



Camberley House
1 Portesbery Road
Camberley, Surrey
GU15 3SZ
Tel: 01276 509306
Fax: 01276 761076

Email: info@labourproviders.org.uk
Website: www.labourproviders.org.uk

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**Environment, Food and Rural Affairs Committee
Feeding the nation: Labour constraints inquiry**

Association of Labour Providers – Additional Evidence Submission

Contact

David Camp, Chief Executive | T: 01276 509306 | E: info@labourproviders.org.uk

The Inquiry

The Environment, Food and Rural Affairs Committee is conducting an inquiry into the challenges to the food supply chain from shortages of workers.

The Committee invites evidence on the ability of the UK food production chain to source enough workers to produce affordable food and grow their businesses.

UK food production depends on securing an adequate supply of labour to get the harvest in and to process the produce. But farm and factory businesses have reported, both prior to and since the EU referendum, that they find it hard to hire enough workers. Each year farms rely on tens of thousands of temporary workers, with some 80,000 of these workers currently coming from outside the UK.

Key questions for the inquiry to address include:

- What are the economic impacts on farm and food supply chain businesses and on consumers from problems in securing adequate labour supplies?
- 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?
- 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?
 - What contribution could seasonal workers schemes provide to addressing labour shortages?
- 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?

Introduction

The Association of Labour Providers (ALP) is a trade association promoting best 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. The ALP supports and represents its members and provides a range of services to help labour providers achieve social compliance and ethical good practice.

The ALP has approximately 320 organisations that voluntarily choose to be members of the Association on payment of an annual subscription and commitment to abide by the membership regulations. ALP member organisations supply approximately 70% of the temporary contingent workforce into the food growing and manufacturing supply chain. Many of these workers progress to form the permanent workforce for the UK food industry. All organisations that supply labour into these sectors are required to be licensed by the Gangmasters and Labour Abuse Authority (GLAA).

Labour providers operate in a very competitive market largely resulting from the downward pressure on costs exerted by food growers and producers as a feature of operating in a supermarket supply chain. It follows that margins are thin, although just adequate to allow efficient businesses to continue.

ALP's members predominantly provide unskilled workers but also source and supply specialist skilled and semi-skilled workers to the food industry. Market pressures mean that unskilled work is either at, or very close to, national minimum wage (NMW). Few indigenous British workers are willing to work at or near NMW in such roles. For many years, these irregular low-paid jobs have been largely filled by migrant workers, able to earn more than they can in their home country. Depending on region EU workers make up between 70 and 100% of workers supplied by labour providers into the food industry with a national average of between 90-95%, the remainder being British nationals and those migrants from non-EU countries that have been given right of residence in the UK.

The UK is by no means unique in depending on temporary migrant labour, especially in horticulture, as this is a common feature across all developed economies - US, Canada, Australia, Spain, Poland, Greece and so on. This is principally due to the nature of the work being irregular, seasonal and away from urban centres and so not desirable to the resident labour force.

It should be noted that pay rates and terms of employment for temporary agency workers supplied by labour providers are set not by the labour provider but by the hiring client in accordance with the requirements of the Agency Workers Regulations 2010. As such, pay and benefits of temporary agency workers is a cost passed on to the labour user.

The actual hourly rate charged by a labour provider to the hiring client for the supply of temporary workers is ultimately a commercial agreement. Any agreed rate should take into account the particular costs of supply. Hirers of temporary labour that pay unrealistically low rates are knowingly or recklessly conniving in illegality as these rates can only be achieved either through worker exploitation or tax evasion or both.

Evidence Submission

The ALP has previously submitted its position paper [Labour Immigration Policy Pre and Post EU Exit – November 2016](#) and provided [oral evidence](#) to the Committee on February 8th 2017.

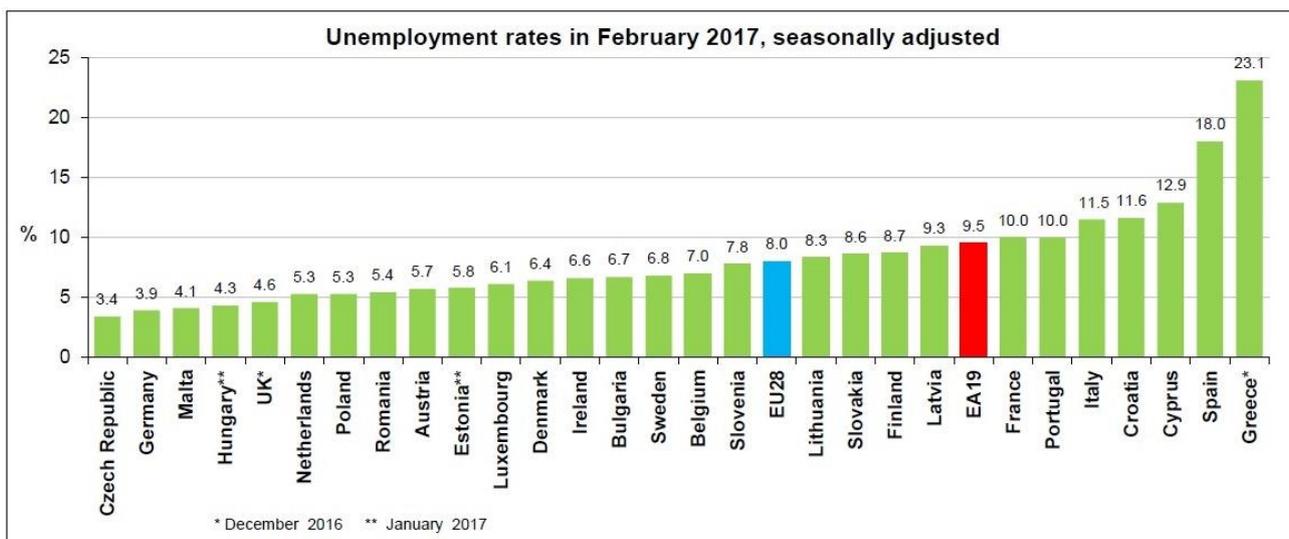
The [final evidence session](#) for this inquiry took place on 15 March. In summary, the Government Ministers said that it wasn't as bad as expected, fears were over-stated and that the sector would cope this year and going forward. Minister of State for Immigration at the Home Office, Robert Goodwill said, *“Subsequently, the stats that have come through from the labour market and net migration figures show that some of those early stories have proved to be a bit of a scare story, based on specific people saying, ‘I am going because of the Brexit vote.’ Looking at the labour market position now, we have not seen people being deterred from coming here. Looking at the economic position in the rest of Europe, we still see very high unemployment levels, particularly youth unemployment levels, in many southern European Union countries, from which people have traditionally come here to carry out this migrant work.”*

This additional ALP submission provides evidence what the situation is like 'on the ground' and expectations with regard to labour supply and demand in the coming months.

Labour Supply – The Current position

Figures from the [Eurostat agency](#) show that Mr Goodwill may have been misadvised when he states that, *“Looking at the economic position in the rest of Europe, we still see very high unemployment levels...in many southern European Union countries, from which people have traditionally come here to carry out this migrant work.”*

The eurozone's unemployment rate in February 2017 fell to 9.5% – the lowest since May 2009 – and down from 9.6% in January 2017 and from 10.3% in February 2016.



Source: <http://ec.europa.eu/eurostat/documents/2995521/7963741/3-03042017-BP-EN.pdf/d77023a5-64cb-4bf5-8181-8f4d3a0ee292>

The “southern European Union countries” with the highest unemployment rates are Greece (23%) and Spain (18%). Both countries use migrant workers - African, Albanian and Asian – to conduct seasonal agricultural work. Neither country provides, or has historically provided, statistically significant numbers of seasonal workers to the UK.

By contrast, the key labour sourcing countries for UK agricultural seasonal labour, Bulgaria and Romania have falling jobless rates and both are below the EU28 average at 6.7% and 5.4% respectively.

Europe's top economies are competitors for EU migrant workers. Of these, the country with the largest GDP, Germany had one of the lowest eurozone jobless rate at 3.9%.

The UK unemployment rate has fallen to a current figure of 4.7% – the lowest level in 12 years. The Office for National Statistics has confirmed that employment continues to run at a record high rate of 74.6%, with 31.85 million people in work – an increase of 315,000 on the year and more than 2.8 million since 2010.

Labour Supply and Demand – The ALP Labour Provider Survey Results

The ALP conducted a survey of its labour provider members in January 2017, with 166 responses, over 50% of ALP members responding. The survey headlines were as follows:

- 21% of labour providers do not expect to be able to source and supply sufficient workers for Summer 2017
- 4 out of 10 client businesses have had to increase wage rates to attract workers
- Over 1/3 of labour providers believe that the quality of labour is worse than 12 months ago as opposed to less than 1 in 10 who say that it is better
- 2 out of 3 labour providers have had to invest more money and resources into sourcing workers thereby increasing the cost of labour
- Over three quarters of labour providers believe that there will be insufficient or lower quality workers in 2017 compared to 2016

The survey results indicate rising labour supply costs and negative impacts on sector output and productivity.

The survey results were as follows:

1. Do you supply workers into (tick all that apply):

Horticulture/agriculture	63%
Food processing and packing	80%
Food distribution and logistics	59%

2. Currently, is labour supply:

Up on this time in 2016	29%
About the same	38%
Down on this time in 2016	34%

3. Currently is the quality of labour (English language, productivity, reliability etc.):

Better than this time in 2016	8%
About the same	54%
Worse than this time in 2016	36%

4. To source sufficient workers (tick all that apply):

We have not had to do anything differently	27%
We have had to invest more money and resources into sourcing workers	64%
Clients have had to increase wage rates to attract workers	39%
Existing workers have had to work extra hours and overtime	31%

5. For the Spring peak in labour demand:

We are confident we will have enough high quality workers	25%
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We expect to have just enough workers but the quality will not be so high	57%
We do not expect to be able to source and supply sufficient workers	17%

6. For the Summer peak in labour demand:

We are confident we will have enough high quality workers	19%
We expect to have just enough workers but the quality will not be so high	58%
We do not expect to be able to source and supply sufficient workers	21%

Labour Supply and Demand – ALP Labour Provider Member Feedback

The picture across the country and across labour providers is never homogeneous. Some labour providers are more successful in sourcing labour than others, some areas of the country have higher labour availability than others.

Christmas 2016 – ALP Labour Provider Member Feedback

As a whole, the Christmas 2016 peak labour demand was the toughest to fill since the Association of Labour Providers was founded in 2004.

The following is a cross-section of comments from labour providers on the Christmas 2016 peak. Each is a direct extract from member feedback to the ALP:

1. The labour availability at all skill levels is significantly down on this period 12 months ago but most noticeably now at the unskilled minimum wage level.
2. A number of companies are having to increase pay rates and/or offer incentives just to try and retain current staff, as well as attract those for the peak period.
3. We have seen more recent foot flow into the offices but we're having to spend more time and money on attracting these people in.
4. Additional recruitment costs are required to attract staff including overseas advertising, UK advertising/media and social media, third party arrangements, worker incentives and advertising on European websites.
5. There seems to be a changing trend on labour in terms of quantity and quality - customers are demanding better quality and higher skilled workers which are in short supply however there seems to be an abundance of low skilled workers and workers whose language skills are poor.
6. The source country for registrations of candidates is evolving - overall registrations coming from within the EU increased by c.14%, with numbers coming from Romania (+44%) and Bulgaria (+70%) increasing as opposed to our traditional sources of labour fell i.e. Poland (-15%); Slovakia (-46%); Hungary (23%). Registrations from Non EEA candidates rose by c.52%.
7. Typically the English language abilities of workers from Romania and Bulgaria are lower than workers currently from traditionally sourced countries. We have had to agree lower English standards to meet demand.
8. We are looking to identify new sources of Eastern European labour for the dairy sector
9. Clients particularly those in areas with no local labour supply are having to consider paying for the transporting of workers as well as accepting lower language abilities and other skills.
10. In rural areas it is becoming harder to find the numbers required with clients having to be more flexible in their approach to recruitment, i.e., providing transport from major towns & cities, relaxing their recruiting criteria, looking at paying higher pay rates, shift premiums and bonuses.

11. We need to support the social needs of workers more primarily with the provision of accommodation to retain high calibre and reliable workers.
12. Labour providers are also retaining workers during quieter weeks so not to lose them to other factories.
13. Clients are having to lower their expectations on the quality of staff.
14. The shortage of supply is being filled to some degree by workers doing higher levels of overtime, but this has clearly put the cost of production up and our manufacturers are suffering because of it.
15. Smaller peak contracts are suffering from a lack of labour more than main contracts.
16. Some clients have looked at starting production earlier in the year and building stock to level out peaks in demand.
17. Labour Providers are having to open extra offices in different locations and take on additional resources to meet supply.

March 2017 – ALP Labour Provider Member Feedback

“Various participants involved in Brexit say that there can be no cherry-picking. People need to realise that there will be no strawberry, raspberry or any other type of berry picking unless action is quickly taken.”

The ALP invited labour provider members to provide factual evidence based input to this inquiry. Each is a direct extract from member feedback to the ALP on current labour sourcing

1. We are a Labour Provider based in South East Scotland but supplying workers throughout South and Central Scotland. The following is our experience of recruiting staff compared to a year ago:
 - Responses to adverts placed locally are down by 31%.
 - Enquiries from abroad are running at 60%.
 - There is a noticeable decline in workers intending to return for the coming year.
 - There is a marked difference in the quality of people that are applying for jobs. They tend to be much older and with a poorer level of English.
 - We are noticing an increase in requests for labour from customers whom we used to supply but then employed staff directly and from potential customers who we have never supplied previously but have either employed staff themselves or used another labour provider. This would indicate that they or their existing labour providers are struggling to recruit workers.

I am in no doubt that it is, and will continue to be, much more difficult to recruit workers as there is a definite diminishing supply of labour.

2. Agricultural labour provider - Application Statistics

Poland - total number of CVs, phone and internet applications received.

2015 – 3346 applicants between Jan-Mar

2016 – 2508 applicants between Jan-Mar

2017 – 1121 applicants between Jan-Mar

Bulgaria

2016 – 700 interviews between Jan-Mar

2017 – 580 interviews between Jan-Mar

What stands out is the higher number of applicants interested in Ireland (by about 50%) – the reason being Brexit and weaker pound.

3. The uncertainty of what lies ahead in term of immigration status coupled with the devaluation of the pound has certainly left the UK a less attractive place to live and work. We are still seeing EU workers coming through but there are also a fair number leaving. We are also seeing the better workers securing higher paid employment and the sector simply can't compete.

We struggled to find enough workers to fulfil our clients' requirements in the autumn of 2016, to the point where we invited three other local labour providers to sub-contract for us. Not surprisingly, none of them were able to assist due their own issue with available workers.

Workers will need to be found from somewhere to meet demand. It's a recognised fact that the sector does not attract UK workers in any numbers. My fear is, are we going to see a rise in the use of illegitimate labour providers to meet demand? The one thing that no one want to see is a backwards step after all the good work done within the sector to date.

4. North East England and South East Scotland mostly supplying food manufacturing and farming
 - In 2016 from 1st January until 30th March we registered 90 EU workers
 - In 2017 from 1st January until 30th March we registered 94 EU workers

However during the same period we experienced a 20% increase in t/o.

Our observations are that:

- All staff are now more scarce
 - Wages have increased which has brought more UK natives into our jobs
 - Original A8 registrants have dwindled to very few, the new registrant migrant workers now being almost exclusively from Romania & Bulgaria
 - If we had more migrant workers our customers would use them
5. Cambridgeshire - To date we have found no evidence that people are leaving the UK due to the Brexit vote. We have had a very few people leave or threaten to leave due to the falling value of the pound. However we are finding that due to the economic conditions of other countries we are still getting plenty of people arriving and have found this "mother's day" peak more manageable even though our required numbers are up by over 50%.
 6. Essex - While the amount of temporary staff we have out each day remains roughly the same as last year, the amount of people we have employed in the office has doubled from 3 consultants to 6. The increase in staffing the office has been triggered by a difficulty in finding reliable staff therefore needing more people to service our clients. We are now relying heavily on non-English speaking Romanian workers and we find it incredibly hard to find any other nationalities available for work. All this means we have had to employ translators both in the office and on site. This of course has led to an increase in overheads while our rates have stayed the same. We cannot sustain this forever and our charges to our clients are going to have to increase.
 7. National - We don't seem to have a problem in finding labour: we are still doing more checks than ever (year-on-year) and adding more people to our database. Now that is being skewed because we are a growing business and winning new sites.
 8. Kent - We experienced an initial panic subsequent to the BREXIT vote driven by future uncertainty, when 4% of our overall migrant workforce pool disappeared overnight, regardless of the level of briefings we carried out.

Without question we have encountered a subsequent reluctance to join the UK workforce from migrants, which has manifested itself not just purely in terms of numbers but additionally a reduction of skills base and flexibility, with the higher skilled workers choosing to migrate to Scandinavia (higher pay rates inflated by exchange) or probably more importantly Germany. There is every indication we will see short term shortages towards Autumn 2017 and into 2018, driven equally by uncertainty and market alignment.

9. National - We have been able to extrapolate the information for 2016/17. It shows the number of EU nationals excluding UK nationals from March 2016 through to March 2017. The rolling quarter average when comparing March 2016 in comparison to March 2017, shows a negative variance of circa 20%.
10. South West - There is definitely a reduction of migration to the South West area especially for "New candidates". We are currently using our ever faithful bank of existing temps. The number of Polish new candidates has decreased a lot, as well as Lithuanians, Slovakian and Czech. From conversations and feedback we are receiving from our temporary workers there is an ongoing trend especially amongst Polish, Lithuanian, Slovakian and Czech candidates of returning to their home countries. The wages in these countries have increased over the last few years to a competitive level which in a current political situation resulted by many people making decisions about returning.
We have some increased numbers of Romanians and Bulgarians which has helped with the labour situation. However, these increases from those 2 countries have only been seen by 2 of our 6 offices which we put down to our office locations in relation to cost of living in the South West / South Coast area.
The general feeling is that the number of Polish, Lithuanian, Slovakian and Czech candidates, often with better language skills and already obtained qualifications, and experience will continue decreasing with some numbers of Romanians and Bulgarians candidates continuing to come over in the next 2 years. However, we do not feel that the numbers will be sufficient enough to cover for the ones who are leaving. Again, labour availability situation will be more challenging for more expensive to live locations. We also expect that over the next 2 years the situation will continue, leaving the industry with significant shortages of trained workers for long term and seasonal contracts.
11. Nottingham - Post Brexit there has been a sharp decline in the number job seekers applying for available roles in the UK. Across all of our web stats, the average decrease in 'visitors' equals 53.7%. This has shown no sign of improvement 9 months later...It's a pretty bleak back drop.

ALP Evidence Summary

1. UK retailers, growers, labour providers, regulators and trade associations have worked in partnership over many years to develop an industry sector comprised of a legal workforce provided with employment rights, with improved standards of accommodation, driving out worker recruitment fees, with high rates of returners and increased productivity and efficiency.
2. The UK Government should not wait for labour supply to the horticultural sector to fail (with the devastating impact this will have on farmers and other businesses) before rushing in a hasty and ill-thought through Seasonal Agricultural Workers Scheme. DEFRA should be acting now to design a model Seasonal Workers' Permit Based Quota Scheme. Whether introduced in 2018 or 2019 such a scheme will be needed in the foreseeable future. DEFRA should be working with the Home Office now to design this scheme.
3. The ALP paper [Labour Immigration Policy Pre and Post EU Exit – November 2016](#) modestly outlines how the UK Government can balance the political sensitivities around labour immigration whilst ensuring a continuing labour supply that does not constrain UK industry and the UK economy.