

Impact of labour shortages: Understanding labour shortages in food systems: an overview

The remit of the FSA is to ensure that consumers can trust in food, ensuring that:

- food is safe
- food is what it says it is
- food is healthier and more sustainable

The FSA is responsible for ensuring that consumers can trust the food that they eat. Its role therefore covers many elements of food, including safety, fraud, price and availability. The agency works with other departments across government, including the Department of Health and Social Care, the Department for Environment, Food and Rural Affairs (Defra), local authorities and others to deliver these outcomes, often adding value rather than assuming a lead role.

We take a holistic perspective to examine the impact of labour shortages on the food system, the risks that have emerged because of these shortages, and the implications for the FSA and, by extension, consumers. Many of the challenges that have resulted in labour shortages in the food system are interconnected and need to be understood as a complex web of interdependent issues, reflecting the fact that food is a unique commodity that transcends nutrition, economics and food security.

Labour shortages in the UK are underpinned by a combination of drivers, including environmental (COVID-19); market (unattractive work for domestic workers and recruitment of migrant workers in some food chain nodes); political (UK's exit from the EU (Brexit)); socio-cultural (training, apprenticeships, and education); and demographics (ageing population and population density). They span the food supply chain and include HGV drivers, warehouse workers, butchers, abattoir workers, veterinarians and, increasingly, staff at Border Control Points (BCPs). It is therefore not sufficient to consider labour shortages in the food system without placing them more broadly within society. Failure to do this means that policy interventions will have limited impact and will not succeed in leveraging support from across government.

This report is set in a context of record levels of flux. Brexit, the ongoing COVID-19 pandemic, geo-political unrest connected to the Russian invasion of Ukraine, rapidly increasing energy prices, rising inflation, and the climate crisis form the backdrop for shortages of key food industry commodities, such as carbon dioxide, raw materials for fertilisers and staples like wheat. In the 12 months to August 2022, prices rose by 9.9% on average. Consumer price inflation peaked at 11.1% in October 2022, this being the highest annual inflation rate since 1981, it has since dropped slightly to 10.4% in February 2023 (ONS 2023).

We provide an extensive analysis of labour shortages in the food supply chain and the risks associated with these shortages. We take a systems approach to our analysis, recognising the breadth of issues that impact on labour shortages and the interconnections between the different parts of food systems. We draw from grey literature, including submissions made to the EFRA Select Committee on labour shortages in the food system (2020 and 2021)¹; our own ESRC funded project, 'Feeding the nation: seasonal migrant workers and food security' (feedingthenation.leeds.ac.uk); our own analysis of the UK Labour Force Survey (LFS) (quarterly

data from the first quarter of 2016 to the latest available quarter corresponding to the third quarter of 2021); and interviews with FSA staff.

For this research, we view labour shortages as occurring in instances where the numbers of workers with a given skillset required to run the operations in an industry, sector, or specific node of a supply chain exceeds the number of skilled people available to work or willing to take up employment at the current level of remuneration for the skillset. Independent advisory groups such as the Migration Advisory Committee (henceforth MAC) have established a methodology to better understand labour shortages. We follow MAC's four sets of indicators, which together provide a 'top down' assessment of shortage:

- a) Employer-based indicators – ability of employers to recruit and rising vacancy rates, typically reported from surveys and is limited by what employers choose to report.
- b) Price-based indicators – where there are labour shortages, wages should rise, thus raising supply. From this we can deduce that rising wages provide an indication of shortage.
- c) Volume-based indicators – increases in employment or in average hours worked may indicate rising demand as the existing workforce is utilised more, pointing to a shortage. Equally, low unemployment in a sector may indicate shortage.
- d) Indicators of imbalance – direct focus on vacancy levels within an occupation. High vacancy/unemployment ratios and increases in average vacancy duration indicate that employers are finding it more difficult to fill vacancies.

1.1 Types of labour shortages in food systems

From the evidence reviewed, we identified three broad types of labour shortages that affect the UK food system and pose potential risks for the FSA (see appendix A2 for further details):

- i) Weak seasonal labour shortages, resulting from the inability to recruit enough seasonal workers who are willing, able and qualified to fill the vacancies created by the sudden disruptions to labour demand and supply dynamics.
- ii) Incentive-driven labour shortages, underpinned by long-standing industry and regulatory constraints, which affect the ability to recruit and retain new labour to augment an aging and experienced labour force due to non-competitive working conditions, incentives, wages and overall attractiveness (EFRA). This form of labour shortage in the industry is characterised by a high rate of voluntary redundancy, job switching, and retirement along with a low rate of attracting, recruiting, training and retaining new employees at current work incentives (wages, ease of migration, welfare and working conditions) (Office for National Statistics, 2021a)?.
- iii) Skills underutilisation-driven labour shortages, which arise when there is a viable pool of labour supply in the economy, but it remains underutilised due to structural (for example, technology or regulatory changes), regional (for example, location or infrastructure-driven), or frictional unemployment (for example, COVID-19, furlough policies, Brexit). Underutilisation shortages are largely due to the inability to access and match the skills, training and certification requirements of the existing labour pool to the skills and training required to carry out such roles.