



Greater Lincolnshire Food Board Evidence October 2021 - Inquiry into Labour shortages in the food and farming sector

Agri-food is Greater Lincolnshire's largest industry, with high location quotients and growing employment in multiple sub-sectors across the area. The Greater Lincolnshire pre-consumer (i.e. not including food retail and food service), food chain supports 75,000 employees in agriculture, food processing, marketing and logistics¹, with a GVA of over £3.7billion.

The sector generates 18% of local GVA (3% nationally) and employs 13% of workers (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 6,000 companies². Whilst agriculture is dominated by SMEs, the post farmgate food chain has a diverse mix from start-ups 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 flowers³.

Lincolnshire is the UK centre of the seafood industry with 65 fish processors, including the largest companies, and this cluster contains 6,000 jobs, which increases to 10,000 with those in the 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 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 and the A1 corridor has major distribution centres.

Greater Lincolnshire has launched the UK Food Valley programme to promote the importance and potential of its food chain and to co-ordinate investment support. Since 2016, the UK Food Valley has seen over £2billion invested in the food chain, with an additional 7,000 jobs created.

Greater Lincolnshire submitted earlier evidence on the issue of labour supply to the inquiries held in July 2020 and October 2020 by the EFRA Select Committee. The recommendations we made in

¹¹ ONS, Business Register and Employment Survey (2020)

² GLLEP (2018), Annual State of the Economy Report 2018

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



these submissions⁴ still stand, but the challenges of labour supply has continued to increase in the last year, creating an even greater pressure on the agriculture and food industry.

Since our original submission to EFRA inquiries in July and October 2020, Greater Lincolnshire has continued to gather evidence from its food chain companies on the challenges of labour supply and worked with the industry to develop solutions.

Current EFRA Inquiry into Labour Shortages in the Food and Farming Sector

Our evidence addressing the 7 questions posed in this EFRA Inquiry is:

1. What is the extent and nature of labour shortages currently being experienced in the food supply chain?

The current labour shortages in the industry are impacting virtually every business and leading to changes in business policy as they anticipate that the problems will not be solved quickly.

Whilst some businesses are still seeking to invest, labour supply or adopting new production processes or technologies which reduce the need for labour, are now a key determinant of whether the investment case is deemed viable.

Other businesses, particularly those with high seasonal demands for labour, are already reducing production. In Greater Lincolnshire this includes some vegetable producers with any reduction in production likely to be replaced with imports which have a higher environmental impact and at a higher cost, leading to food price inflation.

The post Brexit potential to grow the UK food industry is being constrained by labour supply. Companies are consistently reporting a consumer and supply chain desire to purchase more UK production, but unless they can secure the resources needed to expand, including labour, they are reluctant to make these investments.

These challenges are industry wide and we are seeing shortages of workers on farm, in packhouses, abattoirs, food processing and logistics. Businesses which operate nationally are reporting that this challenge is not unique to Lincolnshire but is UK wide, meaning there is limited scope to address the problem by relocating staff. We have some businesses with staff shortages of over 300 workers.

From 2016-'20, the National Living Wage has increased labour costs for those on the minimum wage by about 40% once overheads are taken into account. Recent industry evidence suggests that for some manual and operational roles wages have increased by a further 15-20% in the last year alone, but this is not solving the labour supply challenge.

⁴ LFS0052 - Labour in the food supply chain [Labour in the food supply chain - Written evidence - Committees - UK Parliament](#)



2. What are the factors driving labour shortages in the food supply chain?

The challenges in securing staff are not unique to farmers and food processors, with sectors from hospitality, to transport, care and the health services also now reporting shortages of workers. The result is growing competition for labour across the whole economy. Unless changes are made which encourage a higher proportion of the indigenous working age population to take up employment, this situation is unlikely to be resolved assuming that migration policy remains unchanged.

The industry recognises the need to increase wages and improve conditions and across the industry we are now seeing the fastest rise in wages for decades. However, to date this has had very little impact on recruitment because unemployment is very low in all the districts where the food chain is concentrated.

Furthermore, supply chain pressures to keep making food cheaper in real terms (a decades old trend), means industry has been forced down a cost cutting route, leaving little scope for further wage rises. The expectation is that this model has now reached the point at which the cost of food has to start to rise if the industry is to be sustainable.

These longer term trends have been exacerbated by Covid, which led to labour being displaced and some workers choosing not to return to the workforce, whether they were migrants or UK based workers. Brexit has also increased the problem by making the UK less accessible to overseas workers and leading to many EU workers, who had worked in the food industry, choosing to return home.

During much of 2020 and early 2021 the workforce crisis which had been building for many years was masked by the short term impacts of Covid and the collective response of government, industry and workers. The food industry, which is rightly proud of its record of keeping shelves stocked during the pandemic, used overtime, furloughed workers and students (whose courses were disrupted) to help meet increased demand in food retail.

For example, lorry drivers who had been delivering cars before Covid were retrained to transport food. As pandemic lockdowns eased and the economy began to recover, these additional food chain workers returned to their previous employers or studies, but the increase in demand many food companies witnessed during Covid has been sustained, leading to growing workforce shortages.

The food industry recognises it has a problem with perception, but would argue this applies equally to other production or physical service providing sectors and is also in many cases now outdated by changes in the workplace and improved pay and conditions. There is a need for the education and careers services to work with food chain employers to promote manufacturing job roles, which are increasingly well rewarded and many of which provide strong career paths.



3. What is the outlook for the labour shortage situation in the coming months and years?

The industry expectation is that the situation is likely to deteriorate in the run up to Christmas 2021, a time of year when the industry has traditionally recruited additional seasonal staff. With UK vacancies over 1 million⁵ for the first time, business managers' expectations are that finding this seasonal supply of labour will be impossible in many cases. The expected shortages includes production workers as well as jobs in the distribution and logistics sector.

Beyond 2021, labour constraints are expected to continue as every sector is seeing shortages and there is no easy or obvious solution in terms of how to increase workforce supply. The food chain thus recognises that the real medium to long term imperative is to adopt new technologies which enable greater labour productivity. In the food chain, the changed supply chain dynamic after Covid and Brexit, as well as longer term trends for more consumers to favour UK sourced products, means there is real potential to grow the UK food industry substantially, but this requires either more workers and/or a step change in labour productivity.

4. What other issues are affecting the food supply chain?

The food industry is navigating the challenges on labour supply at the same time as dealing with structural changes in the industry due to Covid and longer term trends, e.g. the rapid increase in online sales, or the demand for low carbon products and production systems. These changes are necessitating large levels of investment, on top of the need to automate as a result of labour challenges. The resultant capital investment programmes are expensive in terms of managerial time and financially.

Cost pressures in the food industry are being seen as a result of Brexit, with the delivered cost of imports typically rising 5-10%. Other cost rises are being seen in packaging, fuel, energy, transport and a wide range of other inputs. At the same time, the supply chain is trying to keep consumer prices down, which is squeezing supply chain margins. The squeezing of margins is making it harder for companies to make the capital investments needed to automate.

The supply chain for new automation technology to reduce labour demand is under real pressure, with multiple companies reporting that in 2019 they would have expected to wait 2-3 months for new equipment, this is now in many cases 9-12 months and exceptionally up to 18 months. This is making it harder to automate as the supply of equipment and the engineers to install it is so constrained. Anecdotal evidence from businesses which work internationally report that many other developed countries are facing the same problems.

The concerns about future shortages of inputs, including labour supply and problems securing logistics, is putting some businesses off investing in future production.

⁵ [Vacancies and jobs in the UK - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)



5. What impact will the timetable for introducing physical checks at the border on food and live animal imports from the EU have on the current issues being experienced by the UK food supply chain?

The delay to the imposition of the new rules on imports has been welcomed by businesses which import food, notably the UK's largest fish processing cluster in Grimsby who import 90% of the fish they process. The new rules are not yet ready and the industry is very concerned that government is not moving fast enough to develop digital paperwork solutions which would address the majority of the problems which physical EHCs and checks would create.

A consortium of Greater Lincolnshire businesses and the University of Lincoln are working with HMRC, the British Standards Institute (BSI) and FSA on the £2.9m Trusted Bytes⁶ programme, supported by Innovate UK, to digitise the paperwork and traceability needed in the food chain to support trade. This initiative is exactly the type of response which is needed to enable new systems to be embedded without imposing unsustainable costs on the supply chain.

The food industry is, however, concerned that whilst these additional checks and thus cost have not yet been imposed on imports to the UK, they were applied to food exports to the EU from January 2021. This has put the UK food chain at a competitive disadvantage as seen in the trade figures and the dramatic fall in UK exports to the EU in the first half of 2021.

This does not seem equitable and, whilst most of Greater Lincolnshire's food businesses are net food importers (as is the UK), for those businesses focused on exports these changes have been very damaging. Many of our exporters are now facing major cost increases, have lost markets or have chosen to relocate part of their business, leading to a fall in UK economic activity. The food industry recognises Brexit was always going to lead to additional paperwork and costs, but to support UK industry it is vital that the same costs applied to exports also apply to imports.

6. What measures has the Government taken to alleviate the problems being faced by the food supply chain this year? To what extent have they been successful?

The recent announcements on increasing the visas for HGV drivers (5,000) and poultry workers (5,500) are welcomed, but are seen as too little, too late by the industry. The problems with labour supply are industry wide and much larger than these schemes allow for. The time limitation imposed also means that the industry will again face a crisis in a few months time with, as explained above, not enough time to replace this labour demand with automation (due to problems in automation supply) or to recruit and train new UK based staff.

⁶ [Multi-million Pound 'Trusted Bytes' Project to Boost Productivity of the Global Fresh Produce Trade \(lincoln.ac.uk\)](https://lincoln.ac.uk)



Greater Lincolnshire has actively engaged in the review of horticultural labour supply and automation, with Professor Simon Pearson of the University of Lincoln co-chairing this review with the DEFRA Secretary of State.

This horticulture and fresh produce sector is critical to our food chain and whilst the industry welcomed the extension to SAWS for 2021, there are three major challenges with this scheme:

- The numbers allowed do not meet industry needs and the late appointment of some providers in 2021 means that many businesses have lost crops due to a lack of harvest workers;
- The lack of any clarity on future years, including 2022, means that some producers are now taking decisions to reduce production in 2022 as they need to place orders for plants and other inputs now if they are to grow crops next year but are not prepared to take the risk if they do not know if there will be labour available to harvest these crops;
- The exclusion of the ornamental horticulture sector from the programme means this sector, which is nearly 90% supplied by imports despite strong growth in recent years, is at risk of contracting in the UK even whilst UK demand continues to grow. Similar problems exist in food processing companies, which are also not covered by SAWS, but who like production horticulture have similar seasonal labour demands.

7. Does the Government need to take further steps to support the food supply chain?

Greater Lincolnshire is keen to see the government take further steps to support the food chain, focusing on enabling the industry to invest in productivity enhancements to reduce the reliance on labour supply. A 4-5 year transition period is needed because short term actions not deliver the magnitude of change needed.

The medium to long term solution is to automate and Greater Lincolnshire started on this journey in 2015, establishing the Lincoln Institute of AgriFood Technology (LIAT) which is now Europe's largest agrifood robotics team, as well as expanding the work on automation at the National Centre for Food Manufacturing (NCFM). The area has also benefited from the development of a new Bishop Burton College campus and the recent launch of the Lincolnshire Institute of Technology which includes a focus on educating the future food chain workforce.

Despite over £100m of investment in Greater Lincolnshire agrifood skills and innovation infrastructure and projects over the last 5 years, these centres are still struggling to meet the demand in the UK's largest manufacturing sector for workforce supply and automation.

We are beginning to see increased investment in production systems which are less seasonal, e.g. protected cropping, and are actively trying to support this as it leads to permanent, well paid, full time jobs making it easier for the industry to recruit. We would welcome government



support for this transition in production systems which also helps justify investment in automation.

With farming, food processing, food transport and logistics employing over 1.1million people across the UK, the magnitude of the automaton challenge is such that over £10billion of investment is needed⁷ by food chain companies even to reduce labour demand by 10%. There is a clear public sector role to support this transition with incentives (e.g. tax breaks, grants) and to support investment in skills and innovation to enable the transition.

There is also a need to support the development of an enlarged UK food engineering and technology base including technology developers, specialist automation providers, systems integrators and maintenance engineers. The demand for food chain automation is global and with the UK representing less than 1% of global agriculture and under 3% of the total value of global food consumption, the potential for exports of UK technology which addresses the labour supply challenge is large and growing. Supporting the growth of a UK technology cluster would both help address the capacity constraints in the UK food chain at the same time as developing a domestic high technology engineering cluster which could help meet the global demand for food chain automation, leading to high value exports.

⁷ Typically each job replaced by automation costs £100k or more to purchase and install the equipment, so even to moderate the industry's labour demand by 10% (or 110,000 workers) would cost circa £11billion