MIGRATION ADVISORY COMMITTEE

EEA-workers in the UK labour market

Call for written evidence:

Submission from the Agriculture and Horticulture Development Board (AHDB)

26 October 2017

AHDB

AHDB's purpose is to inspire our farmers, growers and industry to succeed in a rapidly changing world. We are the independent go-to place for trustworthy information and evidence-based research. We equip the industry with easy to use, practical know-how which they can apply straight away to make better decisions and improve their performance.

Through deepening our technical, commercial and market insight, and making this available where, when and how the industry needs it, we aim to enable British agriculture to become truly world class.

We will also strategically align our research funding to six new technical themes to accelerate

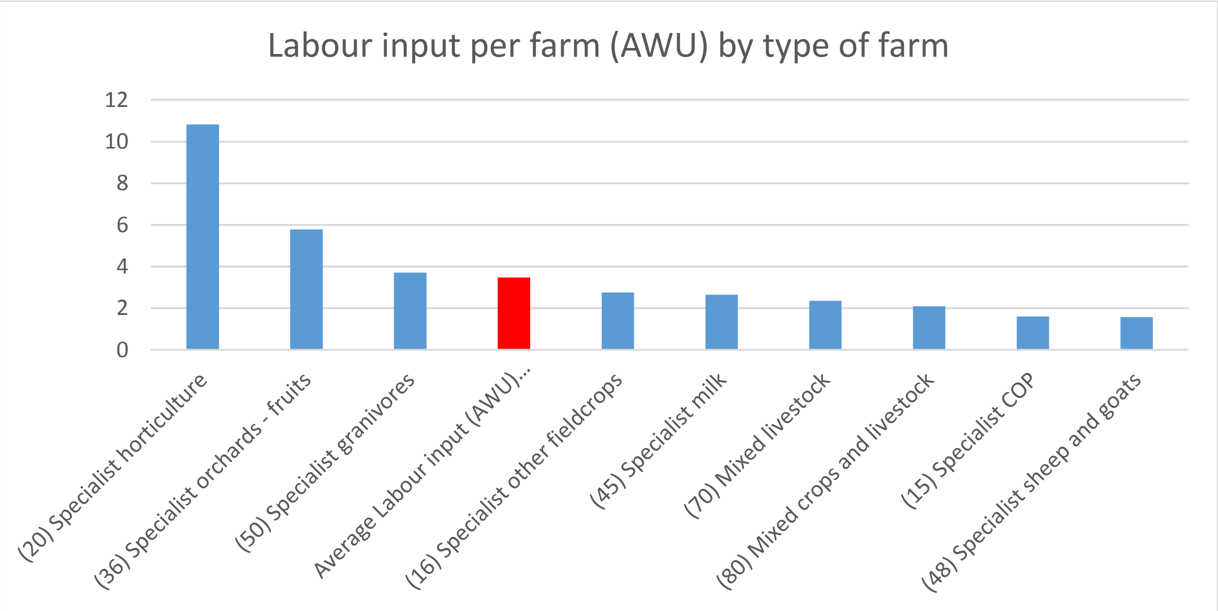
We will focus our activities on four strategic priorities:

- Inspiring British farming and growing to be more competitive and resilient.
- Accelerating innovation and productivity growth through coordinated research and development (R&D) and knowledge exchange (KE)
- Helping the industry understand and deliver what consumers will trust and buy.
- Delivering thought leadership and horizon scanning

Inquiry questions and AHDB's response

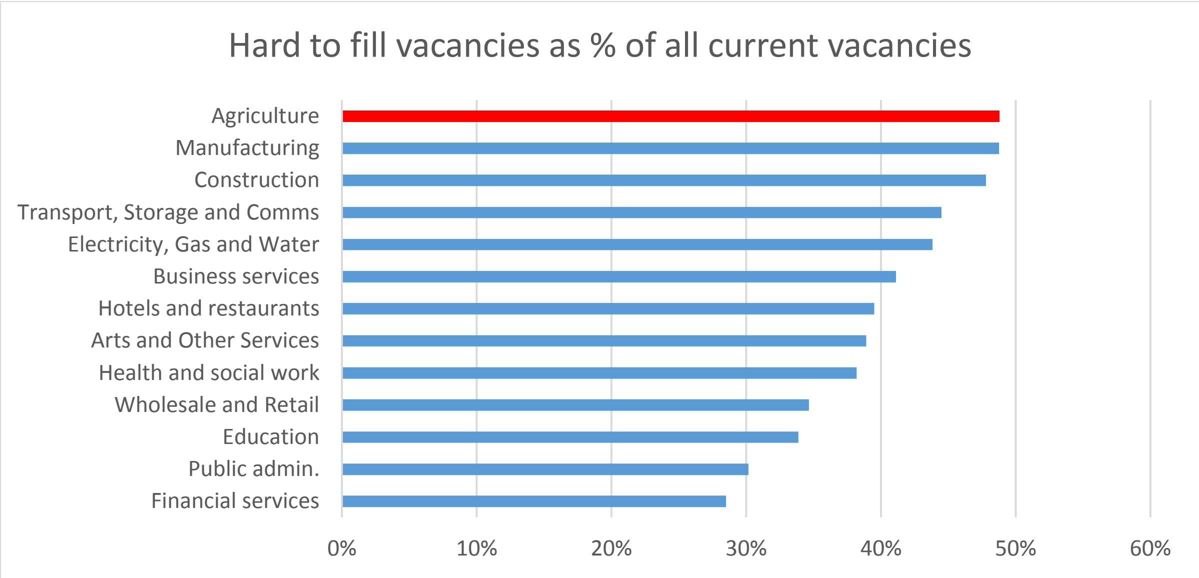
1. ***EEA Migration Trends***

2. The agricultural sector and the wider supply chain are heavily dependent on EU migrant labour. The seasonal nature of demand and falling unemployment in the UK have resulted in the UK agricultural industry becoming increasingly reliant on a supply of labour from Europe. Employers in the UK agricultural and horticultural sectors, along with those further up the supply chain (i.e. food processors), hire both permanent and seasonal migrant workers. Maintaining this supply of labour is an important factor influencing the competitiveness of the agricultural industry and the wider economy post-Brexit. Horticulture and specialist fruit businesses have the highest demand for labour by sector. The chart below shows labour input by Annual Work Unit (AWU) by sector in the UK. All sectors in the UK make use of EU labour, in particular the more labour intensive sectors such as horticulture and specialist fruit.



Source: Eurostat 2015

3. The chart below shows that agriculture in general has one of the highest percentages of 'hard to fill' vacancies. Manufacturing has a similarly high share of such vacancies and this sector includes food processing businesses.



Source: UK Commission for Employment and Skills (UKCES) 2015

4. Reasons for agricultural vacancies being hard to fill are varied, but evidence suggests that, unlike some other sectors in the UK economy, these are not predominately related to lack of skills. Rather, they relate to the desirability of these roles within a competitive labour market. Across the agriculture and horticulture sector EEA migrants play a critical role. There are high concentrations of workers within horticulture and food processing, but they are present within all parts of agriculture. The majority of workers undertake manual work, such as fruit and vegetable harvesting, planting or packing and basic processing. While many workers are not highly qualified, they do become highly efficient at their particular tasks. Anecdotal evidence suggests they are more productive than UK workers. Businesses in the sector find it difficult to recruit domestic labour for the following reasons:

- Remote locations
- Unsociable hours
- Working conditions
- Seasonal nature of work

5. In contrast, migrant workers will view these vacancies differently. Most agricultural workers come from EU countries with low wage structures and high unemployment at home. Agricultural wages in the UK are higher than the EU average and higher than in most eastern European countries, making the UK an attractive destination for workers from these countries.

6. AHDB's [Horizon report The impact of Brexit on the UK agricultural workforce] identifies that there are around 22,000 permanent workers and there is no clear evidence on the number of seasonal workers with estimates ranging from 60,000 to 90,000. Many of these workers will return to the same farm business year after year, although there is evidence that the proportion of workers who return has significantly reduced since the referendum. Within agriculture there would be very few non-EEA migrant workers. Also, the EEA migrants will differ significantly from UK workers who will be focussed within permanent roles.

7. Since 2000 full time regular workforce declined from 83,000 to 63,000 in 2006. Since then, it has remained stable and was 64,000 in 2014. Part time regular labour was 42,000 in 2000 and has fluctuated slightly around this level throughout the decade, reaching 40,000 in 2014.* (up to 2009 data is for all holdings, 2010 onwards it is for commercial holdings only)

8. AHDB has undertaken a significant amount of work in assessing the various potential implications of Brexit on the industry, with the publication of our scenario modelling and technical reports. AHDB has funded an independent consultancy, Agra Consulting, to assess the potential impact of a number of different Brexit scenarios on different agricultural and horticultural sectors. The AHDB Horizon report Brexit Scenarios: an impact assessment report is the most in depth analysis done anywhere to date on the potential implications for individual UK agricultural sectors of leaving the EU. It covers Beef, Sheep, Pigs, Dairy, Cereals, Potatoes and Horticulture and includes analysis of how farm incomes will be impacted by changes to the labour force, agricultural policy, regulation and the potential shape of future trade.

9. Within two of the scenarios we assume there would be restrictions in the availability of EEA migrants. These restrictions affected the permanent workforce in one scenario (Unilateral Liberalisation). Within another scenario (Fortress UK) there were restrictions for both permanent and seasonal workers. In summary, salary costs were assumed to rise by 50% through the results of Brexit alone. This reflected a review of literature and data on comparative salaries in other sectors of the economy. The effect of this cost increase varies significantly depending on the reliance of paid labour within a given sector. The report shows that horticulture is by far the most exposed to this, but all sectors were affected by the rise in labour costs.

10. The report we have produced shows how rises in labour feed through to affect total farm business income (profit).In some scenarios for some sectors the average farm business becomes loss making as a result of the changes they will experience. In many of the scenarios businesses in the lower 25% of performance are loss making. This suggests that there is likely to be significant restructuring within parts of the industry, with many businesses becoming unviable.

11. Our modelling work shows that high performing farms are shown to be more resilient when coping with changes associated with all given scenarios. There is a call for farmers to start preparing for change now to put themselves in the best possible situation as Brexit rolls out and this has been at the core of AHDB messaging as we have shared our modelling work with the industry. The aim is to deliver a clear, unambiguous message to farmers and growers as ‘a wake-up call’ that change is here and to inspire them that decisions are needed to ready themselves for a post-Brexit world. The loss of free movement poses a problem with access to migrant labour-making supply tighter and possibly incur higher cost. Looking at labour availability and succession planning is important to ensure businesses ensure have the right practical, business and leadership skills for now and our future. Invest in skills to secure the people your business needs.

12. Recruitment Practices, Training & Skills?

13. There are many UK workers within UK agriculture and horticulture. The majority of the business owners are from the UK and the majority of the permanent workforce are UK nationals. There is a network of land-based colleges and specialist universities which provide a flow of skilled and qualified people into the sector. However, these recruits are undertaking very different types of roles to those dominated by migrant workers. Migrant workers tend to undertake roles that do not require university or college-level qualifications.

14. The current UK policy for non-EEA migrants restricts access to most of the roles (96% would not qualify under the points-based system). While EU migrant labour wouldn’t qualify under a points-based system, as they are not highly qualified, they are very skilful at their specific roles. They subsequently become very specialised in these roles as many return year on year. This distinction between qualifications and skills cannot be emphasised enough.

15. ***Economic, Social and Fiscal Impacts?***

16. Evidence suggests certain sectors of UK agriculture would not be able to operate without EU migrant labour. Some businesses in the agri-food sector with a high labour input may look to relocate production outside of the UK to where labour is more readily available. This will result in the loss of many jobs and potentially higher food prices for the UK. Whilst living and working here EEA migrants contribute to the local economy via the multiplier effect, particularly in rural areas where the cash injection is most needed. Agriculture would evolve to produce crops which are less labour intensive. A lot of packing jobs in horticulture would also go.

17. Further information

18. Any queries relating to this submission should, in the first instance, be directed to Andy Hutson, Public Affairs Manager, Agriculture & Horticulture Development Board, Stoneleigh Park, Kenilworth, Warwickshire CV8 2TL. T: 024 7647 8877 E: andy.hutson@ahdb.org.uk