



Breaking the chain

Key workforce considerations for the UK food and drink supply chain as we leave the EU

Introduction

The UK food and drink supply chain contributes £110 billion to the economy and employs four million people¹. In total, it represents 13.2% of UK employment, and every day provides safe, affordable and nutritious food and drink to the nation. Food and drink manufacturing is the largest manufacturing sector in the UK, bigger than automotive and aerospace combined. Food and drink retail is the largest service sector employer. Our supply chain is therefore vital to the functioning of the economy as a whole and to the health and wellbeing of the nation.

Ensuring the nation can be fed must be a high strategic priority for Government. The people working across our supply chain are essential to what UK consumers eat and drink. However, the public's vote to leave the EU in June 2016 has presented our sector with significant challenges and opportunities when it comes to migration and access to labour. We hope that by coming together and pooling our data, this industry research will inform policymakers and provide appropriate solutions to the issues facing us.

At a glance, our sector can be broken down as follows²:

- Of the two million EU nationals³ working in the UK economy 20% - or one in five – currently work in the food and drink supply chain.
- By sub-sector, these 400,000 workers are distributed as follows
- 30% of the food and drink manufacturing workforce
- 18% of food wholesaling
- 5% of food retailing workforce
- 12% of food and drink service
- 9% of the permanent agricultural workforce
- Around a quarter of EU nationals working across the supply chain have a degree or equivalent or are qualified to higher education level. This compares to only 10% who have no qualifications.

However, beyond this, the sector is greatly challenged by the paucity of official data on migration. This has made it extremely difficult to build an accurate and timely picture of the number of EU nationals working in the food and drink supply chain and to develop effective policy. The lack of a robust evidence base has been criticised by both the Environment, Food and Rural Affairs (Efra) Select Committee and the House of Lords Economic Affairs Committee.

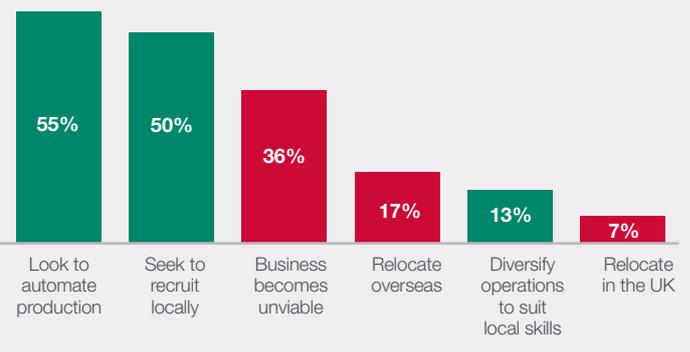
For example, the data above is based on the Office for National Statistics (ONS) Annual Population Survey (APS). It surveys households rather than businesses and has its limitations. It is subject to significant time lags and excludes seasonal workers as well as some industry sub-sectors (for example, non-EU workers in agriculture are excluded from analysis).

The UK Food and Drink Supply Chain Workforce Group⁴ was convened by FDF to address these very challenges. Together we have developed a survey to establish the supply chain's Brexit priorities from a labour and workforce perspective and to address some of the gaps in official data.

Our ambition was to build a clear, evidence-based picture of non-UK EU nationals working from farm to fork to support and to inform the negotiations on exiting the EU. As a group we have been able to reach out to associations across the full food and drink supply chain, enabling us to benefit from other more sector specific research that has been carried out since 2016 to fully inform this report.

The main findings from the survey show that on average around a third of the food and drink supply chain's permanent workforce are EU nationals. Almost three quarters of respondents **face challenges when recruiting permanent local staff** and **almost two thirds when looking for local seasonal/temporary workers**. If organisations across the food chain did not have access to EU nationals, over a **third of respondents stated their business would become unviable**.

How respondents across the food chain would adapt if their company did not have access to (non-UK) EU nationals



One of the main barriers to bringing in new workers reported by survey respondents was the availability of labour. As a direct result of the EU referendum, almost **three quarters of respondents reported that the EU nationals in their workforce are concerned about their right to remain in the UK** and almost half have said EU nationals are considering leaving.

It is important to recognise that while this report marks an important milestone regarding the non-UK EU workforce in our supply chain, this is only the beginning of our research. Through this report the UK Food and Drink Supply Chain Workforce Group intends to begin a discussion that will continue throughout the negotiation period with the EU, feeding into current and future consultations including those by the Migration Advisory Committee (MAC) and the UK Home Office.

¹ Defra, Food Statistics Pocketbook, 2016

² ONS, Annual Population Survey, ad hoc report released on June 2017 (all statistics in this paragraph)

³ EU27 - the EU27 countries as reported here exclude the Republic of Ireland

⁴ For a full list of contributors please visit page 28

Political Climate and Policy Development

Since the UK's EU referendum in June 2016, the political environment which frames this report has been constantly evolving.

Most recently, in July 2017, the Government commissioned the MAC to advise on the economic and social impacts of the UK's exit from the European Union and on how the UK's immigration system should be aligned with a modern industrial strategy. This report is intended to begin the dialogue between our supply chain and the UK Government on these issues. It will help inform what a new migration system will look like and ensure we deliver a system fit for purpose for our strategically important supply chain.

On 26 June 2017, the Prime Minister outlined plans for safeguarding the position of EU citizens living in the UK and UK nationals living in the EU, bringing a degree of certainty regarding the rights of EU citizens to stay once the UK has left the EU. We welcomed the Government's proposals⁵ to give EU nationals currently living in the UK settled status, FDF having been the first trade association in our supply chain to call for the right to remain following last year's referendum result. Resolution of this issue cannot come soon enough for the food and drink supply chain, both to reassure our valued EU workforce and to enable businesses to adequately plan for any new migration system.

The future relationship between the UK and the Republic of Ireland (RoI) remains a key concern in light of Brexit, particularly regarding the border between Northern Ireland (NI) and Republic of Ireland and the movement of goods and people between the two. The continuation of the Common Travel Area (CTA), an agreement that dates back to 1922, is critical for workers across our supply chain.

Furthermore, there is the potential that if the CTA is disrupted, EU nationals may simply move from Northern Ireland to the Republic of Ireland, as illustrated by comments from many of the respondents to our survey:

“Our border with the Republic of Ireland is 30 miles away. We will lose EU nationals to other employers in that jurisdiction.”

With negotiations underway, we call on UK Government and the EU27 to promptly resolve the issue of the border, including the crucial question of ease of access for NI and the RoI's workforce.

Immigration, labour supply and skills (especially home-grown skills) remain a focus of political debate. Both the Conservative and Labour parties set out that a new immigration system would be needed outside of the EU in their June 2017 General Election Manifestos, and mooted the form this could take. Clearly, leaving the EU poses new questions on how the supply chain recruits and retains skills and talent within the sector. As both official statistics and this report show, our supply chain workforce has a significant reliance on EU nationals, across all skills levels – high, medium and low. Department for Education data shows that around 19% of those working in higher skills jobs are from the EU⁶.

As the leading bodies across the food and drink supply chain, we recognise that there has been some public and political scepticism surrounding the perception that UK employers have become overly

reliant on a migrant workforce rather than attracting and training up local workers. However, EU nationals have largely filled a gap in our labour market that has been brought on by a number of external factors. In the UK, an ongoing labour shortage has meant recruitment of local workers has been tough.

From May to July 2017 there were 768,000⁷ job vacancies (among the highest since records began in 2001) with only 1.5 million⁸ (4.4%) classed as unemployed, the lowest unemployment figure since 1975. This lack of labour supply is further worsened by an image problem, with people perceiving the food and drink supply chain as a low paying and heavily reliant on manual labour. There is a lack of awareness of how dynamic and high-tech the food and drink supply chain has become. This a barrier we are determined to tackle, but it cannot be done overnight.

Comments received in our survey illustrate the difficulties around filling roles with local talent:

“We would not employ so many non-UK staff if we didn't have to! There's a massive misconception that this is about money, it's not, it's about willingness to work. We cannot survive without a pool of willing labour to cover our temporary requirements.”

“Due to lack of suitable UK workers, EU labour is vital to the continued operation of our company.”

Across food and drink manufacturing, recent research undertaken by Grant Thornton illustrates that migrant workers are a hugely valued part of the UK's workforce:

“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.”⁹

“In the UK we have an R&D facility staffed by 12 people... of the 12, six have come from Spain.”¹⁰

The Industrial Strategy remains one of the best vessels to address the looming skills and labour gap we face and the uncertainty caused through Brexit. We believe now is the time to harness industry and Government expertise to build a long-term Industrial Strategy on food, farming and the wider supply chain. We urge the Government to continue working for a sector deal for our supply chain and, as part of this, help us to identify solutions to skill our home-grown talent gap. The Apprenticeship Levy will be a key driver for workforce training in the future. We look forward to working with the Government to ensure the Levy is flexible and functional, allowing the supply chain to build a future talent pipeline and achieve its maximum potential.

⁵ Safeguarding the Position of EU Citizens Living in the UK and UK Nationals Living in the EU, published on 26 June 2017.

⁶ Grant Thornton, FDF Economic Contribution and Growth Opportunities, June 2017, page 34

⁷ ONS, UK Labour Market, August 2017

⁸ ONS, UK Labour Market, August 2017

⁹ Grant Thornton, FDF Economic Contribution and Growth Opportunities, June 2017, page 36

¹⁰ Grant Thornton, FDF Economic Contribution and Growth Opportunities, June 2017, page 34

Summary and Policy Recommendations

Data from the UK Food and Drink Supply Chain Workforce Group survey, alongside other intelligence from the supply chain, clearly demonstrates our reliance on EU workers. 34% of the permanent food supply chain workforce is made up of EU nationals, representing a very large proportion of the workforce stemming from the EU.

With an ageing population and ever increasing skills gap in the UK, and 80% of EU nationals being of working age¹¹, a functioning immigration system is essential to filling the jobs that produce the very food we eat. As this report clearly shows, the sector already heavily relies upon EU nationals and an abrupt reduction in the number of EU workers able to work in the UK after the UK leaves the EU would cause massive disruption for the entire food chain.

With an end to free movement coming, accessing EU workers is likely to become a very different process to what is in place now for business. We are working to explore possible alternatives to free movement to ensure the whole supply chain has access to flexible and skilled, temporary/seasonal and permanent, semi-skilled and low-skilled labour, without which we could not function. More details and key recommendations can be found below.

Recommendations for UK Government

In designing a new system, the UK Government will need to address three key challenges that currently affect the food supply chain's access to the labour market:

1. Ensure access to a competent and reliable workforce

A whole supply chain solution is needed to ensure that the sector has access to the skills and labour it needs. An abrupt reduction in the number of EU workers able to work in the UK after the UK leaves the EU will cause massive disruption to the whole food supply chain.

2. Make the UK an attractive place to work

To compete on a global field, the UK must remain an attractive place to work, with recognition of the crucial importance for accessing workers at all skill levels.

3. Keep the UK labour market flexible

The constituent parts of the food supply chain have different seasonal peaks and labour market flexibility is fundamental in ensuring seasonal produce is available and consumers expectations are met, with food available all year round. The sector is already experiencing a tightening of seasonal labour supply that needs to be addressed.

As well as addressing challenges, EU Exit should also be viewed as an opportunity to fix long standing issues within an imperfect system. Employers who have worked with the points based system for non-EU nationals or supported a permanent residency application have faced an extremely bureaucratic and time consuming process. This is a chance to reset and create an efficient and workable system for EU nationals, that has the trust and confidence of Government, business, and most importantly, the public.

As the food and drink supply chain, we make the following recommendations for a new migration system¹²:

Short-term and urgent recommendations

1. Legislate to secure the rights of EEA national currently in the UK

- EEA nationals who are entitled to permanent residency should be able to maintain current rights once the UK leaves the EU. These guarantees need to be given to EEA nationals before we leave the EU and cannot wait for the negotiations to conclude.
- EEA nationals who were a 'qualified person' prior to any cut-off date should continue to have access to public funds during the 5-year transition period for permanent residency once the UK leaves.
- The process for securing Settled Status for those EEA nationals currently in the UK must be simple and accessible. There should be an automatic transition for those who have permanent residency under European law to gain settled status under UK law. There must also be more clarity on how long the grace period will last for and what it entails.

2. Review the recording of immigration data

- This group endorses the recommendation of the Environment, Food and Rural Affairs Committee (EFRA) report 'feeding the nation – labour constraints inquiry' that 'it is apparent that the statistics used by the Government are unable to provide a proper indication of agriculture's labour needs. These statistics and their utility for measuring supply of, and demand for, seasonal labour must be reviewed by the end of 2017 to give the sector confidence in the adequacy of the official data on which employment and immigration policies will be based for the period after the UK leaves the EU'.
- Data from HMRC and DWP should be included to the recording of immigration data to create a more complete image of who has come to work in the UK.

¹¹ ONS, Employment by country of birth and nationality, August 2017

¹² Recommendations are broken down into short, medium and long-term asks to highlight the priority issues and in recognition that some issues require longer-term thinking and time to complete.

3. Recognise the strategic importance of the food and drink supply chain

- We welcome the news that the MAC will now be assessing the impact of EEA migration and call for the consultation to recognise our supply chain as a strategically important sector that is completely interlinked. Furthermore, the scheduled publication of the MAC report is very close to the end of the two-year Article 50 period and the findings must be given time to be reviewed and considered for the new system.

Medium-term recommendations

4. Build an attractive and effective migration system

- To allow for short-term demands within the supply chain, the forthcoming Immigration Bill should look at widening the current reach of the tier 5 (youth mobility scheme) of the current immigration system to more countries, to allow young people to come and experience employment in the food and drink supply chain¹³.
- Furthermore, the current non-EU system has been built in a context of operating alongside free movement within the EU. As the UK leaves the EU, the functionality of the non-EU system should be reviewed to see if the 5-route visa system is still fit for purpose for the UK labour market.

5. Ensure no cliff edge when the UK leaves the EU

- An orderly transition regarding free movement is necessary. We must not find ourselves going from free movement to an entirely different system of how people enter the UK and their immigration status over a short period of time when the Article 50 period ends.
- An immigration system should be built around speed, responsiveness and affordability to business and economic needs. We welcomed the roadmap set out by the Home Secretary in July 2017. However further detail about how to acquire settled status and the cut-off date need confirming as soon as possible.
- The current non-EU system is focused towards skilled labour, for the food and drink supply chain to continue to perform strongly, the new EU system must take into account access for all skill levels into the UK.
- A system that allows business flexible options for temporary, seasonal and low-skilled workers, that is simple and efficient for businesses of all size, including small and micro businesses to use:
- Cross border mobility across Europe will remain critical. To ensure companies can move employees across borders with ease an intra-company transfer should be integrated into the new immigration system.
- The new system must not make the UK an unattractive place to apply for work.

- Currently under the non-EU immigration system it is very difficult to move a person from one business to another if they are on a visa. In the new system for EU migration, there must be the flexibility for people to move from business to business.

6. Increase efficiency through adequate Home Office resourcing

- Government must increase resource for processing and enforcement units across the Home Office and other affected departments. The Home Office, currently, only has to oversee the processing of non-EU migrants. After we leave the EU the burden of processing will increase significantly with the introduction of a new EU migration system.
- We call for Government to:
 - Consider a simplified system which allows businesses and their representatives to recruit EU nationals without the need for a visa. This would reduce the cost and increase the speed of a new system.
 - Consider the needs of micro and SMEs under any such system and how they can have access to workers without added cost or burden.
 - Ensure the new migration system is fully aligned to the Industrial Strategy. We welcome the recognition of this in the current MAC consultation and call for sufficient levels of access to the new system for strategically important sectors, including food and drink.

Long-term recommendations

In addition to the above, we call for the following long-term Government intervention to ensure we are able to build a future workforce for our supply chain:

7. Invest in skills provision for the food and drink supply chain

- If the UK is to compete in a global market place, we need access to people with the skills and knowledge of world markets, experts in consumer choice and regulation in certain markets and geographies will be vital for success.
- The food and drink supply chain will always have seasonal peaks. Permanent access to a small number of competent temporary, seasonal, and low-skilled workers to make up structural shortages in the UK employment markets remains critical to certain parts of our supply chain.
- We need a significant step change across the UK in developing home-grown talent and to tackle structural barriers that prevent the sector from securing particular skills.
- Additional flexibility in how employers can use the Apprenticeship Levy to spend funds quickly and effectively across their workforce to address future skills needs. Furthermore, levy payers should be easily allowed to use their funds to up-skill workers further down their supply chains.

¹³ Currently includes Australia, Canada, Japan, Monaco, New Zealand, Hong Kong, South Korea and Taiwan to work in the UK for up to two years.

- The introduction of the T-levels is a welcome intervention in technical and vocational education. We are pleased to see a system where there are multiple pathways that cross the food and drink supply chain¹⁴.
- However, we must be careful that the food and drink supply chain is not carved and lost across the multiple pathways. There must be an effort to join up pathways for the supply chain as those on the levels progress.
- We need to ensure a holistic view of the industry when taking decisions to approve and develop standards and assessment plans; and making recommendations on funding.

8. Support access to hard to reach labour market solutions

- Support access to NEETs (Not in Education, Employment or Training) and those who are currently economically inactive and currently hard to recruit.
- For example, initiatives aimed at specific population groups such as the long-term unemployed and ex-prisoners.

9. Allow benefits system to make flexible work easier

- Increasing the implementation speed of Universal Credit to make taking up flexible work easier for those within the benefits system. Failing this, amending the current taper rates for Tax Credits, to make taking on more hours financially viable for the recipients.

Conclusion

In this report, the UK food and drink supply chain has come together for the first time to take a cohesive and in-depth look at how changes to freedom of movement following the UK's exit from the EU could affect our future workforce and long-term productivity.

It is clear that free movement has been key to filling the skills gap within our supply chain. Historically, the sector has struggled when looking to recruit locally. In our survey, almost three quarters of respondents reported challenges when trying to find local permanent staff and almost two thirds when trying to secure local temporary or seasonal workers. Among the many reasons for this, the attractiveness of the food and drink sector was clearly identified as an important barrier to finding new staff, followed by availability of labour.

EU workers make an important contribution to producing the food and drink we love to eat and consume. In the most extreme case, where the sector is unable to access any EU workers freely, then, over half of survey respondents would look to automate. It is more concerning that over a third said that this extreme scenario would render their business unviable and almost a fifth of respondents, representing a collective turnover of over £3.6bn, said they would look to relocate overseas.

Furthermore, the number of people we will need to fill jobs in our sector is growing. Survey respondents reported that the size of the workforce in the food and drink supply chain was expected to grow by 11% in the next two years. With an ageing population, the increasing skills gap and official data showing that 80% of EU nationals being of working age¹⁵, a functioning immigration system is essential to filling jobs from farm to fork. It is important to note that our recruitment problem has not solely been caused by the decision to leave the EU, but this has compounded the issue and brought it into focus at a much faster rate.

As we move to a new system, any alternative to free movement must be accompanied with a framework to help business adequately plan for changes. To avoid a cliff edge for businesses looking to recruit, we are calling for a transitional phase ahead

of implementation. Clarity is vital to allow businesses across the supply chain to address their future recruitment needs and to gain access to labour at all skills levels.

We are pleased that the Government has now commissioned the MAC to look into a new migration system and to consult with stakeholders. This report will form the foundation of consultation responses from across the supply chain. But we must stress the urgency for more detailed information about a new system before 2019, if it is to be implemented once the two-year Article 50 period ends. Businesses need time to adequately plan for the changes, as they can plan workforce and recruitment methods more than a year in advance.

We recognise the decision to leave the EU reflected concern with a number of issues, including immigration. It is important that the new migration system is reflective of the public mood; can be accessed by businesses of all sizes quickly; and provides timely access to workers when needed. It is critical that the new system follows the principles of speed, responsiveness and affordability to those using it.

We embrace the opportunity to develop more UK talent and to invest in our skills base to move with technological developments. However, this cannot happen immediately and will take time. A significant step change is needed in developing home grown talent to address the looming skills gap. The Apprenticeship Levy and the new T-levels must address the current structural barriers that prevent the supply chain from accessing the skills and workers it needs.

The production of this report demonstrates the willingness of the food and drink supply chain, from farm to fork, to come together and work towards the best outcome from the UK's exit of the EU. Working in partnership with Government and other bodies, we remain confident that a deal that works for our supply chain, the UK and the EU can be done. It is critical to business confidence and future growth of our strategically important sector that we can access a workforce ready and willing to drive the prosperity of the supply chain.

¹⁴ Agriculture, Environmental & Animal Care; Catering & Hospitality; Engineering & Manufacturing; Sales, Marketing & Procurement; and Health and Science.

¹⁵ ONS, Employment by country of birth and nationality, August 2017

Food & Drink Supply Chain Workforce Survey

Participant Data

Over a three-month period, from March to May 2017, a series of separate workforce surveys were sent out to organisations across the food and drink supply chain to help inform a food and drink supply chain position on future UK migration policy options and transitional arrangements for change post-EU exit.

A main Food and Drink Supply Chain Workforce Survey was sent out to members across food and drink manufacturing, food retail, food wholesale, food and drink service as well as agriculture and horticulture. The main body of the report focuses on this survey which is referred to as the Food and Drink Supply Chain Workforce Survey. Other surveys were sent out to specific sub-sectors of the food and drink supply chain to provide further detail and insight on workforce needs. These results can be found in the supplementary data section towards the end of the report.

For the main Food and Drink Supply Chain Workforce Survey, featured in the main report, 238 responses¹⁶ were received from businesses of all sizes, with nearly half from small and medium-sized enterprises (SMEs) as well as trade associations representing their members (see chart 1 below). Across the various workforce surveys there were 627 responses¹⁷ (breakdown of responses is available in the footnote below), collectively representing almost a quarter of the food chain's total employment of four million people.

The Food and Drink Supply Chain Workforce Survey aimed to collect the views of the supply chain on workforce issues, gaining insight into the current make-up, future needs and risks to workforce supply in the UK. It also aims to develop an understanding of supply chain needs in relation to future immigration policy to enable representative bodies in the food and drink supply chain to inform Government to help shape policy development.

Chart 1: Survey respondents by business size

This chart shows the business size of respondents to our Food and Drink Supply Chain Workforce Survey, with over half of respondents from large businesses and half SMEs.

It is important to recognise that this is not how the sector is actually made up and in reality, the food and drink supply chain is mainly made up of SMEs with only a small fraction of large businesses¹⁸. However, it is unsurprising that for a variety of reasons, mainly around resourcing, small and micro businesses are less likely to respond to a survey such as this one.

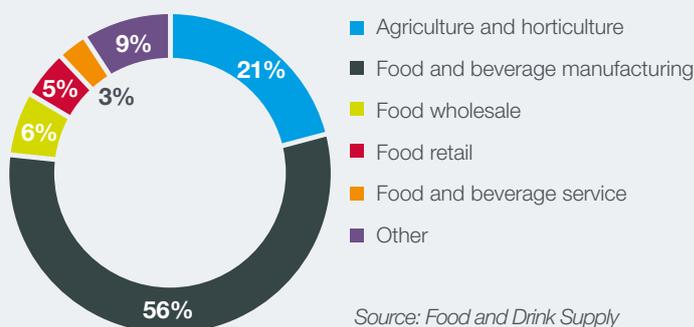


Source: Food and Drink Supply Chain Workforce Survey
Notes: Based on 216 responses

Chart 2: Part of the Food & Drink Supply Chain that respondents operate within

This chart highlights in which part of the food and drink supply chain respondents operate. As can be seen here, over half of respondents came from the food and drink manufacturing sector, with just under a quarter in agriculture and horticulture.

In addition to the businesses operating within the food and drink supply chain, this survey was sent out to food and drink trade associations on behalf of their members. As such, this chart does not accurately reflect the entire breakdown of responses. For instance, the Association of Licensed Multiple Retailers provided one response on behalf of over 200 member companies.



Source: Food and Drink Supply Chain Workforce Survey
Notes: Based on 238 responses

¹⁶ As this survey was sent out to both companies and trade associations, the survey representation is likely under representative. For example, the Association of Licensed Multiple Retailers responded to this survey collectively on behalf of their members, covering over 200 companies between them employing just under 1 million people.

¹⁷ The main Food and Drink Supply Chain Workforce Survey was sent out from March 6th to 27th, with 238 responses across the food chain. In addition to this survey, a separate survey was sent to members of major food and farming organisations where 223 farmer and grower businesses responded. In total, 21 companies provided data to a survey conducted by BBPA. The companies ranged from small independently owned breweries to large national pub

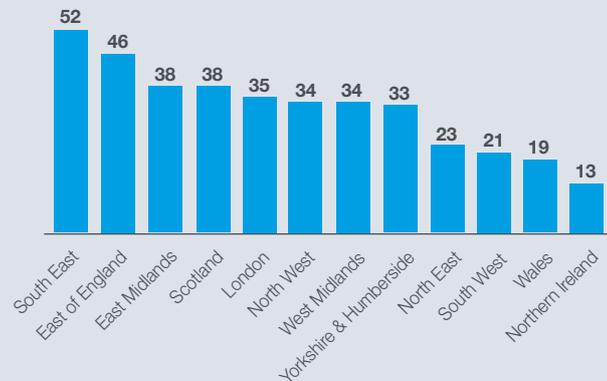
companies. The survey also covered the whole of the UK with responses from varying regions. Respondents to the BRC's Workforce Survey 2017 employ just over one million employees, accounting for over a third of the industry. Food retailers made up 67% of the total employment reported by respondents. The food retailers who responded to questions relevant to this report are all large businesses and represent 45% of total retail employment. The BHA survey covered 136 businesses representing 266,799 employees across the UK hospitality sector, representing approximately 9% of the UK hospitality sector by number of employees.

¹⁸ Department for Business, Energy and Industrial Strategy, Business Population Estimates for the UK and Regions 2016.

Key Findings

A. Current Workforce

Chart 3a: Location of respondents' employees



Source: Food and Drink Supply Chain Workforce Survey
 Notes: Based on 213 responses, respondents were able to tick all locations that apply

This graph highlights where respondents to the survey employ most of their workers in the UK, and shows that employees (non-EU, EU and UK nationals) working in food and drink are spread right across the UK.

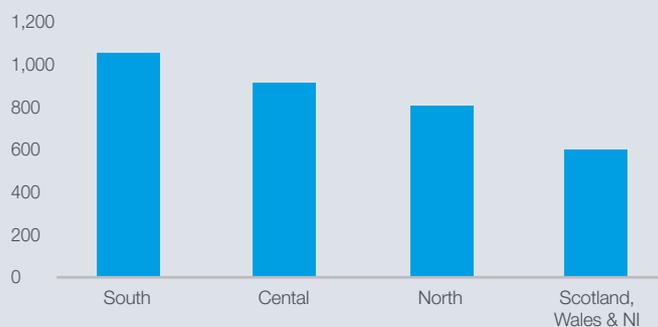
The numbers above the bars represent the number of respondents who selected each location, as opposed to the number of workers present in each region.

The regional spread found in this survey is supported by official ONS statistics¹⁹ which show that there are workers present in all regions across the UK in the food and drink supply chain.

When the sub-sector data is grouped together as in chart 3b, it shows that there are more workers (non-EU, EU and UK nationals) in the food and drink sector based in the south of the UK. This finding is led by food retailing and food and drink service sectors. The opposite is true for agriculture and food and drink manufacturing, with more agricultural employees based in Scotland, Wales and Northern Ireland. In food and drink manufacturing there are more workers in the centre of the UK, with the fewest number of employees in the south.

Chart 3b: Number of workers (in 000s) in the food chain by region of work

(United Kingdom, 2013-15)



Source: ONS, Annual Population Survey, pooled dataset (2013-2015)
 Release date: 14th June 2017

Summary of Data Findings

- On average around a third of the food and drink supply chain's permanent workforce are EU nationals.
- Almost three quarters of respondents face challenges when recruiting permanent local staff and almost two thirds when looking for local seasonal/temporary workers.
- If organisations across the food and drink supply chain did not have access to EU nationals, over a third of respondents stated that their business would become unviable.
- One of the main barriers to bringing in new workers reported by survey respondents was the availability of labour.
- As a direct result of the EU referendum, almost three quarters of respondents reported that the EU nationals in their workforce are concerned about their right to remain in the UK, almost half have said EU nationals are considering leaving and nearly a third have said that EU nationals have left.

¹⁹ ONS, Annual Population Survey, pooled dataset (2013-15). Release date: 14th June 2017

Official Data: Permanent Labour

When looking at the permanent workforce, the reliance on EU employees across the whole food and drink supply chain has grown over the last six years. According to official ONS statistics, the number of EU nationals working in food and drink manufacturing has grown from 17% in 2010 to 30% in 2016, while those working in the food and drink service sector have risen from 8% to 12% in the same time period.²⁰ Likewise, the number of EU nationals working in food wholesaling has risen from 11% in 2010 to 18% in 2016, while food retailing has seen an increase from 3% to 5%. In the agriculture, forestry and fishing sector, 11% of total employment in 2016 was from outside the UK with 7% of this from the A8.²¹

Within agriculture, some sectors have a much higher dependency on permanent workers from the EU, including horticulture, pig, poultry and dairy sectors. The poultry meat sector directly depends on 37,300 permanent workers (of whom around 9,300 are on a farm). It is estimated that 60% of these workers are non-UK nationals.²²

In the egg sector, estimates show that around 35-40% of the permanent workforce on the farm in the integrated egg industry are EU nationals.²³ Furthermore, a survey by the Royal Association of British Dairy Farmers in 2016 showed that 56% of dairy farms employed labour from outside the UK during the previous five years.

EU nationals are widely employed throughout the supply chain. Looking at just meat processing plants the total workforce is around 75,000.²⁴ Of this around 63% are from the EU27 countries (primarily, but not exclusively from Central and Eastern Europe), though this figure masks many plants, with as many as 70% or even 80% of the workforce coming from the EU.²⁵ On top of that, the Food Standards Agency estimates that 85% of official veterinarians carrying out crucial controls in approved meat establishments are from other EU countries.²⁶

Table 1: Number of permanent workers employed in the UK in 2016

(of respondents from Food and Drink Supply Chain Workforce Survey)

According to the Food and Drink Supply Chain Workforce survey, on average 34% of the permanent workforce of survey respondents across the food chain were EU workers while 6% were non-EU workers. Due to the composition of the respondents of this question in the survey, these numbers are swayed by the manufacturing sector. As such, these survey figures are broadly in line with official ONS statistics for food and drink manufacturing, which show that 30% of total food and drink manufacturing employees are EU nationals and 4% are non-EU.

Permanent workers	Total Food and Drink Supply Chain Workforce survey
(Non-UK) EU nationals from survey	34%
Non-EU nationals from survey	6%

Source: Food and Drink Supply Chain Workforce Survey
Notes: Based on 98 responses (roughly half of responses came from food and drink manufacturing)

For a breakdown of this information by sector from the separate surveys across the food chain (pub and beer, food and drink hospitality, retail, agriculture and food and drink manufacturing) please see the supplementary data section. A table of the latest ONS statistics for 2016 is also available in the Annex at the end of the report.

Seasonal Labour

In addition to EU workers employed on a permanent basis, the industry also relies heavily on EU seasonal workers. According to industry research,²⁷ around 80,000 seasonal workers are needed in the horticulture industry.

The poultry meat sector also needs up to 13,000 seasonal workers in the Christmas period primarily in the processing of turkeys. A majority of these (58%) would be from outside the UK.²⁸

²⁰ ONS, Annual Population Survey 2016, ad hoc report released on 14th June 2017

²¹ ONS, Annual Population Survey 2016, April 2017

²² BPC / Oxford Economics

²³ British Egg Industry Council

²⁴ Statistics from the British Meat Processors Association

²⁵ Statistics from the British Meat Processors Association

²⁶ Figures from the Food Standards agency response to the EFRA inquiry

²⁷ British Growers Association 2016

²⁸ NFU Survey of Seasonal Poultry Producers, October 2016

Temporary Labour

There has been no research on the levels of temporary labour within UK food processing and agriculture since 2004, when Defra commissioned work prior to the formation of the Gangmasters Licensing Authority. The Defra study in 2004 found in primary agriculture, horticulture and co-located primary processing that “labour providers will need to turnover 4.5 times the number of workers (over a period of a year) in order to be able to supply 100 thousand temporary workers in an average month”. In the secondary stage food manufacturing sector, it was found that “labour providers will need to turnover around three times the number of workers (over the period of a year) in order to maintain the supply of 40 thousand workers in an average month”.

Around three quarters of temporary workers were supplied by labour providers and the rest, in addition to these figures, recruited directly. Professional opinion indicates that there has been considerable growth in the number of temporary workers supplied by labour providers into secondary stage food manufacturing sector since this research was conducted. We recommend that Defra conduct new research on temporary work by the end of 2017, to ensure the adequacy of the official data on which employment and immigration policies will be based.

Other food and drink supply chain survey highlights

- The current turnover of total permanent staff²⁹ of survey respondents was on average, 15% per annum.
- On average, 40% of temporary workers were employed for seasonal/peak periods according to survey respondents.
- On average, roughly a quarter of temporary workers employed in food and drink manufacturing move onto permanent employment within respondent’s companies.
- Respondents estimate the size of their workforce to increase, on average, by 11% in the next two years.

Chart 4: Changes experienced to overall workforce across the food and drink supply chain as a direct result of the EU referendum³⁰

This graph highlights the uncertainty felt by EU nationals with regards to their right to remain and their future in the UK. Almost three quarters of respondents stated that their employees from the EU are concerned about their right to remain in the UK and almost half reported that EU workers are considering leaving. Almost a third of respondents also stated that EU nationals had left their organisations as a direct result of the EU referendum.

For further detail from an agricultural perspective, please see the supplementary data section.



Source: Food and Drink Supply Chain Workforce Survey and BRC Survey
Notes: Based on 132 responses³¹, respondents were able to tick all options that apply

Verbatim comments from Food and Drink Supply Chain Workforce Survey respondents

(from 6 March to 27 March 2017)

“Reduction in people coming for seasonal work.”

“Movement of families to the UK has reduced.”

“EU media reporting people not welcome deterring applicants for 2017.”

“There has been a notable reduction in applications for people from within the EU community and also this is reflected with the recruitment agencies we use.”

“2017 workforce concerned about entry to UK.”

²⁹ All staff including, UK, EU and non-EU nationals (number of leavers as a % of the total permanent workforce annualised)

³⁰ For a breakdown of experiences in agriculture and horticulture in relation to seasonal/temporary and

permanent employees since the EU referendum see the supplementary data section.

³¹ This includes 123 responses from the Food and Drink Supply Chain Workforce Survey and 9 responses from food retailers as part of the BRC survey.

Chart 5: Roles currently performed by EU nationals in survey respondents' organisations³²



This chart highlights that EU nationals are required for a large variety of roles – but primarily factory-based roles. When looking at the food and drink manufacturing sector alone, around two fifths of respondents stated that they require EU workers for engineering roles and a third reported the same for Research and Development, both of which are typically the most difficult roles to fill in the sub-sector.³³

A lot of the roles covered in the graph tend to be work undertaken by employees in the manufacturing sector. When looking at other sectors, for instance in food retail organisations, respondents reported that EU nationals work in a range of different roles across the skills spectrum. This includes roles requiring degree level skills as well unskilled work that requires little or no experience.

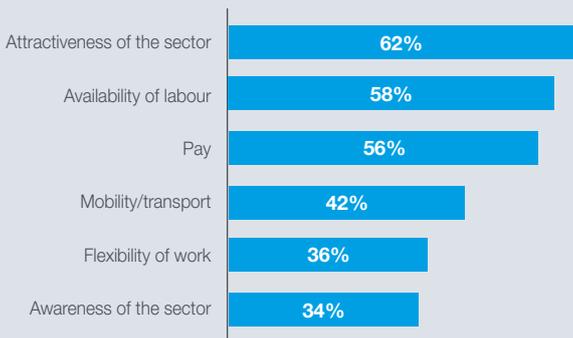
As can be seen above, a higher share of EU nationals is required for lower skilled occupations such as those cited in the graph.

However, research carried out in The House of Commons Library briefing paper on “Employment of other EU nationals in the UK”,³⁴ found that EU nationals are more likely to be “over-educated” for the job they are doing, meaning they hold a higher qualification than was typical for people working in that occupation.

For a more focused view on retail roles, please see the supplementary data section.

Source: Food and Drink Supply Chain Workforce Survey
Notes: Based on 108 responses, respondents were able to tick all options that apply

Chart 6: Barriers to recruitment in the food and drink supply chain



In this chart, availability of labour is highlighted as one of the main barriers to overall recruitment. In addition to this finding, when respondents were asked whether they faced challenges when recruiting locally, 70% of respondents stated that they face challenges for permanent positions and 63% for seasonal/temporary positions. Both these findings support the argument around local recruitment challenges in the sector.

When asked whether respondents recognised any of these as barriers to bringing in new workers, only 7% of respondents said that they don't face any barriers.

Source: Food and Drink Supply Chain Workforce Survey
Notes: Based on 106 responses, respondents were able to tick all options that apply

³² Process operative roles include: bakery assistant, meat processor, baker, process worker e.g. dairy and brewery. Packhouses/distribution roles include: cleaner, forklift driver, team leader, line/production operative, machine operative, supervisor, quality control operative/supervisor/team leader, production manager, quality control manager. For more information on the type of roles in the above chart, see the Standard Occupational Classification

(SOC) Code: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/423732/codes_of_practice_april_2015.pdf

³³ Grant Thornton, FDF Economic Contribution and Growth Opportunities, June 2017

³⁴ Employment of other EU nationals in the UK, BRIEFING PAPER Number 8069, 3 August 2017 <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-8069>

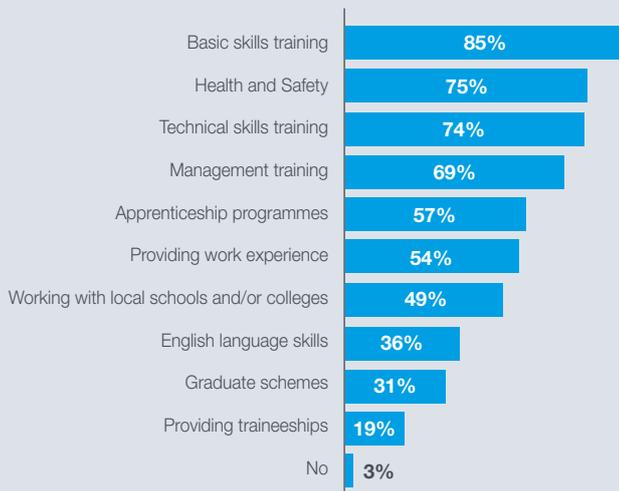
Investment data from Food and Drink Supply Chain Workforce Survey

Over three quarters of respondents³⁵ across the food and drink supply chain said that they had invested in automation or significant new technology in the last 12 months. When broken down by business size, 85% of large companies and 68% of SMEs said that they had invested in automation or significant new technology.

Overall, of the quarter³⁶ who have not invested in automation/significant new technology, the explanations to the side were quoted as reasons behind this.

- Lack of feasibility (50%)
- Available funds and costs (16%)
- Return on investment (11%)
- Lack of commercially available technology (11%)
- Business size (4%)
- Restrictive payback terms (2%)
- Limited access to government support (2%)
- Lack of skilled engineers (2%)
- Change management (2%)

Chart 7: Skills development activities respondents are undertaking



This chart reflects the high level of compliance training in the food sector. It also shows that over half of respondents are involved in apprenticeship programmes, which when broken down by business size, over three quarters of large businesses and two fifths of SMEs stated that they are involved in apprenticeships.

When looking at manufacturing alone, the number of respondents who are involved in apprenticeships increases to 70%, while over half stated that they are working with local schools and/or colleges.

Other skills development activities that respondents stated they are involved in included leadership/coaching development, ethical training and upskilling across all levels following the introduction of the Apprenticeship Levy.

Source: Food and Drink Supply Chain Workforce Survey
 Notes: Based on 107 responses, respondents were able to tick all options that apply

³⁵ 82 respondents with a collective turnover of £13.1bn, of which 60% are manufacturers.

³⁶ 26 respondents.

B. Future Workforce

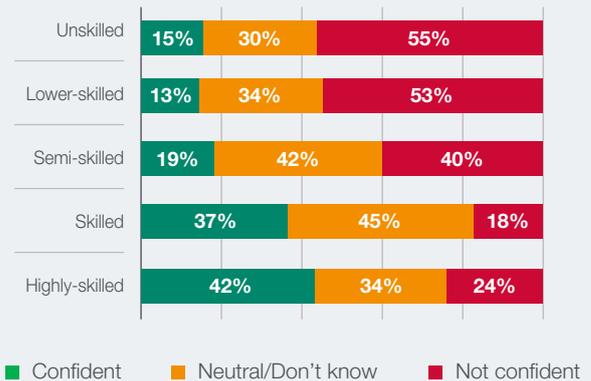
Chart 8: Respondents' confidence in meeting the required skills needs of their workforce during the next two years until the UK leaves the EU

During this time of uncertainty, food and drink organisations are unsure about the future of their EU workers and their right to remain, which is highlighted by our survey respondents' confidence levels in terms of future recruitment. When broken down by skill levels, over half of respondents aren't confident that they will be able to fill lower-skilled and unskilled roles until the UK leaves the EU. Moreover, roughly a third don't know whether they will be able to fill highly skilled, lower-skilled and unskilled roles, highlighting the level of uncertainty in the sector, this increases for skilled/semi-skilled roles.

The data also shows that under half of respondents are confident that they will fill skilled and highly skilled roles until the UK leaves the EU, with the rest either unsure or not confident.

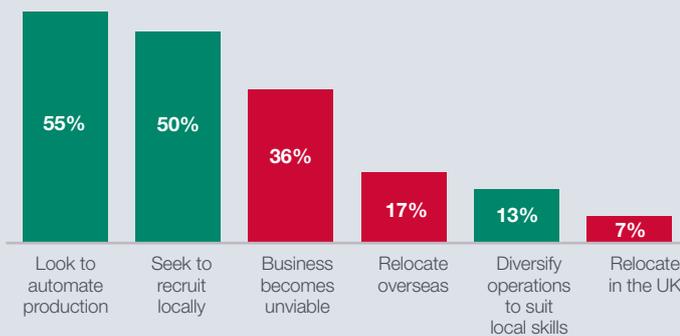
According to official ONS data, almost a quarter of EU nationals working across the food and drink supply chain have a degree or equivalent or are qualified to higher education level. This compares to only 10% who have no qualifications.³⁷

The definitions used for skill levels were taken from Standard Occupational Classification (SOC) Codes in the UK Visas & Immigration report on Codes of Practice for Skilled Workers.³⁸ For example, when referring to highly skilled work, this covers roles such as Engineers and Directors which require a degree level or above/National Qualification Framework 6 and above. While lower-skilled/unskilled roles refer to those that require some training/experience at NQF level 2, for instance process operatives.



Source: Food and Drink Supply Chain Workforce Survey
Notes: Based on 110 responses

Chart 9: How respondents across the food and drink supply chain would adapt if their company did not have access to (non-UK) EU nationals³⁹



Source: Food and Drink Supply Chain Workforce Survey
Notes: Based on 108 responses, respondents were able to tick all options that apply

The most prominent finding from this graph is that over a third of respondents said that if they did not have access to EU nationals then their business would become unviable. This becomes more significant when looking at the collective turnover of these respondents which totalled over £3.5bn, made up mainly of medium and large businesses. In addition, when looking at which part of the food supply chain the respondents of this option operate within, almost a half operated within agriculture and horticulture and two fifths from manufacturing.

Despite only 17% of respondents stating that they would relocate overseas if they had no access to EU workers, this 17% represented a collective turnover of over £3.6bn with the majority of the respondents operating within food and drink manufacturing.

³⁷ ONS, Annual Population Survey 2016, ad hoc report released on 14th June 2017.

³⁸ For Standard Occupational Classification (SOC) Codes see: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/423732/codes_of_practice_april_2015.pdf

³⁹ For further information on this from an agricultural and horticultural perspective see the supplementary data section.

Other comments on how respondents would adapt:

“Try to fill with more UK nationals but already struggle with finding the capabilities. A reduction in talent in the market will increase competition for scarce resources.”
 “Open another site outside the UK but within the EU.”
 “Business becomes significantly more challenging.”
 “Increase pay to attract workers from other employers driving inflation - this might lead to business being unviable.”
 “Re-train people. Key roles may be located overseas.”

“Relocate to ROI.”
 “Automation will not provide the whole solution.”
 “Outsource production lines.”
 “Look at adapting the business model.”
 “The business costs would escalate and be passed on in higher prices or we could lose our business.”

Local Recruitment

Table 2: Methods that employers typically use to recruit permanent and seasonal/temporary workers
 (% of respondents per recruitment method “seasonal/temporary versus permanent”)

Recruitment method	Permanent	Seasonal/Temporary	Total Respondents per option
Online	96% (74)	45% (35)	77
Local/regional press	93% (39)	29% (12)	42
Word of mouth	85% (61)	50% (36)	72
Employment Agencies	83% (79)	63% (60)	95
Jobcentre (universal job match)	75% (27)	44% (16)	36
Labour Providers	46% (28)	87% (53)	61

Source: Food and Drink Supply Chain Workforce Survey
 Notes: Based on 109 responses, respondents were asked to tick all recruitment methods that apply

The table above shows that, of the respondents that selected online as a method of recruitment, 96% said they use this method for permanent staff versus only 45% for seasonal/temporary workers. Similarly, of those that use local/regional press as a method of recruitment, 93% used this for permanent staff compared to 29% for seasonal/temporary workers.

In contrast, labour providers were used more often for seasonal/temporary workers than for permanent recruits.

Other recruitment methods quoted in the survey included:

“We believe in promoting from within where possible.”
 “Local radio adverts.”
 “LinkedIn.”
 “Direct sourcing by internal team.”
 “Job boards, internal advertisements”
 “Advertising on farm vehicles – signage.”
 “Own website.”

Recruitment Case Studies

The food and drink supply chain has often been perceived as low-skilled and unwilling to recruit locally. While there is a heavy reliance on EU nationals, businesses have always sought to develop home-grown talent wherever possible.

However, recruiting locally has been a long-standing challenge. Food and drink manufacturers struggle particularly among young job seekers, with research suggesting that only 15% would consider a job in food and drink manufacturing. This drops to 10% when looking at meat and poultry exclusively.⁴⁰

Potential applicants to the supply chain find it hard to identify the opportunities and skills needed to enter the sector due to the lack of information available through Jobcentre Plus and other agencies.⁴¹

The case studies below provide examples of the initiatives we have engaged in to try to tackle this problem and the challenges faced:

HOPS Labour Solutions:

HOPS Labour Solutions Limited have tried in the past to employ domestically sourced labour by means of a welfare to work scheme with the Department for Work and Pensions. The scheme provided training and an understanding of crop production, with a placement picking crops at the end. Whilst the scheme had taken up of modest numbers during 2013 (approximately 120), retention after even a very short period proved the major issue with 85% leaving within four months, and only one remaining after six months.

There were a variety of reasons for the lack of retention but the overriding issues were the lack of appetite in the domestic labour pool for physical labour, unsociable working hours, and geographic locations.

HOPS also recruit into the skilled workplace on UK farms, from dairy staff to skilled machinery operators, where there is more success from the domestic labour pool but it is still not without challenges.

HOPS director John Hardman said “The whole food industry needs to have a collective responsibility about the perception of the industry at all levels to attract new entrants into a very exciting career, with great prospects, which truly is a “job for life”.

Seed to Success:

G’s fresh is a family farming business, with over 13,316 hectares in the UK and an employment base of 1,500 permanent staff and 3,800 seasonal staff.

Seed to Success is a youth employment programme providing three qualifications⁴², personal mentoring and six weeks work experience – with the chance of full-employment at the end of the scheme. The scheme targeted 18-24 NEETs of any skill level.

G’s has been trying to work with Jobcentre Plus to set up its next programme but has been told that the Jobcentre Plus will not be able to support a further group as they simply do not have the people to put forward. Local recruitment is a major struggle. Currently the unemployment rate in the area is 1.4%.

Summary of the programme run with Job Centres at Ely, Huntingdon and Wisbech:

	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Total
Number of applicants signed up to the programme	28	35	15	15	30	123
Number of interviews on Assessment Day	20	20	8	10	15	73
Number of people recruited to start the programme	8	9	7	5	5	34
Number of NEETS on the programme	4/8	4/9	5/7	4/5	4/5	21
Number that finished the 6 weeks	7	8	6	4	5	30
Number of positions offered at G’s	3	4	4	2	3	16
Number that have found employment afterwards	2	3	0	2	4	11
Total percentage employed after programme offer:	70%	87%	66%	100%	80%	

⁴⁰ National Skills Academy, Tasty Jobs - Successes and Challenges in Recruitment in the UK Food and Drink Sector, March 2014

and Drink Sector, March 2014

⁴² OCR ICT Level 1; City & Guilds Personal Development & Employability; CIEH Food Safety Level 2

⁴¹ National Skills Academy, Tasty Jobs - Successes and Challenges in Recruitment in the UK Food

Feeding Britain's Future

IGD's Feeding Britain's Future programme delivers employability skills workshops to thousands of students across the country. Through this programme, professionals from across the food and grocery industry help to inspire and educate students nationwide, so they understand how to translate their education into skills for work, while learning about the diverse range of careers within the industry.

The programmes in secondary schools bring to life the world of work, highlight the skills required to succeed in the workplace and showcase the variety of roles available in the food and grocery industry.

Since Feeding Britain's Future workshops started in schools in 2015, 15,000 students have taken part, supported by 3,000 volunteers. The programme is having a big impact - nine out of ten students feel more prepared for the world of work, and seven in ten students would consider a career in the food and grocery industry following the workshop. IGD continues to deepen the impact of the programme and is aiming to reach 10,000 students in 2017.

Tasty Jobs:

Tasty Jobs was a nationwide initiative designed to help food and drink manufacturers find high quality, prospective employees. It helped potential applicants to develop a knowledge and skills relevant to their local employer through providing sector-specific pre-employment training to agreed standards.

Employers participating design their own pre-employment programmes with support from the National Skills Academy for Food and Drink (NSAFD), Job Centre Plus and training providers. In many cases, this involved allowing a limited number of pre-screened unemployed people onto their premises to gain an understanding of the company and role involved.

The pre-screening of potential candidates was carried out by Jobcentre Plus to a specification provided by the employer and candidates are recommended on that basis.

One food and drink manufacturer's training course was delivered to 32 potential employees at Aylesbury College. By the end of the two-week course, 12 of these pre-screen employees were selected for a formal recruitment process. Of these, 8 decided to take up the offer of full-time jobs and are now in full-time apprenticeships.

Hospitality Works:

Hospitality Works is a campaign that aims to educate Jobcentre Plus staff about the opportunities for jobseekers in the pub and wider hospitality sector, allowing staff to effectively promote jobs in our industry. The campaign has been very successful since being launched in 2013, and involves Jobcentre Plus staff doing job placements in hospitality businesses to understand the

sector, and telephone masterclasses with companies talking to hundreds of Jobcentre Plus staff at a time about opportunities in the pub sector – with BBPA and member companies presenting on these in previous years. The most recent Hospitality Works campaign took place in February 2017, and over the years has moved from a regional to a national focus.

St Austell Brewery: Schools Chef competition & Work Routes

Recruiting and retaining chefs for their pubs and hotels is a real challenge for St Austell Brewery, based in Cornwall. Following on from the launch of their own Chef Academy and scholarship scheme last year, the company are organising a Cornish Schools Chef competition which will kick off in September 2017, running through the autumn and culminating in a Grand Final in February.

St Austell have also just started working with Work Routes, a work programme fully funded by the Department for Work & Pensions and the European Social Fund. Work Routes helps unemployed people find and sustain employment. Their service enables jobseekers to improve their skills and employability and create a personal plan to find the right job for them. They work directly with employers to assist with their recruitment requirements and vacancies. St Austell participated in an event in June and sourced a number of individuals (long term unemployed and mothers returning to work) for one of their new pub openings.

Big Conversation and Hospitality Works:

Over the past five years, the British Hospitality Association, in partnership with the Department for Work and Pensions, has created more than 70,000 new career starts for young jobseekers through the Big Hospitality Conversation and Hospitality Works initiatives.

The Big Hospitality Conversation is a series of events bringing industry leaders together to celebrate hospitality careers and to inspire the next generation. Thus far, the campaign has delivered 43 events and has seen 3,500 hospitality leaders engage in the campaign. In February this year, BHA held the 43rd Big Hospitality Conversation, at Anfield Stadium, Liverpool, which was attended by 270 young people looking for work.

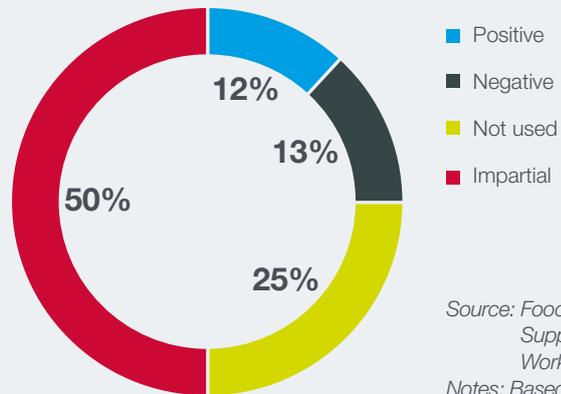
Hospitality Works is an exciting national initiative led by the British Hospitality Association in partnership with Department for Work and Pensions. The campaign takes place annually, promoting hospitality opportunities and vacancies to suitable jobseekers, enhancing recruiters' knowledge of the industry and linking into locally available training, to prepare future workers. This February, the campaign helped 6,079 people find hospitality jobs, upskilled 13,380 Jobcentre Plus staff, and achieved over 1 million impressions on Twitter.

The BHA continues to build on the success of these programmes to ensure that the hospitality industry is seen as a great career path for young people throughout the UK.

C. Options for a future immigration policy

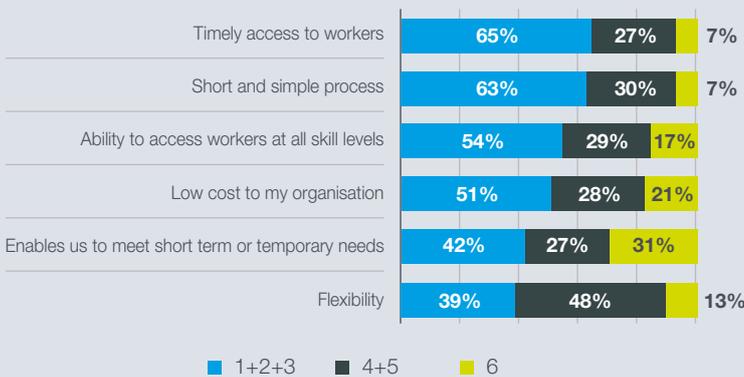
Chart 10: Respondents' experience of using the current non-EU migration system

As can be seen in this chart, a quarter of respondents to the survey have not had experience of using the non-EU migration system, while half feel neither positive or negative about their experience of using it. Some comments from respondents who have had experience of using the system were that it was “complicated and time-consuming”.



Source: Food and Drink Supply Chain Workforce Survey
Notes: Based on 69 responses

Chart 11: Importance of the following factors to respondents' organisations for a new migration system⁴³



Source: Food and Drink Supply Chain Workforce Survey
Notes: Based on 98 responses, respondents could select all options that apply

In this question, survey respondents were asked to rank these factors in order of importance to their organisation for a new migration system, with number 1 being the most important and 6 as the least important. As can be seen here, almost two thirds of respondents ranked a timely access to workers and a short/simple process as the top two most important factors.

When food retailers responded to this question in a survey conducted by BRC, a short and simple process along with timely access to workers were also reported as the top two most important factors. In a departure from the rest of the food chain, food retailers value flexibility as the next most important factor. The full chart is available in the supplementary data section.

Food and drink supply chain concerns over future migration systems as quoted by respondents:

“Shortage of staff will lead to serious considerations of relocating to EU country.”

“Will also offer a separate process for those you already employ vs new employees if they will need visa in the future.”

“A migration system which has a clear position and process but will offer some flexibility for key skill areas and senior leadership.”

“Work visas of less than 6 months would be useless.”

⁴³For further information on factors for a new non-EU migration route from an agricultural perspective, please see the supplementary data section.

Further information regarding the implications of the UK EU-exit on organisations across the food and drink supply chain, relating to workforce and labour issues

Verbatim comments from Food and Drink Supply Chain Workforce Survey respondents

(from 6 March to 27 March 2017)

Concerns over existing EU labour

“Changes in EU employment law for the UK. Access to a smaller talent pool, uncertainty for existing EU nationals working with us.”

“Due to lack of suitable UK workers EU labour is vital to the continued operation of our company.”

“There are many non UK EU nationals working for our company who have made a life in the UK. It is important for them and to our company that they are allowed to stay as part of any EU exit negotiations.”

Concerns over temporary workers

“The soft fruit harvest relies on temporary workers who are able to work unusual hours with very early starts, we have found that UK workers are unwilling to do this.”

“We have a highly experienced workforce who work around 6 months each year. We cannot recreate this experience or find national workers who are willing to take the short term nature of contracts.”

“Due to location of our main sites and dependant on the new migration system, competitiveness for low skill labour will be higher and given the nature of our business with shift patterns/attractiveness of operating environment likely to drive up labour costs way above the predicted NLW increases.”

General concerns

“Lack of communication and clarity from Government is most concerning.”

“Restrictions on bringing junior level staff into the country will impact our talent plans and development opportunities.”

“Need to lose label of non-UK looking for low paid jobs; jobs paid the same whoever does it - this is an availability & willingness to work issue, not nationality driven.”

“We would not employ so many non-UK staff if we didn't have to! There's a massive misconception that this is about money, it's not, it's about willingness to work. We cannot survive without a pool of willing labour to cover our temporary requirements.”

“Should EU Labour become less available we would find it extremely difficult to recruit sufficient staff.”

“It may have a larger impact for us dependent on how it affects our supply chain. It also makes the UK a less attractive place to base some of our global functions.”

“Our Border with ROI is 30 miles away. We will lose EU nationals to other employers in that jurisdiction.”

“We need some communication and movement from the Government in relation to their plans. Our staff are more worried with the lack of information because they are left in limbo. EU nationals are a very large part of our organisation and are key to ensuring that we meet the needs of our customers. If things were to change, businesses like ours would require plenty of notice to be able to develop different strategies to move forward with.”

Official ONS Data

Table 1: Number of workers (in 000s) in food chain sectors by nationality group, United Kingdom

UK	2010		2013		2016	
Agriculture	299	94%	268	93%	283	89%
Food and Drink Manufacturing	295	77%	293	74%	270	66%
Food Wholesaling	140	83%	134	80%	134	76%
Food Retailing	1,044	92%	1,129	92%	1,102	90%
Food and Beverage Services	881	81%	950	81%	1,053	80%
Economy total	26,671	92%	27,209	91%	28,063	89%

EU27	2010		2013		2016	
Agriculture	15	5%	16	6%	29	9%
Food and Drink Manufacturing	66	17%	83	21%	121	30%
Food Wholesaling	19	11%	24	14%	32	18%
Food Retailing	30	3%	37	3%	67	5%
Food and Beverage Services	86	8%	108	9%	162	12%
Economy total	1,009	3%	1,323	4%	2,028	6%

Non-EU	2010		2013		2016	
Agriculture	n/a	n/a	n/a	n/a	n/a	n/a
Food and Drink Manufacturing	21	5%	21	5%	15	4%
Food Wholesaling	10	6%	9	5%	9	5%
Food Retailing	59	5%	53	4%	48	4%
Food and Beverage Services	120	11%	106	9%	99	8%
Economy total	1,197	4%	1,176	4%	1,221	4%

Source: ONS, Annual Population Survey

The AP excludes non-permanent residents and does not sample communal establishments. This means that some types of employees (such as seasonal agricultural workers) will be less well-represented in the survey.

Supplementary Data Section⁴⁴

A. Manufacturing Focus

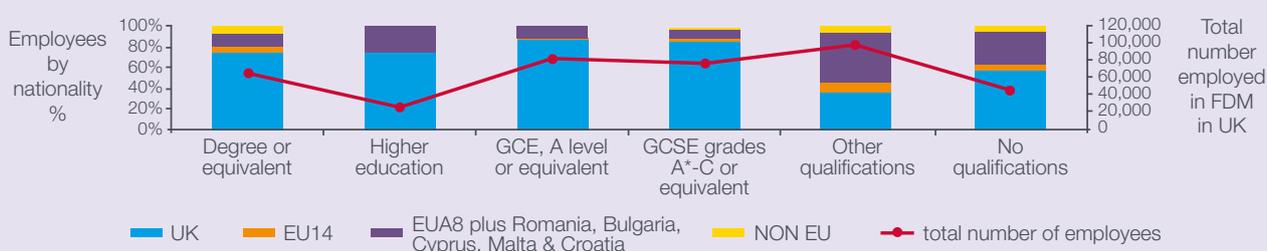
When breaking the Food and Drink Supply Chain Workforce Survey down into manufacturing, it confirms official ONS statistics (2016) that 30% of permanent EU nationals work in food and drink manufacturing. When taking into account that the industry's average turnover rate of permanent staff is 15% per annum (number of leavers as a % of the total permanent workforce annualised)⁴⁵ and that it has an ageing workforce, the sub-sector's reliance on EU workers is of particular concern.

FDF recently commissioned Grant Thornton to undertake an [economic contribution report](#), which showed that on average respondents expected 10.5% of their workforce to retire within the next 10 years.⁴⁶ From interviews conducted with senior

industry leaders the reality is thought to be much greater, with one company noting that the figure could be as high as 20%. This, combined with the EU Exit, could present a double hit on the food and drink manufacturing workforce and again requires appropriate preparation and support to ensure that it is effectively managed.

In terms of skills levels, the food and drink manufacturing sector, in particular, relies on EU workers for roles such as engineering and research and development. For example, when looking at a breakdown of skills in the manufacturing sector, EU workers make up 19% of employees of those working in higher skilled jobs (with a higher education or degree).⁴⁷

Chart 12: Skill level in FDM by nationality



Source: ONS, Annual Population Survey, ad hoc report

B. Food Retail Focus

The ONS estimates that the food retail industry directly employs 67,000 EU nationals, the equivalent to 5% of the food retailing workforce. Respondents to the BRC's survey indicate that slightly more of these individuals are employed in retail on a permanent basis rather than a temporary or seasonal basis.

Following the decision to leave the EU, retailers are most concerned about the impact on cost, both short term transition costs and longer term wage costs.

Table 1: What are your key concerns about the end of free movement as a result of the UK leaving the EU?
(% of total respondents)

Impact on productivity	33%
Longer term increase in wage costs	33%
Short term transition costs	22%
Increased costs of hiring new employees	44%
Impact on national competitiveness	33%
Impact on international competitiveness	22%
No concerns	0%

The majority of EU nationals currently employed in the retail workforce are engaged in semi-skilled or unskilled work. Anecdotal reports from BRC members indicate that there is a higher concentration of EU nationals working in retailers' distribution and logistics functions.

⁴⁴ Data from surveys sent out by different trade associations across the food chain

⁴⁵ Food and Drink Supply Chain Workforce Survey, broken down into food and drink manufacturing

⁴⁶ Grant Thornton, FDF Economic Contribution and Growth Opportunities, June 2017: <https://www.fdf.org.uk/publicgeneral/FDF-Economic-contribution-Full-report.pdf>

⁴⁷ ONS, Annual Population Survey, ad hoc report

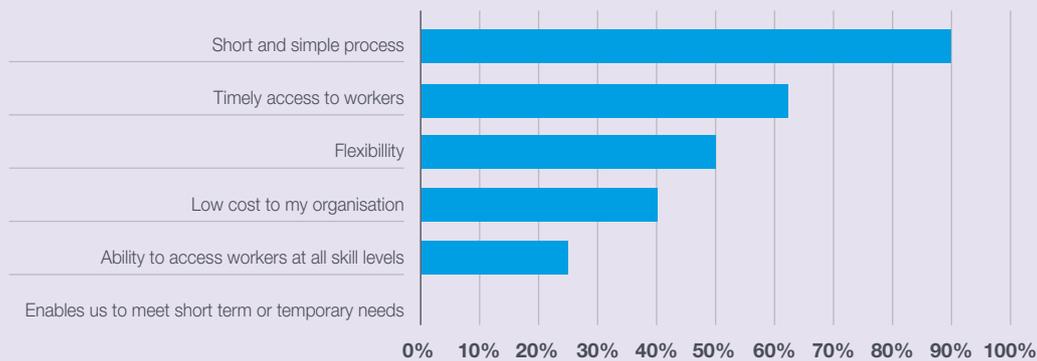
Table 2: Are EU nationals employed in your business predominantly undertaking the following types of work? (% of total respondents)

Highly skilled work (requiring a degree or professional qualification)	33%
Skilled work (requiring qualifications and experience)	33%
Semi-skilled work (requiring some experience)	56%
Unskilled work (requiring little or no experience)	89%

Uncertainty about the future status of EU nationals in the UK is reflected in the retail workforce. There is also anecdotal evidence of individuals leaving the UK following the EU referendum result.

Note: Respondents were asked to choose all that applied.

Graph 1: Looking ahead to the design of a new migration system, food retailers ranked simplicity, speed and flexibility as the top three features



C. Hospitality Focus

A. Distribution of workforce by hospitality service line

	Percentage of workforce that are EU nationals (LFS data)	Percentage of workforce that are EU nationals (BHA survey data)
Hotels and similar accommodation	22.1%	34.1%
Holiday and other short stay accommodation	6.1%	21.3%
Camping grounds, recreational vehicle parks and trailer parks	15.6%	-
Other accommodation	12.9%	-
Licensed restaurants, unlicensed restaurants and cafes and take away food shops and mobile food stands	13.8%	26.1%
Licensed clubs and public houses and bars	4.3%	8.1%
Event catering activities and other food service activities	7.5%	10.1%
In-house catering sectors outside the core hospitality industry ⁴⁸	-	29.4%
Convention and trade show organisers	2.5%	n/a ⁴⁹

Source: KPMG analysis of LFS data⁵⁰

⁴⁸ The in-house catering sectors outside the core hospitality industry is not aligned to a specific SIC code. For this reason, we have been unable to analyse this service line using the LFS data.
⁴⁹ We only received one response in this category and therefore do not consider the response to be representative.

⁵⁰ The LFS is a quarterly survey by the ONS of approx. 38,000 households across Great Britain and 1500 households in NI. Overall the survey covers approximately 90,000-100,000 people per quarter.

B. Percentage of workers in each role made up of EU nationals

	Percentage of workers in each role made up of EU nationals
Bar staff	11.3%
Catering and bar managers	20.8%
Chefs	24.6%
Cleaning and housekeeping managers and supervisors	23.7%
Cooks	15.4%
Customer service assistants	4.7%
Customer service managers and supervisors	7.2%
Hotel and accommodation managers and proprietors	13.5%
Housekeepers	37.1%
Kitchen and catering assistants	21.6%
Other	15.7%
Receptionist	18.7%
Waiters and waitresses	75.3%

Source: KPMG analysis of BHA survey

When looking at the food and drink hospitality sector, both the labour force survey (LFS) and the BHA member surveys indicate that the 'hotel and similar accommodation' services lines is one of the most reliant on EU nationals, with over a fifth of the workforce in this service line being EU nationals as reported by the LFS, and over a third being EU nationals based on the BHA member survey.

Interviews with BHA members showed a number of hotels which reported EU nationals making up at least 50% of their total workforce. In some cases, EU nationals made up 80-90% of the total workforce.

C. Beer and Pub: Number of workers across the beer and pub sector by nationality

Pub Estate	UK National	EU Citizen	Non-EU	Total
Manager/Asst Manager	59,633	10,904	1,643	72,180
Front of House	249,341	29,847	7,915	287,102
Kitchen	96,553	30,361	4,757	131,672
Total	405,527	71,112	14,315	490,954

	UK National	EU Citizen	Non-EU	Total
Brewing	8,880	365	28	9,274

	UK National	EU Citizen	Non-EU	Total
Head Office	92,675	2,375	862	95,912

Pub Estate	UK National	EU Citizen	Non-EU	Total
Manager/Asst Manager	83%	15%	2%	100%
Front of House	87%	10%	3%	100%
Kitchen	73%	23%	4%	100%
Total	83%	14%	3%	100%

	UK National	EU Citizen	Non-EU	Total
Brewing	96%	4%	0%	100%

	UK National	EU Citizen	Non-EU	Total
Head Office	97%	2%	1%	100%

The tables above show that the highest proportion of non-UK nationals working in the industry comes from pub operators and their staff. Some 17% of pub workers are migrants with 14% from the EU, increasing to 27% for kitchen staff – more than 1 in 4.

The BBPA survey found that there is significant regional variation in terms of reliance on EU and migrant workers. Companies based in metropolitan areas particularly in the London and the South East reported that 40% of staff (and over 50% of kitchen staff) are non-UK nationals. In contrast, some rural based companies had very small percentages and even nil non-UK nationals.

This issue is compounded by high turnover rates (75-110%) in pubs and existing skill shortages, particularly for chefs/assistant chefs.

Verbatim comments

“Our figures are quite low at present, but due to the seasonality of our pubs, the ratio of EU employees to UK employees is much higher in the height of summer. Basically without them we would likely have to close some of our pubs!”

“It will be vital to review the shortage occupation list and process for demonstrating the resident labour market test.”

“Chefs must be included on skills shortage list and entry requirements relaxed.”

“That our existing European employees have the right to remain as they are gainfully employed and that they are not overly subjected to complex visa applications etc.”

D. Agriculture and Horticulture Focus

It is challenging to measure the number and proportion of non-UK nationals working in agriculture and horticulture, with varying estimates from a number of different sources.

According to Defra's 2015 figures there are 476,000 people employed in agriculture holdings across the UK. Of these, they estimate 67,000 are seasonal.

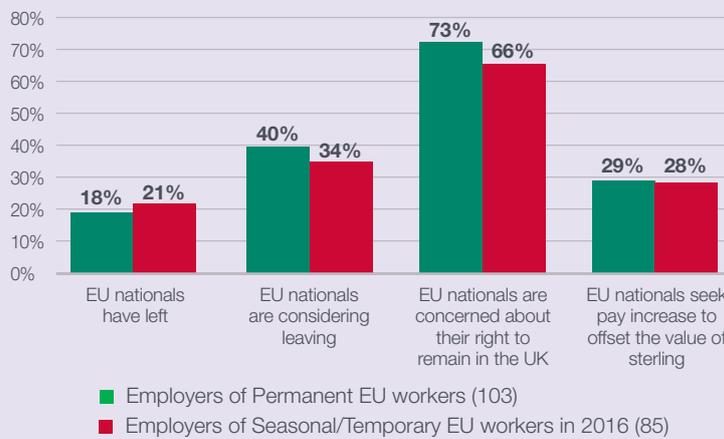
However, industry research shows that the horticulture sector needs around 80,000 seasonal workers a year to hand pick and process commercial production of fruit and vegetables, plants and flowers. Approximately 75% of the UK's seasonal horticulture workforce workers are recruited from Romania and Bulgaria and the remainder largely from Poland and other A8 countries.

In addition to this, the poultry industry needs around 13,000 seasonal workers in the seasonal period (Christmas) primarily in the processing of turkeys, and a majority of these (58%) would be from outside the UK.

According to the ONS in 2016, 11% of total permanent employment in the agriculture, forestry and fishing sector was from outside the UK with 7% of this from the A8 countries.

The NFU's Access to Labour survey for this report ran from 29 March to 21 April and received 223 responses. The following charts provide some detail on the issues covered in the survey.

Experiences in agriculture and horticulture since the EU referendum

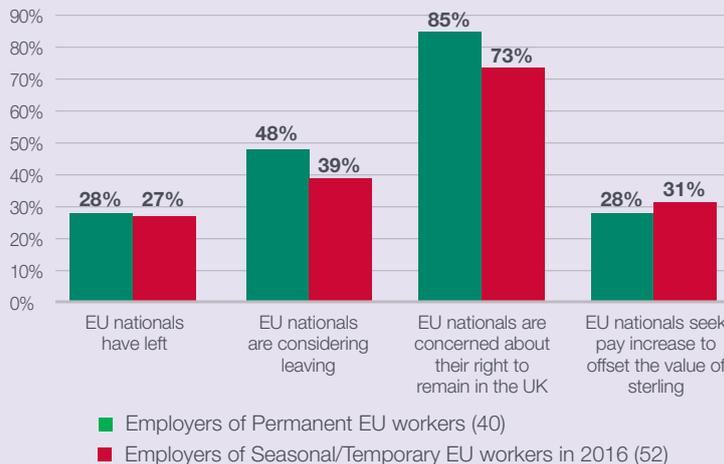


When looking at agriculture and horticulture, the NFU's survey mirrors some of the results from the main food chain survey. The above chart shows that over 70% of respondents stated that their EU national permanent employees are concerned about their right to remain. Over a third (40%) of respondents also reported that EU nationals are considering leaving.

There are a number of differences when we look at respondents from the horticulture sector alone (chart below). Those who have experienced EU staff leaving increases to over a quarter for both permanent (28%) and seasonal (27%) workers. EU nationals considering leaving increases to nearly 50% for permanent and 40% for seasonal workers.

A large increase is seen for EU nationals who are concerned about their right to remain in the UK with 85% for permanent and nearly three quarters (73%) for seasonal workers during the season.

Experiences in horticulture since the EU referendum



Difficulties in Filling Vacancies

Nearly a quarter (24%) of all agricultural and horticultural employers of permanent workers surveyed have experienced difficulties in 2016 in filling vacancies as a result of the EU referendum⁵¹. This figure was higher among those that employed EU workers (32%)⁵² in 2016.

Over a quarter (28%) of all employers of seasonal/temporary workers in 2016 have had difficulties in filling vacancies as a result of the EU referendum⁵³. Again, this figure was higher among those that employed EU workers in 2016 – with over a third experiencing this (37%)⁵⁴.

In the horticulture sector alone 40% of those employing seasonal EU workers (out of 52 respondents) experienced difficulties in 2016.

The NFU has also continued to conduct a Labour Provider survey, providing information on recruitment levels for seasonal workers needed in the horticulture industry. The Labour Provider

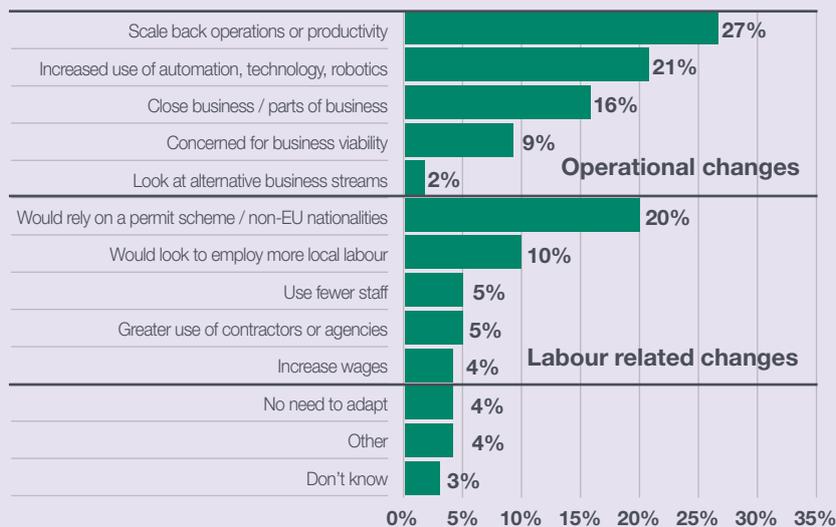
survey represents approximately 30% of the total seasonal workforce (based on 80,000 seasonal workers).

The most recent research in June 2017 (for the period covering January to May 2017) shows that the number of seasonal workers coming to work on British farms has dropped 17%, leaving some farms critically short of people to harvest fruit and vegetables during the busy harvesting season.

The proportion of returnees, who form a sizeable and dependable source of workers, has also dropped significantly throughout the first five months of the year, falling from 65% to 33%.

Reasons include falling unemployment levels and enhanced welfare benefits in Romania, Bulgaria and Poland, the weakness of sterling, and a preference for more desirable, permanent jobs. Brexit, the ensuing uncertainty, and the current lack of clarity over the UK's future relationship with the EU have accelerated this trend.

How respondents in agriculture and horticulture would adapt if their company did not have access to (non-UK) EU nationals⁵⁵



Source: NFU Access to Labour Survey
Notes: Based on 135 responses

The most common type of potential adaptation involved operational changes along the following lines:

Scale back operations or productivity (27% of respondents in this group)

'We would slow down/postpone operations and so our productivity would diminish'

Increased use of automation, technology, robotics (21%)

'We would try and mechanise as much as possible and stop growing crops that are labour intensive.'

Close business / parts of business (16%)

'Currently I think it would be impossible to continue running the business, British unemployed labour will not do the job (we have tried on numerous occasions)'

⁵¹ Based on 180 respondents
⁵² Based on 103 respondents
⁵³ Based on 125 respondents

⁵⁴ Based on 85 respondents
⁵⁵ It is important to highlight that participant responses to this question were coded from free text – therefore the

respondents were not prompted with any particular course of action and provided responses of their own volition.

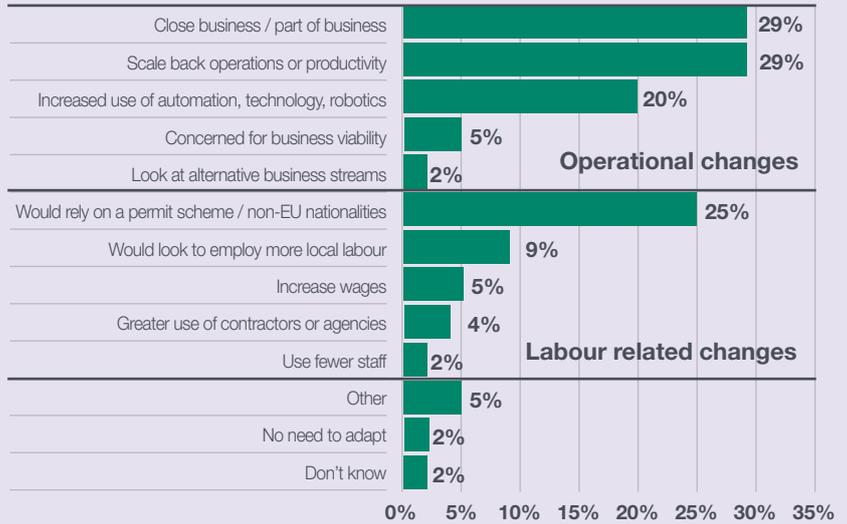
The other major type of potential adaption may involve labour-related changes such as:

Would rely on a permit scheme/non-EU nationalities (20%)

‘We couldn’t adapt well enough. We would probably fail without a SAWS scheme or similar’

How respondents in horticulture would adapt if their company did not have access to (non-UK) EU nationals⁵⁶

Further analysis of the horticulture sector alone⁵⁷ shows that 56% of those in the sector that currently employ EU nationals would either close their business/parts of their business or scale back operations (based on 31/55 that would do one or the other). A quarter of respondents also said that they would be reliant upon a permit scheme.



Importance of the following factors to the agricultural sector for a new migration system

Respondents were asked how they would rank a number of factors in order of importance for a new UK migration system (where 1 is the most important and 4 is least important)⁵⁸

The results show that farmer and grower respondents to the NFU Access to Labour survey ranked having timely and flexible access to workers as the most important element of a new migration system.

Having a simple process was ranked second most important with the ability to access all skill levels a close third (mean scores of 2.14 and 2.27 respectively)

The least important ranked element based on the options provided was a new UK migration system being at low cost to the employer.

	Rank	Mean rank score
Having timely and flexible access to workers (206)	1	1.65
A simple process (206)	2	2.14
Accessing all skill levels (206)	3	2.27
Low cost to the employer (203)	4	2.87

⁵⁶ It is important to highlight that participant responses to this question were coded from free text – therefore the respondents were not prompted with any particular course of action and provided responses of their own volition.

⁵⁷ Based on 55 respondents in the Horticulture sector that employ either permanent EU workers

and / or temporary EU workers. Chart categories were coded from free text responses and each respondent could provide more than one comment.

⁵⁸ Figures exclude ‘don’t know’ responses for each item. The number of respondents that ranked each item is shown in brackets out of 233 total respondents

Glossary

A8 Countries - are a group of eight of the 10 countries that joined the European Union during its 2004 enlargement. Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.

Certificate of Sponsorship - A migrant worker in the Tier 2 category will require a Certificate of Sponsorship (CoS) before he or she can apply for a visa. The CoS is an electronic work authorisation, which contains the employment information and is issued by the sponsor. Only after a sponsor has issued the CoS to the individual can he or she then apply for Entry Clearance to enter and begin work in the UK.

EEA – European Economic Area. The EEA includes EU countries (Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the UK) and also Iceland, Liechtenstein and Norway.

Switzerland is neither an EU nor EEA member but is part of the single market - this means Swiss nationals have the same rights to live and work in the UK as other EEA nationals.

EU14 - are countries who were members of the EU prior to 2004: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland (Republic of), Italy, Luxembourg, the Netherlands, Portugal, Spain and Sweden.

EU27 – member states include: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and United Kingdom.

Employment Business – sources and supplies individuals to work temporarily for and under the supervision and direction of a hiring client, where the worker remains contracted with and paid by the employment business.

Employment Agency - sources and supplies individuals to work for and be contracted directly with the hiring client.

Labour Provider – may operate either as an employment business or an employment agency or both. The term labour provider has no legal definition but is characterised by the provision of larger numbers of lower skilled workers into sectors such as food manufacturing, agriculture and horticulture, construction, hospitality, and general industrial and manufacturing work. If supplying into food or agricultural sectors, labour providers in the UK must be licensed by the Gangmasters and Labour Abuse Authority.

MAC - The Migration Advisory Committee is an independent, non-statutory, non-time limited, non-departmental public body that advises the government on migration issues. MAC is an advisory non-departmental public body, sponsored by the Home Office.

Non-EU Immigration System - The non-EU immigration system for the UK operates as a points-based visa category system. Applicants must score a minimum number of points on an assessment test to be eligible for a visa. The test takes into consideration factors such as age, fluency in the English language, and other factors dependent on the specific Tier under which you apply:

- Tier 1, High-skilled workers
- Tier 2, Skilled Workers
- Tier 3, low-skilled Workers
- Tier 4, Adult Students
- Tier 5, Temporary Workers

Seasonal Agricultural Workers Scheme (SAWS) – This was a quota based scheme that enabled farmers to recruit temporary overseas workers to carry out planting and gathering crops, on-farm processing and packing. The scheme closed at the end of 2013.

Seasonal worker – A worker employed over a particular period of the year, often covering summer and Christmas peaks. Seasonal workers often work to harvest crops and instances can occur where someone is employed to pick one crop and then moves across the country as the growing season extends geographically.

SMEs – Small and medium-sized enterprises

Temporary worker – A worker covering a period of up to 9 months. Temporary workers can often go on to become permanent employees and do not only harvest crops but can work in processing, packing and for distribution of crops.

Youth Mobility Scheme - The youth mobility scheme is for young people (18 -30) from a limited number of countries and territories who want to come and experience life in the UK. Every year, the UK government allocates a specific number of places for each country and territory. This allows them to stay for a total of two years.

Report Authors

This report was created by members of the UK Food and Drink Supply Chain Workforce Group:



Association of Labour Providers (ALP) – A trade association promoting responsible recruitment and good practice for organisations that supply the workforce to the consumer goods supply chain across the food processing, horticultural and wider manufacturing, industrial, warehousing and distribution sectors.



British Beer and Pub Association (BBPA) - Represents companies in the UK which between them own 20,000 pubs and brew over 90% of beer sold in the UK. Member companies have many different ownership structures, including UK PLCs, privately-owned companies, independent family-owned brewers and UK divisions of international brewers.



British Hospitality Association (BHA) - The leading authority on hospitality and tourism in the United Kingdom and directly serves 46,500 member businesses, including hotels, serviced apartments, the private rented sector, the sharing economy, restaurants, private members' clubs, food service management companies, stadia, attractions and leisure outlets.



British Retail Consortium (BRC) - Retail is an exciting, diverse and dynamic industry undergoing transformational change. The BRC is at the forefront – enhancing, assisting, informing and shaping. Our mission is to make a positive difference to the industry and to the customers it serves. Our broad range of stakeholders demonstrates how retailing touches almost every aspect of our culture. The BRC leads the industry and works with our members to shape debates and influence issues and opportunities that will help make that positive difference.



Food and Drink Federation (fdf) - The voice of the UK food and drink manufacturers, the largest manufacturing sector in the country. An incredibly diverse sector, speaking on behalf of global brands and thriving small businesses. FDF helps members operate in an appropriately regulated marketplace to maximise their competitiveness. We communicate our industry's values and concerns to Government, regulators, consumers and the media. FDF works in partnership with key players in the food chain to ensure our food is safe and that consumers can have trust in it.



Fresh Produce Consortium (FPC) – The trade association for the UK fresh fruit, vegetable and cut flower industry. FPC represents over 600 companies and organisations including major UK retailers, growers, distributors, packers, processors, importers, wholesalers, food service companies and other allied organisations



National Farmers Union (NFU) – The NFU is the voice of British farming and provides professional representation and services to its farmer and grower members. The NFU has in excess of 55,000 members, covering two-thirds of the agricultural land in England and Wales.

Other contributors:

As well as members of the UK Food and Drink Supply Chain Workforce Group, the survey and report recommendations also received input from a number of other trade associations and stakeholders including the members of the Food and Drink Trade Association EU-Exit Roundtable and:

Association of Licensed Multiple Retailers (ALMR) -

The ALMR is the biggest, most effective network and collective voice for the eating and drinking out sector. ALMR are dedicated to representing those companies operating outlets in the third space where consumers go out to socialise and which contribute so much to our local & national economy, well-being and social culture.

British Frozen Foods Federation (BFFF) -

BFFF is the UK's frozen food trade association, with over 300 members comprising Producers, Wholesalers, Importers, Exporters, Brokers, Retailers and related Associate businesses. BFFF membership covers the entire cold chain from large companies to SMEs.

During the drafting of this report and given the changing political landscape, the UK Food and Drink Supply Chain Workforce Group has maintained continued dialogue with key Government departments, the **Department for Environment, Food and Rural Affairs (Defra)** and the **Home Office**.

Summary of Policy Recommendations

Short-term and urgent recommendations:

1. Legislate to secure the rights of EEA nationals currently in the UK
2. Review the recording of immigration data
3. Recognise the strategic importance of the food and drink supply chain

Medium-term recommendations:

4. Build an attractive and effective migration system
5. Ensure no cliff edge when the UK leaves the EU
6. Increase efficiency through adequate Home Office resourcing

Long-term recommendations:

7. Invest in skills provision for the food and drink supply chain
8. Support access to hard to reach labour market
9. Allow benefits system to make flexible work easier

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