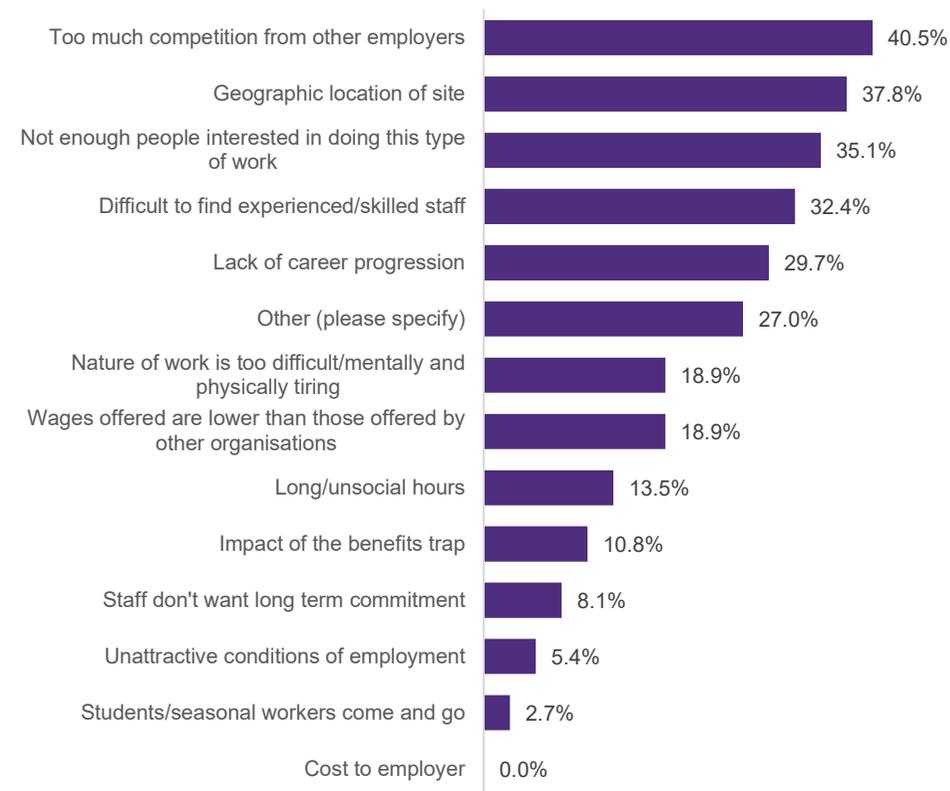
The two main concerns around maintaining employment levels across the sector are attracting and retaining talent

In terms of attracting talent the sector is expected to need 140,000 new recruits by 2024. In hoping to attract this talent the general consensus from the sector is that it suffers from an image problem, especially when compared to other manufacturing sectors such as automotive or pharmaceutical which are often perceived to be more exciting, innovative and better paid sectors. However, to those in FDM, this perception isn't one which accurately reflects the reality of the industry today and industry leaders who were interviewed suggested that there needs to be greater communication and awareness of this from the very top, with politicians visiting food factories as opposed to "cleaner" automotive factories when campaigning, down to the consumer.

Once people become more engaged with the sector, industry leaders noted that there are really strong opportunities to build a career within it, not only because of the changing and upskilling new technologies are bringing about, but also because there is an enduring demand for the goods it produces. Nevertheless, it's inevitable that there may be some retention difficulties as part and parcel of any modern workforce. Amongst respondents to the Grant Thornton survey, the main reasons for retention difficulties was that there was too much competition from other employers (40.5%), the geographic location of the site (37.8%) and the belief that there weren't enough people interested in doing this type of work (35.1%). The view of industry leaders was that these issues are exacerbated when sites are located in or on the periphery of cities as competition is dramatically increased not just within the sector but also between other sectors.

Another interesting point to note on the survey responses in relation to this is that only 2.7% of respondents said that seasonal workers coming and going was a cause of retention difficulties. Arguably, this highlights another misconception about the role migrant workers play within the sector.

If you experience employee retention difficulties, what is the reason for this?



Notes: Based on 37 responses
Source: Grant Thornton survey

New types of jobs require new types of skills

Skills of the future

Thinking more about the skills a future FDM workforce may require highlights a need for greater awareness of the sector and the growth of certain skills, and a decline in others.

According to the UK CES Working Futures 2012-2022 report employment across FDM is set to see a net decline of 6% (approximately 27,000 jobs) as a result of increased automation. This is broadly in line with the UK manufacturing sector which is expected to see a decline in jobs of 1% per annum between now and 2022; a total loss of around 230,000 jobs in the period 2012-2022.

However, whilst the FDM sector as a whole will experience some decline in job numbers, there are specific roles where an increase is expected. The table opposite highlights the change in job roles between 2012-2022 for the FDM (including tobacco) sector and broader manufacturing sector against the top three predicted growth sectors. From this it is clear that there is a change in emphasis towards growth in higher skilled roles within the sector.

This hollowing out of mid-tier jobs becomes all the more significant when compared to the skill levels by nationality graph (see start of chapter) as these roles would appear to have a greater proportion of UK workers when compared to roles at either end of the spectrum. As a consequence of this further work is required to ensure that the UK has a workforce that is fit for purpose for the sector.

| Sub-Major Groups | Food drink and tobacco | Rest of manufacturing | Electricity and gas | Construction | Information technology |
|---|------------------------|-----------------------|---------------------|--------------|------------------------|
| Corporate managers and directors | ▲ | | ▲ | ▲ | ▲ |
| Other managers and proprietors | ▲ | | ▲ | ▲ | ▲ |
| Science, research, engineering and technology professionals | | | ▲ | ▲ | ▲ |
| Health professionals | ▲ | ▲ | ▲ | ▲ | ▲ |
| Teaching and educational professionals | ▲ | ▲ | ▲ | ▲ | ▲ |
| Business, media and public service professionals | | | ▲ | ▲ | ▲ |
| Science, engineering and technology associate professionals | | | ▲ | ▲ | ▲ |
| Health and social care associate professionals | ▲ | ▲ | ▲ | ▲ | ▲ |
| Protective service occupations | | | | ▲ | |
| Culture, media and sports occupations | ▲ | | | ▲ | ▲ |
| Business and public service associate professionals | | | ▲ | ▲ | ▲ |
| Administrative occupations | | | | | ▲ |
| Secretarial and related occupations | | ▼ | ▼ | ▼ | |
| Skilled agricultural and related trades | | | ▲ | ▲ | |
| Skilled metal, electrical and electronic trades | | | | | |
| Skilled construction and building trades | | | | | ▲ |
| Textiles, printing and other skilled trades | ▼ | ▼ | ▼ | | |
| Caring personal service occupations | ▲ | ▲ | ▲ | ▲ | ▲ |
| Leisure, travel and related personal service occupations | | | | ▲ | ▲ |
| Sales occupations | | | | | |
| Customer service occupations | | | | ▲ | ▲ |
| Process, plant and machine operatives | ▼ | ▼ | | | |
| Transport and mobile machine drivers and operatives | | | | ▲ | ▲ |
| Elementary trades and related occupations | | | | | |
| Elementary administration and service occupations | | | | | ▲ |

Source: Working Futures 2012-2022, UKCES

Greater connection between the sector and education providers can change the perception of FDM

Local education

Responses to the Grant Thornton survey showed that only 32% of survey respondents felt that there was a good availability of relevant education in their local area

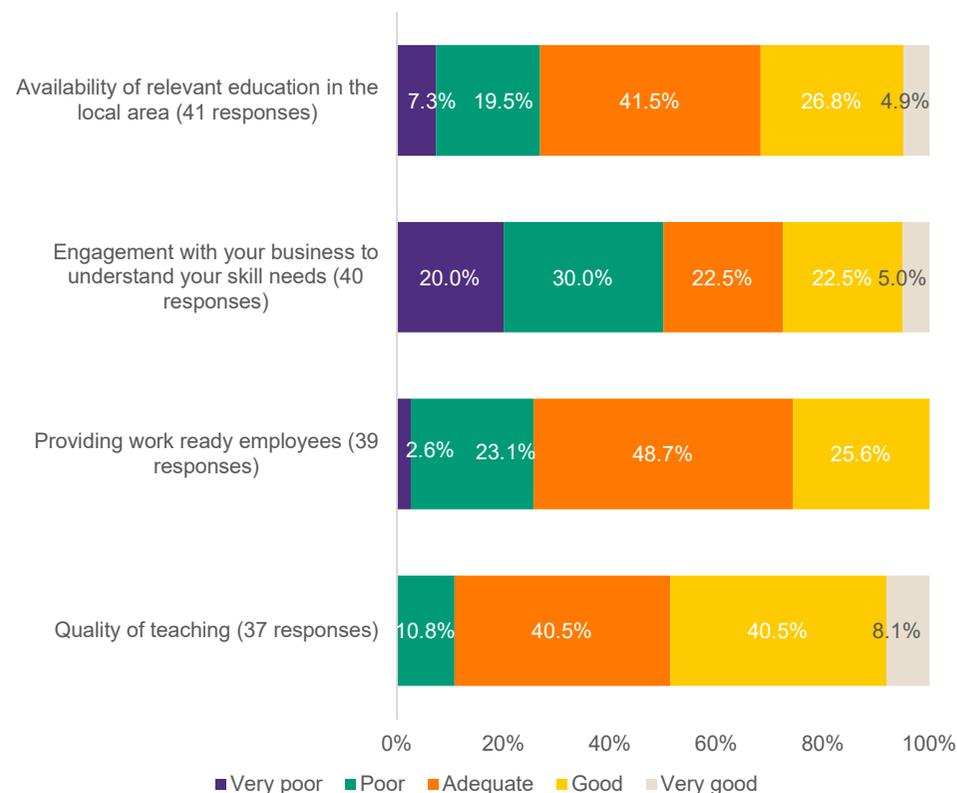
Nevertheless, it appears that there could be a greater connection between education providers and businesses within the sector, with half of the survey respondents saying that they felt the level of engagement with their business to understand skill needs was poor (30%) or very poor (20%). This belief was something that industry leaders within the sector also highlighted with one noting the outdated belief that *“if you don’t do your studies, you’ll end up in the food factory”* still held sway, whilst another said that *“[teachers] have no idea about what a food industry involves, what a range of opportunities it involves.”* In order to try to rectify this situation several of the industry leaders said that they had engaged with local schools either through investment or going into the schools and talking to pupils about the sector.

Looking at skills on a more local level, nearly three-quarters (74.4%) believed that technical education provided in the local area created work ready employees, with 48.7% stating it was adequate and 25.6% stating it was good. A greater focus on local action was also something that was mentioned by the industry leaders with one suggesting that *“we’ve got to act at local level to solve the problem of attracting people to work in the sector.”*

Nearly nine out of ten (89.2%) were content with the quality of teaching in their local area, stating that it was either adequate (40.5%), good (40.5%) or very good (8.1%).

All of which suggests that there isn’t much discernible variation in employee skill level across the UK regionally and the survey findings would appear to support this with 70.8% of respondents to the Grant Thornton survey said that they didn’t, whilst 29.2% said they felt there was.

Based on your company's experience, how do you rate the quality of technical education provision in the local area?



Notes: Based on 41 responses
Source: Grant Thornton survey.

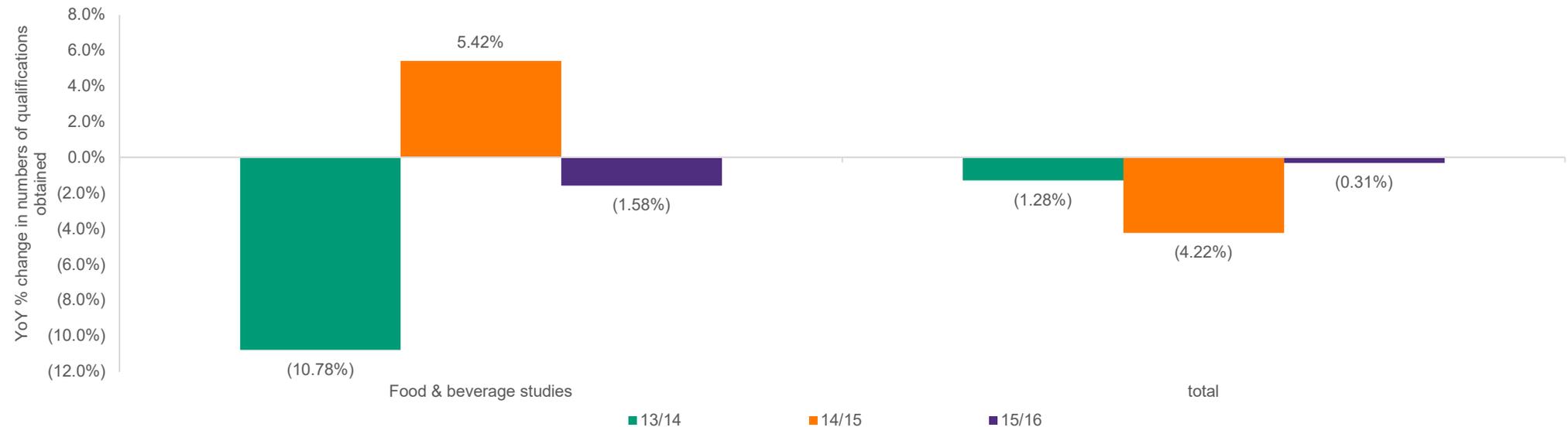
Low pipeline of skilled workers coming through higher education...

Higher education qualifications

Looking at education beyond schools, again industry leaders have demonstrated that they have engaged with their local education providers with some sponsoring students through agricultural college, sponsoring PhD students and partnering with universities, either through the Food and Drink Federation or via universities local to each business.

When compared to all other higher education subjects, there is a noticeable volatility in the number of students undertaking food and beverage studies. However, this may in part be attributable to the lower numbers of students enrolling on the courses, 1,245 in 2015/16 for food and beverage related courses compared to 742,730 for all subjects. As a consequence of this, even minor changes to intake numbers would register as having a significant impact.

Number of food and beverage students vs. all other sectors



Source: HESA figures

...But those that qualify in sector related subjects tend to have higher qualifications than those in other subjects

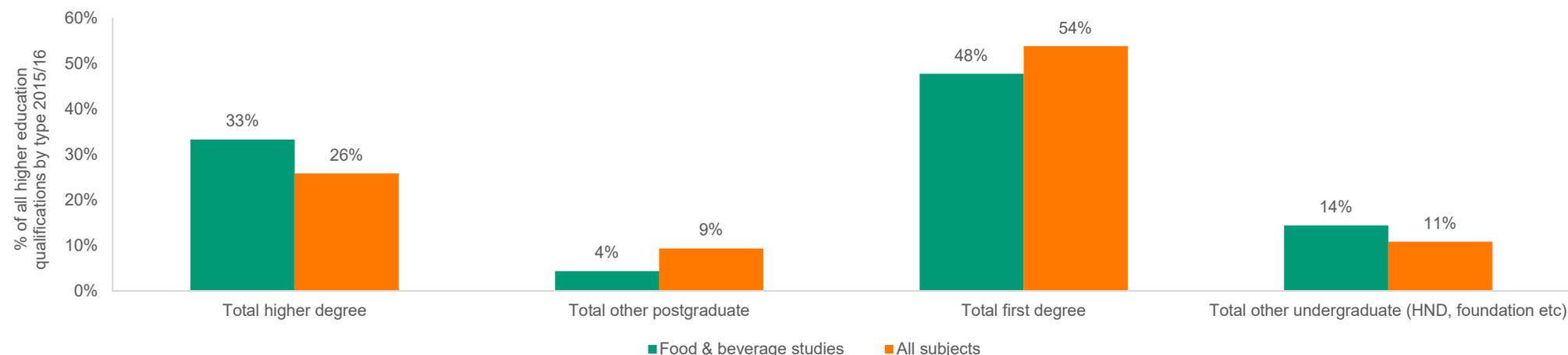
Higher education qualifications

Looking at the numbers of students who qualify with a degree in food and beverage studies it seems that although the number of students studying those subjects is low, generally they perform better than students studying all other subjects, arguably highlighting the specialism of the sector. They also, on average, engage for much longer than students in other subjects, with a higher proportion obtaining a higher degree qualification.

Nevertheless, the supply of these highly qualified graduates is not enough to meet the current, let alone the future, demands of the sector. In the interviews with industry leaders, several suggested that courses offered by higher education institutions in other countries were more relevant to their needs with France and Spain being highlighted as having either very niche courses, or a greater pool of talent with relevant skills.

The skills that were most often perceived to be lacking in the UK school leaver and higher education system were STEM qualifications. One industry leader said that *“young people aren’t coming out of schools with the skills they need...at a very basic level people leave schools and colleges without science and maths... [we] have to do more from a company side to fill in the gaps from education.”*

Qualification levels of food and beverage students vs all other sectors



Source: HESA figures

Apprenticeship Levy has received mixed reactions but could help futureproof the sector's workforce

Apprenticeship Levy

One of the biggest changes to ensuring a pipeline of talent in the FDM sector is the introduction of the Apprenticeship Levy, a subject that industry leaders would appear to have fairly mixed feelings about. From those interviewed, several companies had long standing apprenticeship schemes which they were very proud of, others were looking to become more proactive in attracting apprenticeships, not only in light of the Levy but in order to futureproof their business, whilst others were more hesitant citing lack of clarity as to how it will be implemented and scepticism as to how successful it might be given past schemes that have been similar.

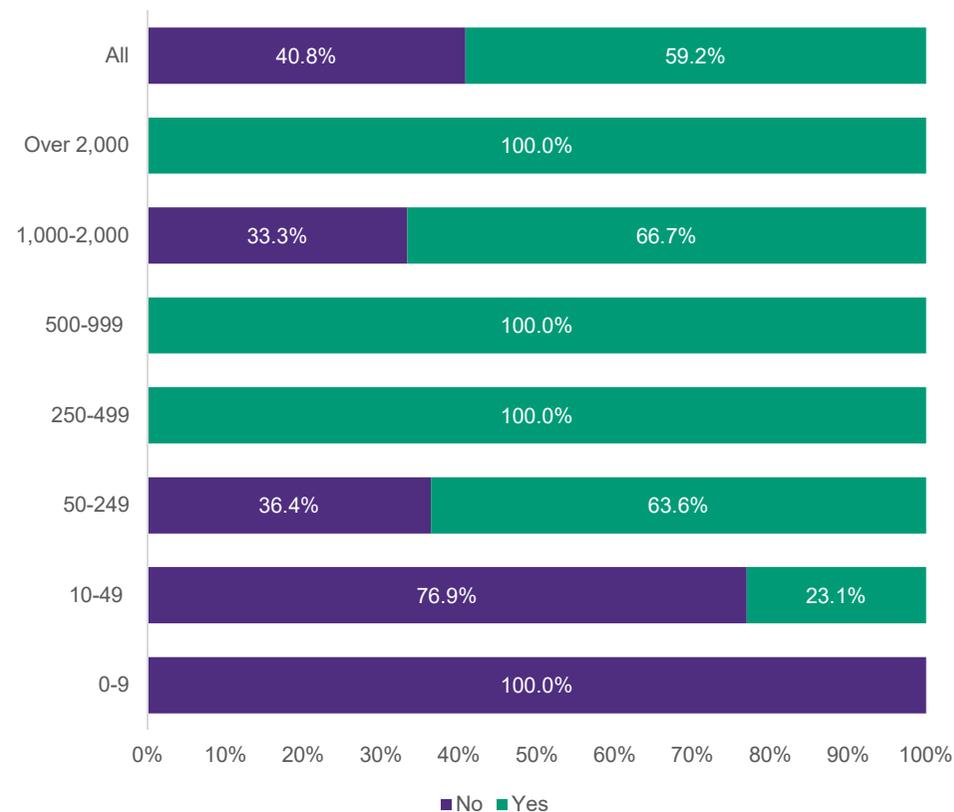
However, with 34.7% of respondents to the Grant Thornton survey saying that they felt the introduction of apprenticeships would be a way of filling a potential gap left by EU workers in light of the EU Exit, it is clear the Levy could play a significant role in the future of the workforce.

The sector already seems well placed to adapt to the introduction of the Levy with a number of apprenticeship schemes already underway across the sector. The Grant Thornton survey found that 59.2% of companies had taken on apprentices in the last three years, with an annual average of between 6 – 8 apprentices per company. There is some correlation between size of company and whether they have been able to take on apprentices with smaller companies less likely to do so. At the other end of the spectrum, the larger companies are 100% likely to take on apprentices, with one respondent to the Grant Thornton survey taking on around 60 apprentices annually between 2014-16.

For those companies who hadn't taken on any apprentices the reasons for this vary, with the most common response being that there was no need for them. Other reasons included: 'too much red tape', 'the organisation takes on students, but not apprentices', 'they require too much time management' and 'the low quality of applicants'.

Have you taken on any apprentices in the last three years?

(Responses by company size – number of employees)



Notes: Based on 49 responses
Source: Grant Thornton survey.

Apprentices already in the sector have more experience than those in other sectors

Apprenticeship Levy

Despite these perceptions, the sector would appear to have a stronger supply of experienced apprentices than other sectors. Statistics from the Department of Education show that in the academic year 2015/16 the Food Manufacturing sector had a total of 3,500 apprentices, of which 67% (2,330) were aged 25+, compared to 44% of apprentices in all sectors.

As noted in this chapter, there are a wealth of roles available within FDM however, the statistics from the Department of Education suggests that apprenticeships in the sector tend to be classed under Food Manufacturing, rather than more specific roles, such as Food and Drink Advanced Process Operator. Anecdotal evidence from the sector suggests that more specialist food engineering qualifications are often classed in broader engineering figures.

Much like the education levels this shows that greater engagement in the sector at a later stage and perhaps highlights either a change of career or people joining the firm at a lower level and then progressing. One industry leader noted that in his company they had run an apprentice scheme for a number of years and that some of the apprentices were now going to university to further their studies.



Household finances have far reaching consequences for consumer food purchases

Impact of consumer behaviour and skills

One of the concerns to arise from the industry leader interviews was the lack of awareness of UK consumers as to where their food came from and the impact that had on the sector. One industry leader said: *“there is a disconnect in people’s minds when they go to shop and buy food. They don’t want to work in the industry, they just expect the food to be good quality but not pay much for it.”* This disconnect is potentially very harmful to the sector as, not only does it perpetuate the misconceptions about work within the sector being of low value it also highlights a broader educational need in society.

Recent political events in the UK have highlighted how polarised the country can be both politically and economically. The recession in 2008 resulted in vast numbers of middle class shoppers buying their groceries in the discount stores, Aldi and Lidl, as household budgets got even tighter. For those lower down the socio-economic scale the impact on household budgets has arguably been more keenly felt, whether as a result of wage stagnation or the impact of benefit cuts. Though there is a change in the behaviour of consumers with greater disposable income to shop for local produce and seek out organically produced food, there will remain a significant proportion of the population for which those options are, economically, out of reach. The consequence of this is that, when it comes to the purchasing and consumption of food there is an emergence of a nation of “haves” and “have nots.”

For the FDM sector the impact of this is threefold. Firstly, if, as shown in this chapter, the existing UK workforce is at risk of even greater polarity then this will have a very real impact on wages and household disposable income. Though the introduction of the National Living Wage will go some way to ensuring workers receive a fair wage, and many of those companies interviewed were already paying their employees above the National Living Wage, the present state of food inflation will put real pressure on consumers and their spending priorities.

The second is around education and making consumers aware that they can eat well for less money. One industry leader suggested that: *“[For the industry] there’s a huge piece on education... Educating kids at school on diet and that a balanced diet is affordable... If people feel they’re paid well, they make better choices in the supermarket. [Consumers] have an unhealthy relationship with food.”*

The third point is that consumer shopping behaviours have changed. Where ten years ago a family may have done a large, weekly shop at one of the big four supermarkets, today that shop may be replaced by a big online shop to get the basics, followed by top-up shops throughout the week, either at a supermarket, discounter, local corner shop or a combination of all three. For FDM companies, ensuring that you stay front of mind for the consumer, across all of those touchpoints, in order to remain a relevant part of the education process, is difficult as it may require different sizes or configurations of products.



Conclusions and recommendations

The food and drink industry needs talent. A looming skills gap left by an aging workforce means the sector needs to attract 140,000 new recruits by 2024. The ageing workforce and skills gap facing the sector is not new, but the need to address this has never been more urgent. Perceptions of the industry mean the sector struggles to attract people and potential employees fail to recognise the industry as high-tech and with a wide range of fulfilling careers on offer, instead choosing careers in other manufacturing industries. Simultaneously, there is uncertainty regarding future access to EU workers, who are highly-valued and make up 30% of the industry's skilled and high-skilled workforce.

The idea that jobs in food and drink manufacturing are low-skilled and poorly paid is untrue. There are a variety of different roles on offer in the industry at all skill levels, with low skilled work making up only a small fraction of roles. In reality to ensure the industry remains competitive, the sector is moving towards greater automated production, investing both in new technologies and its people to ensure they have the new skills required to support future growth.

With just 34.7% of respondents to the survey saying they felt apprenticeships would fill the gap left behind by EU workers, the sector needs further support from Government to increase the apprentice workforce in food and drink. Similarly, a new EU immigration policy is needed which prioritises food and drink as the UK's largest manufacturing industry and allows new workers from the EU to enter the sector.

The food and drink industry has developed a number of industry specific apprenticeships up to degree level in order to fill the skills gap. Due to the geographical spread of the industry, a number of educational providers across the country are required and investment is needed to ensure these providers have the equipment and capacity to provide these specific skills. Government must support industry in order to bridge this gap.





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