

House of Commons

ENVIRONMENT, FOOD AND RURAL AFFAIRS SELECT COMMITTEE

FEEDING THE NATION: LABOUR CONSTRAINTS

Call for written evidence:

**Submission from the Agriculture and Horticulture Development Board
(AHDB)**

8 February 2017

AHDB

The Agriculture and Horticulture Development Board (AHDB) is a statutory levy board, funded by farmers, growers and others in the supply chain. Our role is to inspire change, stimulate innovation and identify opportunities for businesses to become more profitable. We do this by being the centre for the generation and sharing of knowledge, best practice and providing independent evidence, information and services. We exist because we can deliver greater value collectively than levy payers can do on their own. AHDB raises levies from the meat and livestock sector (cattle, sheep and pigs) in England, horticulture, milk and potato sectors in Great Britain and the cereals and oilseeds sector in the UK. The AHDB's remit covers 72% of total UK agricultural output.

The funds raised from each commodity sector are used only to the benefit of the sector from which they were raised. Levy is invested in a wide range of activities including R&D, marketing, exports and market intelligence. Because the levy is statutory, AHDB is classified as a Non-Departmental Public Body and comes under the sponsorship of the Department for Environment, Food and Rural Affairs.

Please note that AHDB has published a series of reports that explore the impact of Brexit on the farming sector. This includes a report on the impact of Brexit on the agricultural workforce. The full report is available online:

http://www.ahdb.org.uk/documents/Horizon_Brexit_Analysis_20September2016.pdf

Enquiry questions and AHDB's response:

What are the economic impacts on farm and food supply chain businesses and on consumers from problems in securing adequate labour supplies?

Labour is a major component of the industry's total cost of production. Figures from Defra's agricultural accounts put the value of paid labour at £2.5 billion in 2015, equating to around 14 per cent of total financial inputs.

Based on figures from the June Census, the number of regular employees in UK agriculture, excluding seasonal and casual labour, was 115,000. If seasonal and casual labour are included the total rises to 182,000. It is challenging to accurately measure the number of these workers who are EU migrants. A good starting point is the Government's official figures provided by the Office for National Statistics (ONS). These show there were more than 22,000 EU-born migrants working in agriculture in 2015. These numbers have increased steadily in recent years, rising 41 per cent since 2011. There is also a high proportion of migrant workers within other parts of the food supply chain such as food processing and slaughterhouses.

It is important to highlight these figures are likely to underestimate the true extent of EU and other migrant workers. While they will capture those migrants who have settled in the UK and are working in permanent roles, these figures will not capture seasonal workers coming to work in the UK for short periods of time. Given this, it is not unreasonable to view the 22,517 EU nationals as accounting for around 20 per cent of the 115,000 regular employees in the sector. For seasonal labour, industry feedback suggests the reliance on workers from elsewhere in the EU is significantly greater.

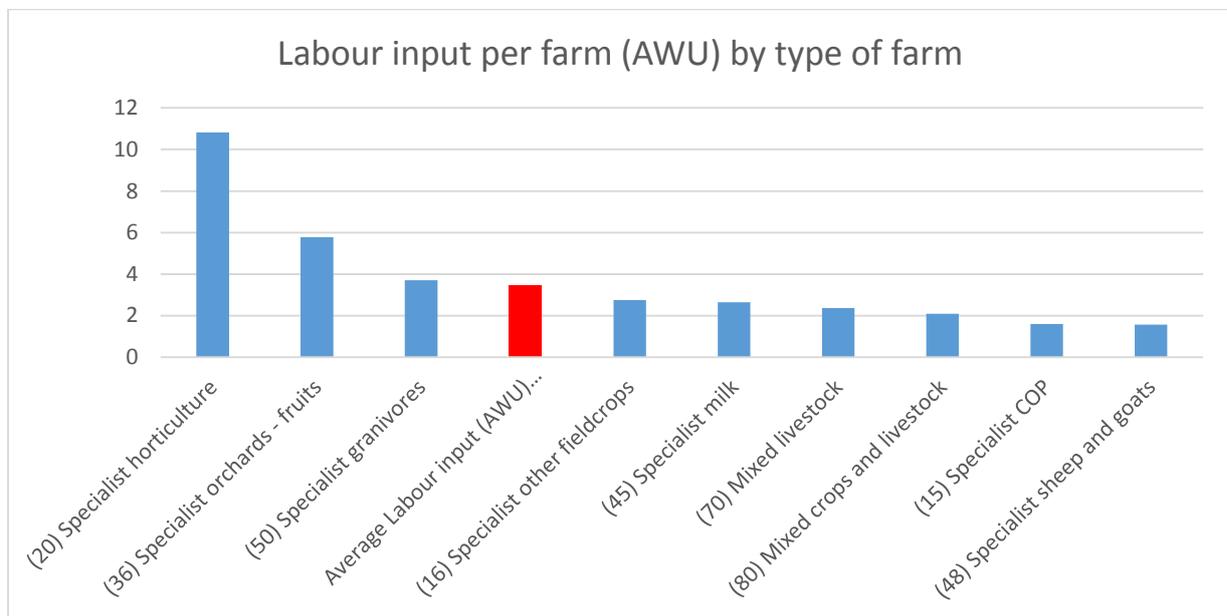
In theory, the short term economic impact of problems securing labour supplies would be that farms and food supply chain businesses would either have to raise wages in order to make the jobs more attractive to UK workers, or they would be unable to continue to operate in the UK. Farmers, being 'price takers' and with little power within the wider supply chain have little, if any scope to raise wages significantly. If they do so, the cost would have to be passed on to the consumer. If the consumer is

not willing or able to pay the increased price, then the products would be imported from countries that can produce at lower cost.

What is the impact likely to be of changes to freedom of movement rules post-Brexit on the flow of EU and non-EU labour to UK farms and factories?

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.

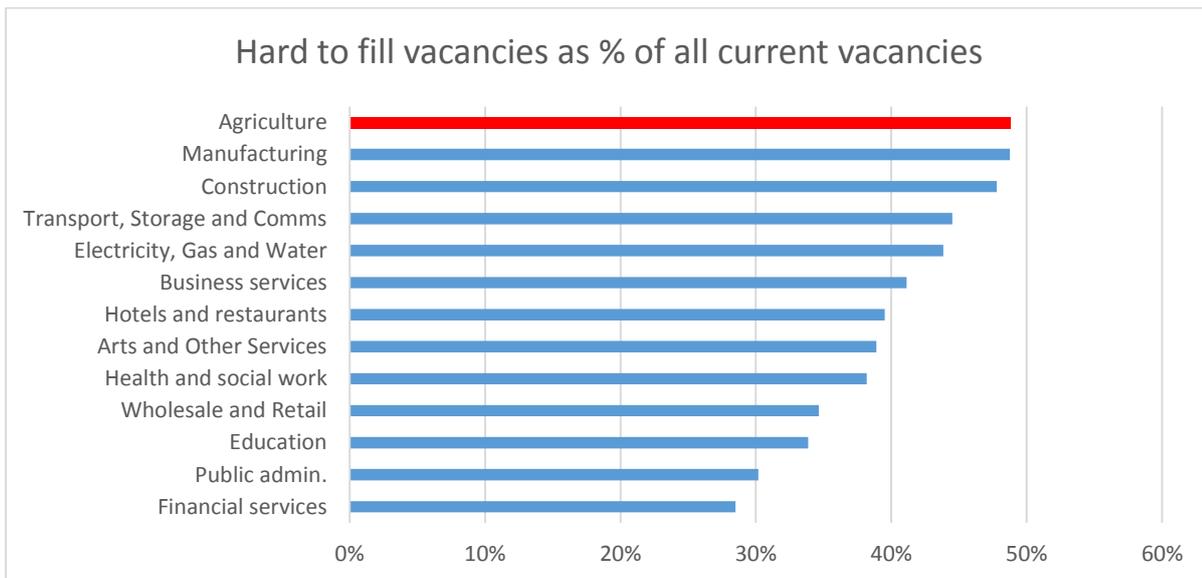
Horticulture and specialist fruit have the highest demand for labour by sector. The chart below shows labour input by Annual Work Unit (AWU) by sector in the UK. All sectors in the UK make use of EU labour, in particular the more labour intensive sectors such as horticulture and specialist fruit.



Source: Eurostat 2015

Attempts to fill vacancies with UK workers have proved difficult in the past. It would appear that UK workers would prefer permanent work, better locations and more sociable hours. In addition, the UK benefit system does not work well for seasonal workers when their contracts come to an end.

If freedom of movement rules change, because much of the agricultural labour requirement is low skilled, EU workers would not be eligible for work visas under the current points based system. A recent study by the Oxford Observatory for the Financial Times points out that in its current form, 96% of migrants currently employed on UK farms would fail entry under the UK system for non-EU migrants. This is because the vacancies being filled would not meet the requirements for Tier 1 or 2. These vacancies are 'hard to fill' by UK workers according to the UK commission for Employment and Skills (details below)



Source: UKCES

So in conclusion, the impact of changes in freedom of movement rules are likely to impact hugely on the availability of EU seasonal labour. This gap is unlikely to be filled by the UK labour force without significant changes to wages and conditions.

What should the Government do to ensure a sufficient labour supply to meet the needs of farmers and food production businesses:

- ***What sort of immigration rules need to be in place to allow farm and food businesses to employ EU and non-EU nationals in skilled, semi-skilled and unskilled jobs?***

AHDB has no role in advising on government policy or lobbying. However, there are some actions/options open to the industry, and that government could take a role in. These include:

1. Schemes to maintain the current flow of EU agricultural labour

The National farmers Union has suggested a number of possible schemes, specific to agriculture, to maintain the availability of labour to the industry. These include;

- Working Visa entry, where the government recognises a requirement for EU seasonal lower-skilled labour
- Seasonal Agricultural Workers (SAWs) type scheme, where EU workers are allowed to work in the UK industry for a defined period of time
- Student agricultural workers scheme similar to SAWS
- Recruiting workers from Commonwealth countries
- Points based system

2. Increasing agricultural labour productivity

The government already has an agri-tech strategy for increasing agricultural productivity, as this is widely recognised as an issue. Key determinants of labour productivity would appear to be management skills and training. This is an issue that AHDB and the wider industry are keen to address.

3. Increasing automation

Although in theory, substituting capital for labour may seem an obvious solution, there are difficulties of increasing automation in many areas of the agricultural industry.

First is the current climate of uncertainty. Given that no trade agreements with either the EU or other countries are likely to be agreed in the near future, producers may be reluctant to increase capital investment at the level required to offset a potential loss of labour supply. Despite interest rates being at an all-time low, uncertainty on future policy is likely to delay investment decisions. Prolonged uncertainty, and declining investment levels leave the industry ill equipped to compete on global markets post Brexit.

Secondly, the practicalities of automation. Some sectors within the industry may well lend themselves to increased automation, but this is not universal. Sectors most heavily dependent on migrant labour, where it cannot easily be replaced by increased automation will be the most vulnerable should EU migration be curtailed post Brexit. An example is the soft fruit sector where current technology does not allow picking of fruits, such as strawberries, without damaging the fruit.

Third, the timescale required would leave industry vulnerable to labour shortages in the short and medium term. In the absence of support for investment, this could lead to longer term hysteresis, with the UK agricultural industry being less competitive in a post Brexit global trading environment.

4. Increasing incentives for UK workers

The government could decide to make agricultural work more attractive by increasing incentives to work and by making temporary seasonal work more compatible with the benefit system.

What contribution could seasonal workers schemes provide to addressing labour shortages?

The previous SAWS, in place prior to the accession of Romania and Bulgaria to the EU, were well subscribed and generally well received by farmers. Uptake was consistently high at around 96% of quota of 21,250. The NFU has suggested that a similar scheme post-Brexit would be one possible solution to the potential labour shortage, in particular for seasonal migrant workers. However, it would not address the issue of the many low skilled workers in more permanent roles in the wider supply chain. Examples include dairy and meat processing plants, which are heavily dependent on EU migrant labour.

What should the Government and the food and farming sectors be doing to attract and retain UK workers for all parts of the food supply chain?

Again, AHDB does not take a view on what the government should be doing. Industry is already well engaged with its potential workforce via schemes like 'Brightcrop' and through links with land-based colleges and universities.

There is still a problem recruiting for the lower skilled vacancies. These vacancies remain hard to fill for a variety of reasons including the pay, hours, remote locations and the nature of the work. Farmers being 'price takers' and with little influence in supply chains are not in a position to increase wages significantly and still remain economically viable businesses. Therefore, in the absence of EU migrant labour or a suitable alternative, it may be that many products currently produced and processed within the UK would be imported post Brexit.