HOUSE OF LORDS

Economic Affairs Committee

Corrected oral evidence: UK labour supply

Tuesday 18 October 2022

4 pm

Watch the meeting

Members present: Baroness Noakes (The acting Chair); Viscount Chandos; Lord Fox; Lord Griffiths of Fforestfach; Lord King of Lothbury; Baroness Kramer; Lord Layard; Lord Monks; Lord Rooker; Lord Skidelsky; Lord Stern of Brentford.

Evidence Session No. 7 Heard in Public Questions 69 - 75

Witnesses

I: Nadra Ahmed OBE, Chairman, National Care Association; Tom Bradshaw, Deputy President, National Farmers Union.

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Examination of witnesses

Nadra Ahmed and Tom Bradshaw.

Q69 **The Chair:** We now have an evidence session on two further sectors, the care sector and the agricultural sector. I am going to ask each of our witnesses to introduce themselves before we get going with formal questions.

Nadra Ahmed: Hello, I am the executive chairman of the National Care Association. We represent small- to medium-sized care providers across the country, which make up about 82% of the care market. I am also the chair of the Care Provider Alliance, which is an alliance of the top national bodies that represent care. That includes the corporate providers and the not-for-profits. That alliance is about 70% of the entire social care market.

Tom Bradshaw: Good afternoon, I am NFU deputy president. I farm in Essex. We represent 47,000 members across England and Wales across all farming sectors.

The Chair: Thank you very much. I am going to start with a question about the background to our inquiry. We are looking at what is happening to the labour market now, but I want to start with a bit of context, which is the labour market issues you were facing in your sectors before Covid hit, so that we can differentiate longer-term issues from what has been happening more recently.

Nadra Ahmed: For the past, nearly two decades, there has been a challenge in social care that has had to be managed. The demographics are clear that we need more care. What we began to find pre-Covid was that we were looking after much frailer people. They are people who used to be looked after in hospital settings but who are now in care settings—people with very complex care needs, people who are stroke recovery, Parkinson's, dementia care and all of that.

That means that we need more of a workforce. It is not the traditional cream tea society social care; it is a much more complex role that we fulfil. That also means that we upskill them much more. As a comparator, if you are in a hospital setting, a nurse will give you your medication. If you were in a care home setting, a trained social care member of staff would be giving you your medication. The roles have changed considerably.

Pre-Covid, we had 140,000 vacancies in our sector. This was growing; it was gradual over a five-year period. The hard Brexit did not help us because we saw our European colleagues leave, not only because they felt unwelcome or there were going to be more complexities for them to stay but because of the economic impact of the strength of the pound. Some of them were here working and sending money back home. It no longer was something that they thought would be worth their while. We had started to see that happen pre-Covid. I will stop there because I am sure you do not want me to tell you what happened post Covid yet.

The Chair: Not yet, thank you.

Tom Bradshaw: For us, it goes back to the decision taken to leave the EU. That created the start of the challenge in the labour force. The restrictions to movement did not come in immediately, but a lot of our eastern European workers felt less welcome here. There was also a financial element to it—as the pound began to revalue against the euro, there was not the differential in pay that they had been used to, so there was no longer the incentive to remain over here.

Ever since that decision, the labour market has tightened significantly, particularly around seasonal workers but also dairy technicians and poultry workers, where a lot had been coming from the eastern European marketplace. For the employees who were coming over here, there were great opportunities. They could earn a significant amount of money compared to their home economy and were sending a lot of money back to their families in those eastern European countries. Therefore, that was the line in the sand.

When we saw the end of freedom of movement, we knew immediately. As there was no way of topping up the pool, the returnee rates that we had been seeing—which at one point were about 45% to 50%— are now below a third of returnees to the businesses. Because we are not topping up that pool of talent every year, inevitably some return home permanently and some move into other sectors. Therefore, even those with settled and pre-settled status are no longer filling the roles that they were previously, because they have either returned to their countries of origin or they have moved into other careers, which is what has happened right the way through under the freedom of movement with those eastern European workers.

It has been very challenging and then Covid hit and started another very intense period of recruitment that was difficult for different reasons, but we have to go back to the decision to leave the EU as being the key moment that changed the labour market.

The Chair: Your industry in particular is marked by a very high dependence on overseas labour.

Tom Bradshaw: Particularly in the seasonal workers—the majority of the seasonal workers are from overseas, 98% to 99%. During Covid, we had a real campaign to try to recruit from the UK workforce, because a lot of people were on furlough and were able to take a second job. Even in the Covid period, we got up to only about 10% of the workforce being from the domestic workforce.

However, because of the seasonal nature of these roles and the very low unemployment levels that we have in the economy, it is not realistic to expect the UK workforce, the British workforce, to fill these vacancies, because they are often in rural areas where the unemployment is not. Also, there are so many vacancies available that the more attractive jobs for the UK workforce are those full-time roles. Therefore, it has proved very difficult probably over 30 years. Particularly since the early 2000s, we have become incredibly reliant on that eastern European workforce for those seasonal roles. The poultry worker roles, the dairy technicians, a lot of those vacancies have been filled with eastern European labour.

Q70 **Lord Layard:** Moving on to the present, what are the main causes of the shortages in both your sectors? Is it that more people are leaving, or is it that it is more difficult to fill the posts of those who leave? What are the differences between skills, for example, and do you have any explanations for why you have got into this situation?

Nadra Ahmed: From the social care perspective, we have to think about the image of social care, which is extremely poor and it does not have a career pathway. We do not have a formalised career pathway. Recruitment and retention is high on everybody's agenda. Today I have spoken at two different conferences, one to finance directors across the road from here and one was to providers. The main challenge they all face is about recruitment.

If we try to analyse why, we have not made it very attractive to work in social care. Pay is an element of it—there is no doubt about it—but we also have not made it very easy. We also should not underestimate the value of the work that goes on in a social care setting. It is very, very stressful and it is not valued very much. People are moving out of social care. Certainly post-Covid we have noticed this. There is a huge amount of turnover because people are extremely stressed and there is an enormous amount of fatigue. We do not have queues outside. We used to think that when unemployment was high, we would benefit and people would come, but now we have the big retail companies, we have people like Amazon, who are willing to pay much more.

Therefore, for our sector, pay is also part of the challenge—of course, it is. If you take into account the average fee for a local authority-funded person in one of our settings, it is around £650 a week. That is the fee that local authorities negotiate. I have also heard of less than £500, which is outrageous because we are looking after very challenging people. If you break that down, that works out at about £3.86 an hour, and if you start to look at what we want to pay our staff, it just does not fit. We would like to pay our staff a lot more than what people assume, the £9.50. We would very much like to do that, but the math is not there to fit it. Of course, there are care settings that charge much more. They are the more corporate size; I am talking about the smaller providers here.

Retention is a whole different subject and that again goes back to value. It is how people feel about the role that they fulfil. It is quite a thankless task, because you are dealing not only with the people who need your love, care and attention on a daily basis but with families. I speak from personal experience. My father is in a care setting. He is 92 years of age.

Yesterday we were told that he would have to leave that home and we have 10 days to find somewhere else. That is challenging. It is very challenging for me to be sitting here giving evidence when I am trying to work that out. However, that is not the fault of the staff. The staff are doing the very best that they can, but the level of care they are having to give him is such that they need more people to be doing it. It needs to be a much greater solution. There are many people like my father in care settings who do not have the mental health support that they need, so it is a real challenge. Staff are fatigued by it; they are working long hours.

Lord Layard: How much of that would you have said three years ago if we had been having this conversation? You have an unprecedented level of vacancies now. Is Covid the extra factor?

Nadra Ahmed: Covid has been the straw that has broken the camel's back a bit. We have 165,000 vacancies at this moment. I am grateful to Skills for Care for providing the statistics for me. I was speaking to a politician not very long ago, who is now in the Home Office. He said that the numbers might be even higher, because it is difficult to know. However, on a given day when the stats were picked up it was 165,000.

Tom Bradshaw: We have to accept that the work in agriculture, particularly the seasonal work, is hard, very monotonous and in all weathers. It is pretty hard yakka, and it is not the most appealing job for the domestic workforce. That is a challenge we have, but that is where food is produced and so we have to face that challenge. It has been more attractive for the eastern European workforce because of that wage differential with what they would earn at home.

We know that wages have risen by over 35% in the last five years for those seasonal roles. A lot of that has to do with the national living wage setting the baseline, but wages have significantly increased within the sector. However, to see any higher wage rises, we have to find a way of passing that through to our retail customers and ultimately it is a food price inflation challenge. There is a real squeeze on margins and there is no spare money. Particularly at the moment, the horticultural sector and the pig and poultry sector are under incredible pressure. With all the inflationary pressures being faced, there is no spare money, and it is a case of how we maintain production into next year.

Automation is very challenging for many sectors. There is a lot of investment into automation going on but there is no simple solution. Even the review that Defra led recognised that there is no silver bullet that is going to transform the labour market overnight, and we are five to 10 years away from automation leading to a substantial change. Even then, there are roles that will never be automated. If you think of something like a daffodil crop, you pick a daffodil field four times. Because it is not destructed and harvested all at once, it is difficult to automate without ruining the rest of the crop that is left in the field. That is very challenging. There are big advances in some of the broccoli varieties that robots are now harvesting, and cabbages and things like that. There are efforts going into it and into strawberries, but it is a long way from being the solution that reduces the labour force requirement.

We know that 1.3 million workers left the UK during the Covid crisis. That has left a big hole. Because of the end of freedom of movement, it has not been possible to fill that gap. Therefore, there is a significant gap that everybody is feeling across the workforce, coupled with those who have taken a decision to remove themselves from work early—retirement, early retirement in many situations. There is a significant number of people who are no longer available for work, and that is being overlooked.

We have an immigration policy at the moment that is not fit for the future of food production in the rural economy. I think that there would be somebody sitting next to me who would say it is not fit for other things as well. It is incredibly restrictive, and it is limiting economic growth significantly. We know that in the first six months of this year there were £60 million of crops in fields that went unharvested because we did not have the workforce required. At a time of massive food price inflation, it is simply not acceptable to have those levels of food waste. They are some of the big challenges where we sit here today.

Lord Fox: Going back to the care sector and leaving aside wages for a second, you talked about the job being unattractive and there being no career paths. Surely that is in the hands of your members to create those career paths and make the roles more attractive, irrespective of what they are paying them. What has got in the way of doing those things in your industry and your sector?

Nadra Ahmed: A nationally accredited system would have to go through the department for a curriculum that would be acknowledged and recognised. If it was going to go into universities, for example, or if it was going to go through a vocational route, that has to go through a process. Skills for Care is the national body that represents the workforce on behalf of social care. We have tried many times to get this through so that we can create a curriculum that would be acceptable across the board. There is an induction standard that has been approved and is accepted, but that is not a career pathway; it is an induction pathway.

Lord Fox: Is it the Department of Health and Social Care that has to approve it?

Nadra Ahmed: Yes, it needs to work with us and with Skills for Care to do that. I was the vice-chair of Skills for Care for about 11 years when it first came into being, and we were pushing for this to happen at that time.

Lord Fox: You were pushing the Government on this?

Nadra Ahmed: Yes. We want the curriculum.

Lord Fox: So the Government are the sticking point in getting this done?

Nadra Ahmed: It is the recognition and acknowledgement of what that curriculum might look like. It cannot be out of the will of man to look at what the NHS curriculum is for healthcare assistants, for example, and try to work that through. We need a career pathway; we are desperate.

Lord Fox: Perhaps if we get a representative from that department, we can ask them that question at the time.

Nadra Ahmed: That would be amazing.

Lord King of Lothbury: You mentioned some numbers about the care sector. I want to check that I understand what the numbers are. Can you say again what the £650 a week was for?

Nadra Ahmed: That is the fee paid for a local authority-commissioned bed. We have to tender with local authorities to have a contract so that they will then send people to the care setting. That might be coming out of hospitals or wherever. That is for a social care bed. Nursing homes are a little bit more, probably about £750 or £800. That is for a week's 24/7 care.

Lord King of Lothbury: That is very helpful, thank you.

Baroness Kramer: I want to push on the question of a career pathway, to understand. The care industry is very fragmented. Are you saying that if there is to be a training route, that has to be provided in conventional education settings? I am trying to understand why it is something that the providers cannot deliver but it needs engagement with government to deliver. Could you help with that?

Nadra Ahmed: I have not explained it properly. If we think about the standard NVQ, it came through and there was an NVQ for social care. We could put our staff through NVQ 2, 3, 4 and upwards. Then it came to about 4 or 5, which was about A-levels, and then they can go up in different pathways. They have now disbanded it and made the qualifications different so many times that there is not a pathway to follow where the whole sector can say, "This is the standard that we want". It keeps being changed. There is an evolutionary methodology that is not helpful because it does not have time to establish itself and move forward.

Baroness Kramer: So it is not consistent, and it does not resolve itself into a pathway.

Nadra Ahmed: No.

Q71 **Lord Griffiths of Fforestfach:** I would like to ask a question about recruitment and what companies could do. I once chaired a company that had about 100 care homes, Westminster Homecare, and I visited quite a lot of those homes. One of the challenges I felt was how we could raise the pay of the lowest, of what looked like the most menial worker: the person who has to do the beds, clean the place and so on. You think immediately, "What extra skill can they have to do it?", and you do your best. I found time and again, if you were going to pay people more, you wanted greater productivity. To what extent could we get companies—rather than just the curriculum, but companies themselves—to take initiatives in order to do this?

Nadra Ahmed: There are companies doing that and yesterday I sat through 30 applications for care awards and I could see what people are doing. There are lots of things that people are doing to try to raise the level. Sadly, there is a bit of a glass ceiling because if the income does not match what you pay, that becomes a real challenge. This is where the black hole is. The Health Select Committee a few years ago came up with the £9 billion figure for the gap in social care. If you think that we contribute £51 billion into the economy as a sector, we should be able to do something a bit more.

Providers are trying to do a bit more. Post-Covid, this has become much more live in the minds of providers, and they are trying to do that. I should say that every individual in a care setting, in whatever role they are, makes the difference to the well-being of the individuals who we care for.

The Chair: I am going to have to move us on.

Q72 **Lord Skidelsky:** We have been inquiring into the causes of the rise of the inactivity rate among the working-age population of this country between 16 and 64. In the course of that, we have had evidence about various push factors that may have been pushing people out of the workforce, like long-term sickness or retirement and so on. However, the evidence this afternoon from Tom Bradshaw has been that those are not important things at all. The big push factor has been the push of EU migrants out of the UK, and that explains the shortage of labour in the agricultural industry. I do not know how important migration is as a factor in explaining the labour market in the care sector, and therefore whether what has happened to it there has had any effect relevant to our inquiry. To what extent has migration been a factor in the care sector, and to what extent has sickness been a factor in the agricultural sector?

Tom Bradshaw: We have no evidence for sickness in the agricultural sector. We have not been able to submit anything to you because we do not have that evidence of long-term sickness being a big factor. We have very static employment numbers so we are struggling for evidence on that matter.

Nadra Ahmed: Migration has always been a part of the health and social care workforce. It is about 8%, from memory—I am thinking back to the last stats I saw—so it is not a huge amount, but it is enough to cause instability when we lose it.

Lord Skidelsky: By "a huge amount", could you put a percentage on that?

Nadra Ahmed: About 8%.

Lord Skidelsky: In terms of the care sector, the main causes that we are investigating would be, to you, the right ones—long-term sickness and that kind.

Nadra Ahmed: When I opened my first home in 1981, I could operate 40 residents in my care setting with three full-time staff—three to four, four maximum—because the people who were coming into my setting were ambulant and mentally alert. It was just that they did not want to live alone. That is where it was.

What we have now is people with such complex healthcare needs that you need twice that number of staff in a building. The need for the workforce has increased substantially, which is why we have this gap that we cannot fill. It is not a profession that is recognised as a profession because of the qualification agenda or whatever people may want to refer to, but it is a very different world. Through Covid, we were running mini-hospitals.

Lord Skidelsky: So you have had an increase in demand unbacked by an increase in supply.

Nadra Ahmed: Yes.

Q73 **Lord Stern of Brentford:** I want to pursue further on long-term sickness and how you see it in terms of people in your employ who leave because of long-term sickness and indeed people in your employ who do not leave because of long-term sickness but are on sick leave for significant lengths of time. If I understand it, farmers on the whole are fairly old relative to other professions. Is that age factor significant in long-term sickness?

Tom Bradshaw: In farming, we do not have the evidence for long-term sickness being a problem, but you referenced the age of the workforce. The evidence would suggest that the average age is 57 or 58, which is going the wrong way as well, increasing rather than decreasing. That evidence is slightly dubious because that is the age of the farmer who is signing the application form, rather than the farmer who may be responsible for managing the land, or the sibling or son or daughter who may be running the business. Therefore, I do not necessarily believe that average age.

What we absolutely have to do is make sure that farming and food production in the wider rural economy is seen as a career of choice. At the moment, I do not think that we have done enough to that. However, we are working with Defra on something called the Institute for Agriculture and Horticulture, which is a place for lifelong learning and career development, continued professional development, and trying to maintain those who we have in the industry and give them a career path as well as attract new entrants. We are working on that actively at the moment and we are into a five-year funding programme with Defra. We hope that it will stand alone on its own two feet at the end of that, a selfsustaining business model. It is important that we do take responsibility for trying to attract new entrants into the industry.

Lord Stern of Brentford: You were very clear that you do not have the numbers on long-term sickness, but is there any impression that you are losing people because of accidents, nervous breakdowns or that kind of thing?

Tom Bradshaw: There would be evidence that the mental health pressure on our workforce is as great as it has been. We have not had good evidence on it historically, so whenever we do collect evidence, it is always incredibly worrying to see the pressure the workforce is under. We also do not have a good health and safety record, which we know about, and unfortunately that is something that we cannot be proud of, but I do not think we have any substantive evidence that that is where the root cause of the issues are.

Last year, during Covid, we co-ordinated the whole of the farm to fork supply chain with UK hospitality and others, and it represented about 4 million workers. There was 13% unemployment, or unfilled vacancies, across that, which was about 500,000 workers. The whole farm to fork supply chain is under significant pressure, and if you think about UK hospitality you see that they are often seasonal jobs as well. There are some big challenges being faced, and as I said earlier, I think it is restricting economic growth.

Lord Stern of Brentford: On the care side, do you see people in numbers becoming sick and leaving, or being on sick leave for extended periods?

Nadra Ahmed: During the pandemic, sickness doubled, so we had 8.1 days of average sickness happening through it. Since the restrictions have been relaxed, the sickness levels have come back down, and I think in August of this year it was just over 6.2 days.

Sickness has become an issue and I think some of that is pandemic-related, but it is returning to a more pre-pandemic level. People are not generally leaving because of that. I think people are choosing to leave, especially senior leaders, registered managers, which is a worry for us, because we do not have the management structure coming back up. We are seeing that people are leaving more because they are making a life choice to retire early, and they are deciding that it is too stressful.

We have a WhatsApp group for all the registered managers across the country within the NCA and there are not many days that go by when a manager does not say, "This is my last day at this. I've decided I am going to go and do something different", so people are making life choices as well at earlier ages.

Lord Stern of Brentford: When we break down those big numbers of dropping out of the labour force—I know that people who leave your places are not necessarily dropping out of the labour force—it seems to be more in both cases on the retirement side rather than the long-term sickness side.

Nadra Ahmed: Yes, and some of them go on to different services. What we have noticed with the smaller providers is that when somebody leaves they are either going to join the NHS—which is also a route for them, because they get better terms and conditions there—or they join one of the corporate services, which are larger services.

The SME market is specifically challenged by this. It is almost like a training ground. We just wish it would happen the other way around as well, where when they get tired of the NHS they will come into social care.

Viscount Chandos: This is a question for Ms Ahmed because it is still on long-term sickness. To what extent do you think there was a rising trend pre-pandemic? You have described the rise and to some extent the fall since the start of the pandemic, but do you think it was on the rise anyway?

Nadra Ahmed: If I am honest, it was never brought to my attention as being an issue. No statistics were ever given to me to say that this was beginning to look a bit worrying. I think the pandemic has made differences. I will not say that stress levels were not high, because we did hear about stress levels being high, and we were working with several well-being companies to try to get people into care settings so they could have counsellors to talk about their challenges. An interesting aside is that, quite often, we found that people who were under high levels of stress also had very challenging home situations, and the two together were just too much.

Viscount Chandos: Do you think that the bar has rightly been lowered? With the British or English tradition of stiff upper lip, do employers recognise that stress and mental health issues must be addressed?

Nadra Ahmed: Absolutely.

Viscount Chandos: So in turn employees feel that they are more able to say, "I need help and I need time off".

Nadra Ahmed: Absolutely. There is a marked difference in the attitude from employers to bringing in additional support, because the retention of staff is such a key part of what we now are trying to do. Recruitment is important, but of course to build up a good staff group you need to retain people. More and more of the providers that I speak to are doing much more to try to address the issues of people's mental health and their stability.

We get criticised for the zero-hours contracts scenarios, which is a really open and consistent criticism of our sector, but some of our staff are leaving to work in agencies so they can have zero-hours contracts and that flexibility to work. The agencies are then sending them back into our care services at twice the price, but that is a life choice. Definitely I think providers are working much harder to retain their staff by supporting their well-being.

Viscount Chandos: Could you point to any moment at which on the mental health issue there was a change in attitude, whether it was cultural or legislative?

Nadra Ahmed: I think that the pandemic has had that impact. I also think that it has had an impact on providers. There are providers with very severe mental health issues as well. They are very worried now with the energy crisis and all those things—when you have been used to a £1,000 bill for your energy and you are now looking at £9,000 for that month, where are you going to find the money?

It is a slow burn now, but we are hearing of many more care homes on the market. A survey was done in the south-east by five regional care home organisations, and they came up with a figure of over 50% of care providers who were thinking about exiting the market.

Lord Monks: This is tangentially following up about the care sector. There has been an increase, or at least I think there has—perhaps you could confirm or not—in private equity operations in the care sector, which suggests that there is quite a lot of profit to be made if you do certain things and run the homes in certain ways. That suggests to me that there could be scope, at least in some of the sector, for better terms and conditions than seem to apply. Rather than ask, "What can the Government do to help?"—I am not saying you are saying that, but some are—there are certain practices that seem to be going on in parts of the care sector that suggest that there are handsome profits that are not being translated into decent terms and conditions.

Nadra Ahmed: Thank you for that question. I represent small to medium-sized providers who own the property, and it is their mortgage that they must pay. With private equity, you are right: that is more in the realms of the corporates with the 200 homes and 300 homes, where there is private equity coming in. They manage their businesses in a very different way and they are managed as a business. You are right: they are also charging £1,600 or £1,800 a week for a bed. It is a sector of two halves, almost.

The demographics are clear that we will need another 400,000 people working in social care by 2035, which is not that far away. The need for social care is going to be greater. We must not forget that we also have the home care market within the social care market. Yes, there is probably a methodology for businesses that can see that route, but I can only speak for the small to medium-sized providers.

Baroness Kramer: It is a very small question, so that I can understand this a bit better. You basically said earlier that a decent offer from a local authority would be only £650 a week. Is it then the SME sector that is basically supporting the clients that come via local authorities, and are the large corporates dealing with a different and private clientele, or do the large corporates also take local authority people but subsidise the low amount that they get from the local authority by adding to the charges of the individuals who pay their own way and pay those higher fees? I am trying to work out how dependent the local authority sector is on the group that you represent?

Nadra Ahmed: You have understood it correctly. The SME sector is the majority of the sector in local authorities, and they are the ones who will be signing the contracts, but the larger corporates have the buying power to negotiate better rates.

Baroness Kramer: Is this with the local authority?

Nadra Ahmed: Yes.

Baroness Kramer: So, in other words, for the same patient or the same client, they could pay a different rate to you that they pay to a large corporate, presumably making the same provision?

Nadra Ahmed: Yes, and I know that for a fact, because I have seen it happen. When we were looking for somewhere for my father, when we were looking at homes in the corporate sector, the local authority was willing to pay a certain amount, whereas they would not pay the same amount to a smaller provider.

The Chair: I think we are on the economics of the care sector, which is not what we were here to talk about, so perhaps we could go back to our questions.

Q74 **Lord Griffiths of Fforestfach:** How do the labour market wages work? Normally you would expect when there are so many unfilled vacancies that wages would be rising. It does not seem that that is happening. Can you tell us a bit about that? Also, are there other ways that the market would get around it; for example, by increasing benefits in one way or another or increasing flexibility to meet the increased problem of shortage?

Tom Bradshaw: For us, the national living wage has been the baseline. We have to divide slightly between seasonal and the permanent workforce, but particularly for the seasonal workforce, the national living wage is the baseline and a lot of those workers are earning piece rate. We have seen that wage level increase by 35%, as I said earlier on, over the last five years based on a significant increase in the national living wage, which generally, given the cost of living crisis, we have been supportive of. We need a workforce that can afford to live in the rural areas and be able to thrive, so I think that is not a problem in itself.

What we have seen this year is that seasonal workers who were on the seasonal worker scheme had a higher wage rate set than the national living wage. That created huge complexity within businesses, because, under the Modern Slavery Act, retail businesses are not allowed to have that wage differential for people doing the same job. It meant that the baseline wage increased from the national living wage to the wage that was set under the seasonal worker scheme, so there was an 6.5% increase in wages that was completely unbudgeted.

It has been very difficult to pass that through the supply chain. Nobody could predict that it was going to happen, so you had completed a negotiation potentially with a retail customer and then you were looking for another 6.5% on the labour cost, which was just one of the inflationary pressures that were going on.

The evidence we have from the seasonal worker scheme is that the average wage has been over £10 an hour for the last three years. As daffodils are harvested in January, February and March, it was the first sector dealing with the end of freedom of movement. At the end of that season, we did a case study on the daffodil sector, and the average wage was just over £12 an hour for the seasonal workers.

Within the permanent workforce, trying to compete with other sectors, wages are far higher. There are some national living wage jobs, but there are also many skilled jobs that are way above the living wage, and so there is competition going on in that marketplace. We know that last year butchers were being paid £15 an hour in processing plants, and they still could not find the butchers that were required.

Wages themselves have not solved the problem, because, so often, where the vacancies are is not where the unemployed are. That dynamic is an incredibly difficult one to square, and wage growth will not do that—or has not done it to date. There will come a point where wage growth would, but then the business is unviable. Passing that through the retail supply chain is where the challenge lies.

Nadra Ahmed: From the social care perspective, can you tell me which bit of that you want me to answer?

Lord Griffiths of Fforestfach: Basically, if you have a shortage of staff in your homes, as an economist I would say that if you paid a higher price, you would likely get people. At present, we are not seeing wages keeping up with inflation.

Nadra Ahmed: Yes. What I have tried to say is that the providers are not in a position where they can, because their income is not sufficient for them to increase that to that level. Let us think about local authority fee setting, which happens in April—sometimes we do not know what it is going to be until June, but they are supposed to declare it by April. The increase will be 2%, when we know that the national living wage has gone up by over 6%. The provider must find that difference to comply with the law of the land. There is only so much you can do because there are other pressures, such as cost of living pressures, that will also add to what you need to increase.

I do not think that it is something that providers do not want to do. I have been vilified for saying this in the past, but we want to see rates of at least 15%. Providers have come back to me and said, "You should be saying much more, because our staff are worth much more", but the only way we are going to be able to do that is if we are funded to do it. When the national living wage goes up, we are not funded to pay that differential. It comes out of what the provider's income is.

Tom Bradshaw: Can I add one more point on that? The challenge we probably both face in this is that, with the number of vacancies there are right across the economy now, however high the wage inflation is in our sectors, there are other sectors that are capable of matching or increasing that. We will never get to a point where we are able to pay more than some of the private or other sectors are able to. It is an employee's marketplace at the moment.

Much as people are trying, and members have tried, it is very difficult to make the unemployed fill the vacancies—that is incredibly challenging—or to match the wage growth in other sectors. There are unique challenges for both sectors about the pressures in recognising fair pricing, or the margins that need to be delivered right the way through the supply chain.

Lord Fox: Very briefly, I think it would help to finalise this picture of misery that you have painted to ask how much of your total input costs is labour, as a percentage? Obviously, your sectors are different, so broadly and on average, is it half, 10% or what?

Tom Bradshaw: You can go from probably less than 10% in some businesses to more than 50% or 60% in fresh produce. It is highly variable across every sector, and even within fresh produce it is highly variable from less than one-third to more than two-thirds being labour costs. It is very difficult to generalise.

Lord Fox: So the difference is the difference in product?

Tom Bradshaw: Exactly, yes. With something like potatoes—machine harvest—you need people grading, but it is mechanised. With something such as strawberries or raspberries, we rely on the dexterity of the human hand and it is very labour-intensive, so it depends sector to sector on where you are. With milk production, you cannot produce milk without people. The labour cost as a whole is a small part of the total cost, but if you do not have the person, you do not have the milk.

Lord Fox: Are you seeing a move by farmers away from the high-labour produce into the lower-labour produce, which would be the market's response?

Tom Bradshaw: We are seeing a contraction in the horticultural sector, for sure. The challenge we face today is doing everything we can to minimise that change. With the global pressures on food production as great as they have been since the Second World War—and I think that is very realistic with where we sit today within the energy and Ukraine situation—I think it is incumbent on all of us to try to minimise the impacts on food production domestically. We are seeing not just because of labour, although labour is a key issue in it, but because of all the inflationary pressures as well that the sectors that need to expand—and this applies to multiple sectors, including pigs, poultry and horticulture—are all contracting at a time when we need them to produce more. That is incredibly concerning.

Lord Fox: Finally, I would imagine that the percentage of input costs in the care sector is more.

Nadra Ahmed: Much more, yes. About eight years ago, it was between 40% to 60%. Now it is between 50% and 70%.

Q75 **Baroness Kramer:** You will have heard people say, "Well, the cost of living is going up. There has to be one benefit from that. A lot of people who are inactive but could work will now decide to go back to work". Are you seeing any of that in your particular sectors, changing the minds of those who had anticipated that they might retire?

Tom Bradshaw: I can say very simply that we have no evidence of that, and I think it is highly unlikely that they will fill the vacancies that we have available.

Nadra Ahmed: No. We are not seeing any major increase, and it is important for me to point out that not just anybody can do social care work. It is a very specialist industry, and not everybody who walks through the door can be a good carer—and we need good carers.

The Chair: Thank you, both, very much for your time this afternoon. It has been a very interesting session from both of you. I feel that we did not get quite as much on agriculture and that is probably because your problems are more narrowly defined.

One thing that besets our inquiry is lack of data. If on reflection you can think of any data sources that are within your organisations that illuminate some of the questions we have been probing on, we would be most grateful to receive them from you.