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## **EFRA Select Committee Inquiry into Food Chain Labour Supply - submission by Greater Lincolnshire Food Board, June 2020**

Agri-food is Greater Lincolnshire's largest industry, with high location quotients and growing employment in multiple sub-sectors across the LEP area. The Greater Lincolnshire pre-consumer (i.e. not including food retail and food service), food chain supports 56,000 direct employees in agriculture, food processing, marketing and logistics<sup>1</sup>, with a GVA of over £3.5billion.

The industry is represented by the Greater Lincolnshire Food Board who report that migrant labour has been a major source of workers for over 20 years, with many farms relying on migrants for half or more of their workforce (up to 90% for seasonal harvest work). Food industry leaders who started careers in the 1980s report that, before EU migration, companies constantly struggled for staff and the growth seen in the last 20 years to create what one board member has described as the best food sector in Europe, has been enabled by 'keen, dedicated, well qualified European staff'.

Packhouses and food processors typically have over half their workforce from migrant communities and over half of lorry drivers in the industry are migrants. Greater Lincolnshire's fresh produce, ornamental and potato sector had a farm gate value of £600m in 2018 and supports substantial additional value in processing, marketing and distribution, with total output more than treble that on farms. This sector is critically dependent on seasonal labour as most crops are seasonal. Seasonality is also a key factor for meat processing, Greater Lincolnshire has 16% of this market, with employers reporting that seasonal workforce needs can increase by 20-75%. All these employers report long term recruitment challenges and shortages of skilled production workers.

The sector generates 18% of local GVA, against 3% nationally and employs 13% of local workers compared to 3.6% nationally. This makes Greater Lincolnshire the LEP with the greatest dependence on food production, processing and distribution. This focus is supported by its knowledge base, with 29.3% of Innovate UK grants in Greater Lincolnshire from 2014-18 focused on food and agri-tech.

The industry contains just over 6,000 companies<sup>2</sup>. Whilst agriculture is dominated by SMEs, the post farmgate food chain has a diverse mix from start-ups and specialist micro producers to over 70 large food companies, including multi-nationals. Greater Lincolnshire is different from other LEPs in having significant strength at every stage of the food chain. Our agriculture produces over £2billion of crops and livestock, 11% of the English total. It has particular strengths in fresh vegetables with 30% of English production, 20% of sugar beet, 19% of poultry and 19% of ornamentals and flowers<sup>3</sup>.

Lincolnshire is the UK centre of the seafood industry with a cluster of 65 fish processors, including the largest companies, and this cluster contains 5,000 jobs, which doubles with those in the wider

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<sup>1</sup> ONS, Business Register and Employment Survey (2018)

<sup>2</sup> GLLEP (2018), Annual State of the Economy Report 2018

<sup>3</sup> DEFRA (2018), Structure of the agricultural industry in England and the UK at June

supply chain. The LEP has 7,500 staff employed in meat and poultry processing, 12% of the GB total and 5,000 employed in vegetable, fruit and potato processing, 16% of the GB total.

The LEP area has the UK's greatest concentration of food logistics companies with an estimated 30% of national food shipments passing through South Lincolnshire. The Spalding area dispatches between 1,000-1,200 finished lorry loads of food per day. The south bank of the Humber has a major food logistics sector for fish and added value foods.

The LEP has focused on food chain investment since its 2014 agri-food sector plan which created the Food Board. The Food Board took the lead on a 2017 sector plan review to respond to Brexit, the National Living Wage and development of technology. The Food Board has consistently stressed the need to focus on labour productivity and automation.

### **Response to the Inquiry Questions**

**1. *What impact will the Government's proposed points-based immigration system have on labour in the food supply chain? Which sectors will be most affected by a reduced ability to recruit from abroad?***

The industry welcomes the new proposed lower salary and qualification thresholds<sup>4</sup>, but these don't go far enough, as most jobs do not meet the proposed salary or qualification thresholds. Most food chain seasonal jobs, by their nature as manual roles, do not require a degree and do not command high salaries. If wages were increased to meet the proposed salary threshold, the industry would be uncompetitive internationally and UK production would reduce or cease. Local employers who have tried to use the Tier 2 sponsor route report it is prohibitively expensive and the application process is seen as too long, complex and unviable in most cases.

Migrants are a key part of the workforce at every stage of our food chain and companies report that typically 90%+ of the workforce for harvesting vegetables are migrants. Locally food storage and logistics employs 7,500 staff<sup>5</sup> and our food companies report 50% of this workforce are EU migrants. Brexit had already led to some migrants leaving and, at the start of Covid-19, the highest level of vacancies in Lincolnshire was for drivers, over 500 unfilled posts.

During Covid, labour shortfalls have been met mainly by redeployment of furloughed workers from other sectors. As the economy returns to 'normal', this short term solution is unlikely to be available as these workers return to other sectors.

Technology providers and our strong food technology academic and research base employ skilled workers with higher salaries. We therefore do not expect this to present so much of a challenge with a points based system, but we are finding that overseas workers are essential in

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<sup>4</sup> <https://www.gov.uk/government/publications/the-uks-points-based-immigration-system-policy-statement/the-uks-points-based-immigration-system-policy-statement>

<sup>5</sup> Analysis of BRES 2018 Nomis data

sectors such as food robotics because of a lack of suitable UK staff to fill all the roles in a rapidly growing sector.

**2. Will investment in staff retention, productivity, technology and innovation compensate for the Government not implementing an immigration route for “lower skilled workers”?**

Ultimately there is a large potential to adopt new approaches to work in the sector which will compensate in part for the lack of an immigration route for ‘lower skilled workers’.

However, the necessary changes are impossible to implement by January 2021, given the size of the migrant workforce who have met the industry’s labour needs for 20-30 years.

Our industry members question the term ‘low skilled workers’, our employers report migrant staff are typically 20% more productive than UK staff who have not done this work before. However, the market dictates wages cannot be much higher than similar roles in other countries if the UK wishes to be competitive. If the UK fails to meet labour demand the industry will decline, capacity and profits will be lost and the UK will import more food. Our Food Board believe the UK has the potential to substantially grow its agrifood economy post Brexit and post Covid but, to do this, a sustainable labour supply at all levels of the industry is needed.

**Staff retention**

**Table 1 - Comparison of National Minimum Wage (NMW)<sup>6</sup>**

Countries and global rank	Date	NMW	NMW in \$US
1. Luxembourg	2020	2,142.0 €	2,406.3 \$
2. Australia	2019	3,163.3 \$	2,228.9 \$
3. Ireland	2020	1,656.2 €	1,860.6 \$
4. Netherlands	2020	1,635.6 €	1,837.4 \$
5. United Kingdom	2020	1,360.2 £	1,804.8 \$
6. Belgium	2020	1,593.8 €	1,790.5 \$
7. Germany	2020	1,584.0 €	1,779.5 \$
8. France	2020	1,539.4 €	1,729.4 \$
14. Spain	2020	1,108.3 €	1,245.1 \$

<sup>6</sup> <https://countryeconomy.com/national-minimum-wage>

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Food chain companies work hard on staff retention and, even with seasonal harvest labour, report most migrants return to work over multiple years i.e. they are retained even if working seasonally. Skilled migrants are vital as they have higher productivity. The industry is committed to working hard on retention, but this alone will not meet future labour demand.

The move to the National Living Wage since 2016 has been very expensive for the industry, and whilst higher wages are welcomed by workers and should help with retention and the ability to attract UK workers, the UK minimum wage is already much higher than in many of the countries we import food from. The UK is ranked 5<sup>th</sup> for the level of its national minimum wage in \$ terms (2020), with a 45% higher rate than in Spain (table 1) where large numbers of migrant workers are used to harvest crops to export to the UK.

### **Productivity, Technology and Innovation**

There is potential to increase labour productivity in the food chain, but this is critically dependent on the need to invest in technology and innovation. Greater Lincolnshire is leading on this process through the Lincoln Institute for AgriFood Technology (LIAT), now the World's largest agrifood robotics centre and the National Centre for Food Manufacturing (NCFM).

The Holbeach Food Enterprise Zone is a partnership between industry, Lincolnshire County Council, South Holland District Council, University of Lincoln and Greater Lincolnshire LEP focused on food chain productivity. An internal 2020 review<sup>7</sup>, which consulted with 80 industry and public sector stakeholders, concluded: 'Given the existing expertise regionally and future needs of the industry it is recommended that initially this [FEZ] should focus on: Food chain automation and digitalisation to deliver productivity gains, including a focus on agrifood logistics and warehousing technology'.

As we have seen during Covid-19, when demand for food spiked by 20%, the short term solution was to recruit more staff. Ocado, which relies on fully automated warehousing, took much longer to respond to Covid than retailers who recruited staff. The Tesco CEO in late April 2020<sup>8</sup> reported: 'Tesco has achieved an increase in online capacity of 103% in the space of a few weeks, growth which would normally take years to achieve' by increasing staff numbers. However, the Grocer<sup>9</sup>, reported that the crisis will ultimately accelerate the move toward automation and Brittain Ladd have forecast that by 2024, labour productivity in grocery stores and warehouses will have doubled as staff are replaced with/augmented by automation.

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<sup>7</sup> Unpublished, (February 2020), Developing & Refreshing a Joint Vision for the Ambition & Delivery of Holbeach Food Enterprise Zone

<sup>8</sup> BBC online (28<sup>th</sup> April 2020), Coronavirus: The weekly shop is back in fashion, says Tesco boss

<sup>9</sup> <https://www.thegrocer.co.uk/supermarkets/how-coronavirus-will-herald-a-new-era-of-automation-in-grocery/605200.article?>

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However, it is vital to recognise, as this report does, that this transformation will take a further 4-5 years and require substantial investment in new technology.

The UK Government's (2017) Made Smarter Review<sup>10</sup> looked at how digitalisation will impact the UK economy. Starting with 11 sector based case studies, the review concluded that the UK should focus its digitalisation strategy on four sectors, including food (Lincolnshire helped lead this case study). Digitalisation was estimated to be worth £55.8 billion in additional GVA in the food chain from 2017-'27. The Food chain had the second largest percentage increase in economic value (aerospace was first) predicted: 'Automation could increase productivity growth in food processing and wholesaling from 1.4 percent to 3.0 percent per annum'.

A June 2020 paper by the University of Lincoln et al<sup>11</sup>, argues that whilst the fresh produce sector has responded well to Covid-19, this has largely been done by increasing staff resources but that it has not begun to 'exploit more radical innovations', such as automated supply chains.

The long term need for labour saving technology means continued capital investment is needed by industry and in applied research.

**3. *What impact has the Seasonal Workers pilot scheme had on agriculture and horticulture? What should be the future of the scheme, including whether it should cover more, or different, agricultural and horticultural sectors?***

The Government trial of the Seasonal Agricultural Workers Scheme (SAWS)<sup>12</sup> is welcome, but our industry members are concerned that the numbers proposed in SAWS, even if fully rolled out, will be much lower than industry demand.

At present the impact on the industry of SAWS, with 10,000 workers in 2020, has been limited as this number is much lower than the labour needs in the industry which are 7-8 times this level for seasonal harvest labour alone. Other needs across the agri-food industry add tens of thousands to the true need. 'Seasonal agricultural workers' are also needed in meat processing, vegetable packhouses and food processing to meet seasonal demands (e.g. Christmas).

Lincolnshire is a major producer of ornamental crops, with 19% of England's production, worth over £200m. This sector grew by 18% from 2015-17<sup>13</sup> and is a UK and regional success story. This production is, as with many fresh produce food crops, very seasonal and requires large

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<sup>10</sup> HMG (2017), Made Smarter Review 2017

<sup>11</sup> Rebecca Mitchell, Roger Maull, Simon Pearson, Steve Brewer and Martin Collison (2020), The impact of COVID-19 on the UK fresh food supply chain, <http://arxiv.org/abs/2006.00279>

<sup>12</sup> <https://www.gov.uk/government/publications/seasonal-workers-pilot-request-for-information/seasonal-workers-pilot-request-for-information>

<sup>13</sup> Defra, Horticultural Statistics 2017 (October 2018)

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teams of harvest workers as most crops cannot be picked by machine (the technology does not exist). It is important that any scheme covers this sector.

We have local fresh produce growers who are looking to reduce production or leave the industry from 2021 if a solution cannot be found to their labour challenges. This includes companies who are actively investing large sums in working with partners on automation R&D.

No developed country, we are aware of, manages to have a thriving horticultural sector without a seasonal workforce to meet harvest needs. During Covid, France and Germany, who use 3-4 times the number of seasonal migrant workers used in the UK, have ensured this supply of seasonal labour is maintained to harvest crops. Anecdotal evidence from industry members show that restrictions on the supply of US migrant labour is leading to growth of Mexican horticulture, as companies move crop production from the US to where labour is available.

**4. *How many seasonal workers are required in agriculture and horticulture each year, and how can this demand be reasonably met from 2021?***

Of the two million EU nationals<sup>14</sup> working in the UK, 20% currently work in the food chain. By sub-sector, these 400,000 workers are distributed as follows:

- 30% of the food and drink manufacturing workforce and 18% of food wholesaling workers;
- 5% of the food retailing workers and 12% of the food (and drink) service sector workers;
- 9% of the permanent agricultural workforce and a further, estimated, 75,000 seasonal staff.

Technology and innovation can help address the labour supply challenge through automation, but substantial further progress is needed and many solutions cannot be delivered by 2021. This is not because of a lack of initiative from UK industry, technology companies or researchers, but simply that more work is needed to develop, test and deploy the technology. Nowhere in the World yet has technology which works reliably and cost effectively for many food industry jobs.

A meaningful impact on labour demand is possible over the next 3-5 years, but to deliver this a 'moonshot' approach is needed, supported by government. In March 2020, the University of Lincoln, supported by the LEP and national partners proposed a project to BEIS and DEFRA to accelerate this process to help meet labour supply challenges from Covid and Brexit. We found widespread industry support, offers of technology from other sectors (many with furloughed engineers) and clear evidence that investment could accelerate technology development and deployment.

The delivery of the cross-government priority to increase R&D and innovation from 1.7% of GDP to 2.4% by 2027<sup>15</sup>, signifies a welcome uplift in the resources invested in UK innovation. If even a

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<sup>14</sup> ONS, Annual Population Survey, ad hoc report released June 2017

<sup>15</sup> <https://www.gov.uk/government/news/record-boost-to-rd-and-new-transport-fund-to-help-build-economy-fit-for-the-future>

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fraction of this was focused on food chain automation the impact on technology uptake could be substantial and long lasting. As this is a global challenge, investment in technology would create substantial export potential for UK companies.

Without sufficient technology investment, the industry will be forced to rely on seasonal migrant labour, the unemployed or to reduce production. The experience in 2020 of the Pick for Britain campaign, which Greater Lincolnshire actively promoted, is that most UK workers (unemployed, furloughed or students) are less skilled and productive than migrants and commit to fewer hours, meaning more staff are needed. This means labour costs have risen, by about 20% per unit of output<sup>16</sup>, but without any corresponding increase in product prices, UK production is now less competitive.

In 2021, as the economy recovers, furloughed staff return to their old jobs and students resume their studies, industry is concerned that without access to sufficient migrant workers it will not be able to sustain harvesting, processing and marketing operations.

Key local stakeholders share these concerns, e.g. Mark Suthern<sup>17</sup>, Barclays Head of Agriculture, lives in Lincolnshire and knows our agriculture well. Mark was interviewed for Roythornes '1-2-3 series' in June 2020 and reported that the two biggest challenges for the agricultural sector are: navigating the uncertainty of Brexit; meeting the demand for labour, in particular for harvesting.

Nature Food in June 2020 published a paper by the University of York<sup>18</sup> which concluded: 'we need a new strategic plan to re-orientate the UK food system to grow more food sustainably in the UK. This will require new thinking and investment in British horticulture ... COVID-19 has also exposed the UK's vulnerability in terms of labour shortages, hence there needs to be an investment in skills and training for farming combined with investment in digital automation.'

Greater Lincolnshire is keen to develop its intensive crop sector and food chain, but to do this a secure supply of labour is needed for at least the next 4-5 years until automation is available. If this workforce is not secured it will be impossible to deliver the large growth in the industry we believe is possible post Brexit.

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<sup>16</sup> Andersons Midlands (June 2020), The Potential Implications of Covid-19 for the Costs of Production of UK Fruit and Vegetables in 2020, NFU, BGA, British Summer Fruits, British Apples and Pears

<sup>17</sup> [https://www.roythorne.co.uk/site/sectors/food-and-drink-solicitors/123food/mark\\_suthern/](https://www.roythorne.co.uk/site/sectors/food-and-drink-solicitors/123food/mark_suthern/)

<sup>18</sup> Garnett, P., Doherty, B. & Heron, T. Vulnerability of the United Kingdom's food supply chains exposed by COVID-19. *Nat Food* (2020). <https://doi.org/10.1038/s43016-020-0097-7>