

Scottish Affairs Committee

[Oral evidence: Labour shortages, HC 879](#)

Tuesday 16 November 2021

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Members present: Pete Wishart (Chair); Mhairi Black; Deidre Brock; Wendy Chamberlain; Sally-Ann Hart; John Lamont.

Questions 1 - 59

Witnesses

I: Martin Reid, Director of Scotland and NI, Road Haulage Association; Stephen Montgomery, Chair and Spokesperson, Scottish Hospitality Group; and David Michie, Policy Manager, Crops, National Farmers Union of Scotland.

Examination of witnesses

Witnesses: Martin Reid, Stephen Montgomery and David Michie.

Q1 Chair: Welcome to the Scottish Affairs Committee and our one-off session into labour shortages in Scotland. We have a stellar cast with us today, who are going to help us to explore some of the issues and tell us some of the difficulties that they are experiencing. I am going to let them introduce themselves, and we will start with you, Mr Michie.

David Michie: Thank you, Chair. I am the crops policy manager for National Farmers Union of Scotland. We have over 8,500 members representing a large proportion of farmers in Scotland. We want to work with both Governments to secure a profitable and sustainable future for the farming sector in Scotland. In terms of labour, we believe that this involves changing migration policy.

Martin Reid: I am the director for Scotland and Northern Ireland for the Road Haulage Association. Our industry affects all the other industries around it because we are effectively the people who take things from the point of order to your doorstep.

Stephen Montgomery: Good morning, Chair. I am the spokesperson for Scottish Hospitality Group, representing many of Scotland's entrepreneurial hospitality leaders in restaurants, bars and hotels. I would like to give my congratulations to Steve Clarke and the national team on their great result last night.

Q2 Chair: I think that is a sentiment that we all share on this Committee, so thank you for that. We cannot remind everybody else enough about just how fantastic a night it was last evening. Thank you all.

Can I kick things off? We want to try to get your views about how bad this is and what the scale of difficulty is. Like most of my colleagues around here, I have a large rural constituency. I visited several hospitality and tourism businesses in the course of the past few weeks. I have a huge agricultural sector, most notably the best of the soft fruit sector, although my colleague Dave Doogan might disagree with that as the Member for Angus, but we will fight that one out in time.

I have visited a number of haulage firms in my constituency. All of them told me that this was acute, that it has never been so bad, that there are huge and significant difficulties. Tell us how bad it is. Let us know. This is your opportunity to tell a group of Members of Parliament here in Westminster what your experience is, what you are finding and what the problem is. We will start with you, Mr Michie.

David Michie: We believe that this is incredibly bad. We were asked to give evidence when the UK Government called for evidence. As part of that, we surveyed our members, and I conducted interviews with agricultural labour providers. The labour provider interviews were from all regions and all sectors across Scotland. They all stated that this is the



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worst labour crisis they have experienced, and this was consistent across all regions.

With our all-member survey we found that only 40% of job vacancies have been filled and maintained in the last 12 months. In the horticulture sector, our survey found a labour shortage of about 22% in the summer, which is consistent with research data that was showing a 26% reduction in labour available. We have also heard anecdotally from our members that this is incredibly difficult for them at this time.

Chair: Thank you. Mr Montgomery, what is it like in tourism and hospitality?

Stephen Montgomery: It is well spread, not just across Scotland but the whole of the UK and the world. We are experiencing a massive labour shortage and this has been brought on by many factors, not least the Covid pandemic itself but obviously some issues around Brexit, some issues around the lockdowns that we have had over the last 18 or 19 months, where people have taken stock of their current lives and had time to re-evaluate, if you like, and went to other areas.

In one of the latest surveys, hospitality shows that in the UK there are 134,000 unfilled posts and 40% of Scottish employers are reporting staff shortages, with key areas around kitchen staff, chefs, housekeepers and front of house. The only sector closest to where we are in the fight for jobs at the moment is the health and social care sector. If you do a comparison of online vacancies in February 2020 compared to now, in October 2021, accommodation and food service vacancies have risen by 77%. That is a massive impact on us. We can all blame Brexit—and it should not get into a political point—but I think it is not the only reason. We were not in a good place pre-Covid and we are in an even worse place now.

Chair: Thank you for that. Mr Reid?

Martin Reid: I have a very similar message to my colleagues here. The driver shortage that we face is nothing new. It existed before Brexit. Unfortunately, the factors that have come in in the past couple of years have exacerbated an already existing problem.

We had the situation where we had a number of European operatives who came freely and worked within the country, who are no longer able to. We have had the Covid situation, which led to the closure of DVSA, which meant that the number of driving tests that would normally take place did not take place. We have an ageing workforce and we relied on those new tests to happen because of the churn that happens. We have had IR35, which has changed the taxation for self-employed.

All of these things have had a knock-on effect to what was an existing problem pre-Brexit. It would not be right to say that this is purely Brexit, but Brexit is one of the factors, along with many others that have happened alongside to create what is essentially—and I hate using the



phrase because it is so hackneyed now, it is used all over the place—the perfect storm that we are currently operating in.

Q3 Chair: I am grateful to all of you. Some of these figures you are quoting back to us are just staggering in terms of the shortages that you have in all your different sectors. I think what we are hearing is that there is a range of issues why this has happened but, most notably, it seems to be Covid and Brexit. I suppose the major defining feature for all your sectors when it comes to Brexit is the ending of freedom of movement, the drying up of what was an available stream of labour. That is certainly what I have been told by a number of my constituents. Is that the main problem: that you are just not getting the labour that you require because traditional routes for securing that have been taken away because of Brexit?

Stephen Montgomery: Going back to what Martin said about his own figures, from our recent survey, in road haulage, transportation and storage, for example, we see a 143% rise in online vacancies since February last year, so that is massive.

I think that Brexit and the Covid situation overlapped each other. Certainly, when Brexit came in and Covid came in, people went back to their relative countries because they did not know how long they were going to have to be in a lockdown. Furlough came in, and while that continued people stayed away. They were getting 80% of their wages, and then obviously that dropped down to 60%. They probably got jobs in their own countries and have remained there, until furlough ended at the end of September, and they have probably become established back at home again. The ending of free movement probably has had a bit of effect there.

However, as Martin said—and I think David said as well—we have an ageing country in Scotland, where there is a lack of talent coming through. Certainly, in the hospitality sector we need to change the outlook of where we were because it was always known as being cheap labour, long hours, a badly run area, where it is absolutely not. The myth of that has to be overtaken and done away with. We have seen nine months of continuous pay rises, so I think there is more to it than just people going back to free movement.

We will need to look at visas: identifying where visas need to be put into, what areas are needed by hospitality, whether it be chefs or front of house, to allow us to go and get those people.

Q4 Chair: Thank you. Mr Reid, in response to this question—obviously you will put it in your own words—could you give an indication of what proportion of people who work in road haulage possibly came from the EU, just so we get a sense of where this labour has come from before?

Martin Reid: Sorry, I have a million bits of paper here, the joys of working from home. I think that pre-Brexit there were around 60,000



workers within our sector from the EU. That is not just drivers. It encompasses more than that. We discussed earlier the importance of Brexit and whether it was the freedom of movement. That is a massive part of it, but we were so embedded into a system within Europe that was not only about freedom of movement for labour, it was about freedom of goods movement, all these things that we took for granted and the just-in-time way that we ordered things. You could sit on your laptop on a Friday night with a glass of wine and order something that would come from Romania and arrive on your doorstep in 24 hours.

That world has gone, so as an industry we are having to relearn so many different things. We have to relearn how to operate within supply chains. We have to try to mitigate some of the gaps that we are finding because of the lack of foreign labour that underpinned our industry and many others. These are gaps that are within our system and causing delays within the sector.

It is not just ours because, if you look at the port sector, we are seeing delays in goods moving through the ports because they are stockpiling. They cannot get the goods moved out. The food and drink sector is well quoted in most of the press about the difficulties they are facing with exporting goods. It is not just the exporting. It is the movement of goods around the UK as well, which is something that Scotland relies on. Yes, it is incredibly difficult times.

To give you a bit of a sense of the problems that we have, depending on who you speak to, the average age of an HGV driver is between 50 and 53 years-old, so there is a great deal of churn every year. In a normal year, DVSA would do around 75,000 tests, of which there is a pass rate of about 58%. Even in rough maths that is 35,000 to 40,000 people coming into the industry.

That amount of tests did not happen over the last year because of the lockdown so, even with some of the numbers that we have here, we are basically looking at instead of the 30,000 or 40,000 coming in to compensate for the leavers who are retiring or finishing because of ill health, then we are 20,000 or 30,000 short just because of that. When we started off at the base position of 50,000 or 60,000 short before Brexit, then you can see where the problems lie.

Stephen is right to talk about the temporary visa system. That obviously has not operated the way the Government were—

Q5 Chair: We will come on to that because we are going to look at some of the responses and some of the assistance that the Government have given you. You have certainly painted a picture for us of what the shortages are like, so thank you for that. To you, Mr Michie, is the ending of freedom of movement top or just about top of your concerns?

David Michie: Yes, it is. Within agriculture there are different sectors and that ending of freedom of movement has a different impact on



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different sectors. In the horticulture sector, which is incredibly important for Scotland—it is only 1% of land but 10% of output—it has absolutely had a huge impact. The new seasonal workers pilot scheme that has replaced freedom of movement has not been perfect and it has been extremely difficult to recruit UK workers because of the transient, communal and temporary nature of the work. I would say that in horticulture, absolutely 100%, Brexit has been very difficult for that sector that had restructured over the past 10 or 15 years to take the opportunity of the ready pool of available and high-quality migrant labour.

I would also say that dairy has been affected because, again, it has restructured over time. There are now fewer but much larger farms and those that were previously dairy farming have just completely stopped. There has been a requirement to get high-skilled quality labour from Europe to fill that gap, so they would have been affected. Then pigs and poultry to a lesser extent, but that is more with the nature of some of the perhaps poorer paid jobs that they have. It is quite a different picture for the different sectors, but I would say that for horticulture, dairy and, to an extent, pigs and poultry, it has been a huge problem.

If you look at the bigger picture, as with road haulage, there is an ageing farmer demographic. There is a need for more skills development, apprenticeships, mentoring and educational opportunities to attract new, more diverse people, and have a more vibrant sector as well for the agriculture industry.

Q6 Chair: Thank you for that. Obviously, you are all particularly good lobbyists and the amount of time and bits of correspondence we see from all your sectors is noted and welcomed by Members of Parliament. As well as us understanding your issues, Government must also understand them, too, and understand exactly the difficulties that you are in. A number of Government initiatives have come forward, most notably with granting visas for road haulage drivers from Europe, Mr Reid, and the seasonal worker scheme that Mr Michie mentioned. How much are they helping you? Are they solving this issue and difficulty for you? What more do they need to do if this is not sufficient? What would you say would be your most pressing demand in order to try to address some of the difficulties you have explained to us?

Martin Reid: I found the numbers I was looking for there. Between April 2019 and March 2021, the UK employed 16,000 fewer EU drivers. In March 2021 the UK employed 27,000 EU drivers, which is 30% fewer than the year ending June 2017, so there was a heavy reliance on that.

The Government have acted in a number of different ways, some with more success than others. The details of the temporary visa scheme are still very sketchy. We are not getting a lot of information about the numbers that have come out. The main issue that we had with a visa system is that it is too short a period to attract people, particularly those



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who have perhaps got full-time jobs in the EU. Coming over for a two or three-month period is not an attractive proposition for drivers coming in.

As I said, they have acted in a number of different ways. The changes that they are making to the testing system look largely positive. Again, we are still waiting on some details coming out on that, but the changes they have made to the acquisition of the C+E licence should hopefully free up a lot of different slots there and make things a bit faster.

One area that we don't think has been particularly helpful is the change to the cabotage side of things, which allows foreign hauliers to do domestic runs within the UK. The issue that we have is that businesses over here are not allowed to employ foreign drivers, despite that if they come over here they have to be UK compliant—paying fuel duty, paying taxes and national insurance. However, we are allowing foreign operators to come over and undercut the people who are doing that while they are over here. It might lead to more runs, which was the Government's intention, but it is a slap in the face for the people who have been holding up the supply chain throughout this process.

Q7 Chair: Thank you for that. Mr Montgomery, I am not particularly aware of any specific schemes that have been proposed or initiated to assist with the labour shortages in the hospitality sector. Could you tell me if I have missed something and how useful it has been?

Stephen Montgomery: Just on what Martin was saying, my previous background before I went into hospitality was road haulage. I had my own business and the cabotage thing was absolutely massive. People were coming in with cheap diesel and running around the UK for a couple of weeks, cutting rates and everything. The UK sector was decimated by that.

As far as hospitality is concerned with visas, we have not had any positivity out of that. We wrote to Paul Scully but it has to be said that there has been a negative report on that: they are not going to be looking at it. However, we understand that we just cannot open up the floodgates for visas and have people coming in because, although we would want them in hospitality, it would lead to all sorts of issues where—and please take this in the best possible way—we take them into hospitality and they end up in a takeaway in London or something. We need to keep an eye on everything.

We would look to devise a visa system where we can go out and identify people who are from the EU, or wherever they may be, and bring them in specifically to work in the hospitality sector and to make sure that they at least stay in that sector. We would only want people to come into the country who want to make a life here and want to make a career, make a family and make Scotland a prosperous and profitable place for not just themselves but the economy as well. It has to be a guided and well thought out plan. Hospitality is ready to do that. We are ready to play our



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part and work with the UK Government and the Scottish Government to make that possible.

- Q8 **Chair:** Mr Michie mentioned the Seasonal Agricultural Workers Scheme and the pilot that was put in place by the UK Government. That is something where obviously they have responded to what was said to be an issue. Is there anything else that you have been given by the UK Government in order to help you through the labour shortage crisis? What do you make of what has been on offer?

David Michie: We have talked about the seasonal workers pilot scheme and it has not been ideal at all. There has been the wrong type of recruitment. We need to increase returnee rates. We need to look at clarity in contracts. Visa and transfer costs are too high. There are also not enough places. It needs to be significantly expanded. It also needs to be reviewed. That has not been great and we would welcome working with the Home Office to improve that.

On top of that, there was a three-month worker scheme for the poultry sector. That was mainly for turkey farmers and the majority of those are in England and not Scotland. Our understanding is that that is not long enough. By the time you put the operators in place, get the agents to recruit in other countries, get the visa sorted out, get the people moved over, it is just not long enough. We have seen a similar thing with the seasonal workers pilot where the delay to the additional operators earlier this year caused a significant delay in employing staff on farm. It caused huge problems for our members. Initiatives are desperately needed, but the initiatives that have been in place so far have not been good enough.

Chair: Great, thank you for that.

- Q9 **John Lamont:** Good morning to the witnesses. My questions are going to be directed to Mr Reid regarding the shortage of HGV drivers, which has been widely reported in Scotland and across the UK. There is a lot of lazy commentary, if I may say—not from you, Mr Reid, but just generally in the press—around how this is all to do with Brexit. I was just reading the British International Freight Association's website. It was reporting a 45,000 shortage of HGV drivers in Germany and a 20,000 shortage in France. It is a widespread problem across the entirety of the EU. Is that correct, Mr Reid?

Martin Reid: Yes, there are shortages right across Europe. The reason it bites harder over here than in most other places is the geography of the thing. We are an island and we are right at the end of the supply chains. Yes, we feel the same effect but the problem tends to be more exacerbated because of the geography side of things.

- Q10 **John Lamont:** How could the current shortage, both here in the UK and across Europe, have been averted?

Martin Reid: It is a very good question. I would suggest that there is not one single lever that could have been pulled to sort this. I think the



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industry has had a light shone upon it and there are certain aspects that have needed to happen internally. By that I mean looking at drivers' wages and conditions and so on. These conversations have been going on now for some time and it is good to hear that rates are going up for drivers.

There have been other issues that have, as I said, been a problem. On the legislation surrounding IR35, a number of the European operatives who used to come and work here did so as self-employed, as did a number of agency workers over here. The changes that have been made to IR35 have meant that they would be paying higher tax than they would have originally, so some of them have taken the decision that that additional cost and that additional bureaucracy is not worth them doing it.

I have to say that one of the biggest problems that we face in the UK is the standard of facilities within the UK. Europe is far ahead of us when it comes to safe and secure parking and access to wash facilities, showers and food. The UK has very little provision. I will make the caveat here that there are a lot of good independent truck stops around the UK, but the ones that are on the main trunk road networks are not conducive to drivers wanting to spend any time there.

The industry availed itself of the furlough scheme that was put in place but—as was commented on by other witnesses—this has meant that people who would ordinarily be working in the industry have taken a look at what is out there and basically thought there is a better life than non-secure parking overnight and the risk of crime and so on.

There are many levers and, as I said, as an industry we are certainly not blaming Brexit as the only thing here. It is one factor within a myriad of other factors.

Q11 John Lamont: Are rates of pay for drivers consistent across all of the EU? Is it a consistent labour market in terms of how the pay rates are determined?

Martin Reid: The pay rates are obviously dependent on national numbers and the monetary rates. I don't know whether they are commensurate across the UK, but I know that certainly the value of drivers as a resource has gone up considerably since all these shortages started. That is a good thing. It is good that that light has been shone on the industry and it has taken responsibility for that side of things.

Q12 John Lamont: I agree. I have also had HGV drivers tell me about the quality of facilities here in the UK compared to Europe. However, I am struggling to understand, if the facilities are better in the European Union for drivers to stop at, why is this shortage also occurring in France and Germany? It is obviously much more than just the quality of facilities at motorway service stations.



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Martin Reid: Absolutely. As pointed out before, it is an ageing workforce and that tends to be as an industry. I cannot speak for other countries; I do not have an awful lot of knowledge about that. I know that these issues exist in other parts of the country but, as I said, they are exacerbated because of where we are geographically at the end of the supply chain, essentially.

- Q13 **John Lamont:** Can I continue looking at the support that is available from the UK Government for HGV drivers and particularly their training? My understanding is that in England there has been increased funding for HGV apprenticeships, up to £7,000 from August 2021. There is also the new skills boot camp created for HGV driving, which is £10 million invested to train 5,000 new drivers. There is also the £3,000 incentive payment for employers hiring new apprentices. Am I right in thinking that those schemes are only available in England and the Scottish Government have not replicated those schemes?

Martin Reid: That is correct. They are not replicated up here. There is a different methodology and funding mechanism for apprenticeships in Scotland through Skills Development Scotland.

- Q14 **John Lamont:** Would you say the schemes in England are equivalent to what is on offer in Scotland, or would you like to see a more generous package made available in Scotland?

Martin Reid: We have put together a couple of suggestions to Skills Development Scotland as a way to tackle this better. It is fair to say that there is more money available down south but, in terms of how the apprenticeships are funded up here, one of the things that we have put to Skills Development Scotland is about the levels of funding for each age bracket. Apprenticeships are heavily weighted towards 16 to 19-year-olds and that is where you get the majority of the drawdown for that. That does not necessarily fit our model in terms of licence acquisition. We were pushing for the age group of 25 and over to be able to draw down the same amount of money as the younger age group. That would help.

As I said, we have two proposals: one is to attract new people in but we also have a proposal to bring people who have left the industry back in. That is a vital one because, as an industry, we have been leaking people for so many years. It is all right talking about bringing in new blood, but we need to stop the leaking as well. The piece about the standards, the wages, the hours and so on is where we have had to be pretty self-reflective on that.

- Q15 **John Lamont:** What response have you had from Skills Development Scotland and the Scottish Government?

Martin Reid: We have a decent relationship with Skills Development Scotland. As an organisation, we have put more than 200 apprentices through over the last year or so, and I know that it is sitting on the proposal that we have put in. We have not heard one way or the other whether it will be accepted or not. However, our head of training and



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development has put together a package that he thinks would be the one that would benefit the industry, certainly as a pilot to be tried out for the wider industry.

John Lamont: That is very helpful. Thank you very much, Mr Reid.

- Q16 **Deidre Brock:** I am going to start with you, Mr Montgomery. I am going to focus largely on labour supply in the hospitality sector. Could you tell us a bit about your organisation first? I noticed from a piece online, which I found written by one of your founders, that it all started up as a WhatsApp group sometime last year and then things developed. I think you then employed a PR company, a comms company, to help raise the group's profile. How many members do you actually represent?

Stephen Montgomery: We have mixed and varied members. We have businesses that span 200-odd sites across Scotland in one part of the group and we have around 450 to 480 individual operators on the Scottish leased and tenanted side of things. On the mainly entrepreneurial family-owned businesses—which is probably about 12 to 14 core members—we have around 6,000 members of staff involved in that.

Deidre Brock: Yes, but the actual organisations that you represent, how many of those in total?

Stephen Montgomery: There are 12 family-run organisations spanning over 200 sites in Scotland. That is in our main membership. However, the other side of the membership is in and around 450 to 470 members.

- Q17 **Deidre Brock:** How do you join? Are there membership fees? How do you fund your activities?

Stephen Montgomery: No, we are not a membership group or anything just at the moment. However, that is being looked at because our main aim in getting together was to get through Covid. That was our main aim, and, as we come out the far side of this, as we develop other areas of issues like what we are talking about today, that will get stronger.

- Q18 **Deidre Brock:** Do you have formal meetings with all your members? How does the operation work?

Stephen Montgomery: Yes. I run the day-to-day operations of the Scottish Hospitality Group. Then we have a steering group, which is involved with three other members. We have monthly meetings or every fortnight we get together with individual members or broader groups as well.

- Q19 **Deidre Brock:** How do you canvass the opinions of your members?

Stephen Montgomery: We do that through e-mails, Twitter, social media, our ordinary meetings, the Facebook groups that we have, and through all sorts of different areas of communication.



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Q20 **Deidre Brock:** You referenced a survey. Was that a survey you conducted among your members?

Stephen Montgomery: No, it was a joint survey with the five trade bodies that we work with. That is ourselves, Scottish Hospitality Group, Scottish Licensed Trade Association, Night Time Industries Association, Scottish Beer and Pub Association and UKHospitality.

Q21 **Deidre Brock:** I have met with UKHospitality Scotland. Do you work closely with it? What differentiates you from UKHospitality Scotland? It has put a submission in to us, which I was very impressed with. It is very detailed and gives us a lot of information about the current situation. I just wondered why you operate alone from it.

Stephen Montgomery: We work closely with all the industry bodies. We all have different areas of needs and different issues but, collectively, every Wednesday we have a conversation with Scottish Government, with the officials, where we all get together and raise concerns across the groups. We work closely together, all of us, not just as individuals. We all have our own individual meetings with different MSPs and MPs, which you will know yourself. We have met with many people who are actually on this Committee.

Q22 **Deidre Brock:** Do you have employees? Does Scottish Hospitality Group have employees? I take it you are paid?

Stephen Montgomery: No, I am not paid. Everything I do for Scottish Hospitality Group is completely free. There are no paid members within the group at all. It is completely free because it is not something that we need to be doing at the minute when we have the financial impact that we have across the hospitality sector. Everything I do is completely free.

Q23 **Deidre Brock:** Ms Young mentions that you have employed a communications company to help raise the group's profile, which it has done very successfully I have to say.

Stephen Montgomery: That is correct.

Deidre Brock: Who pays for that?

Stephen Montgomery: That was paid by the main member bodies, which is the 10 or 12 members that we have. They pay a fee every month to the partnership that we have with one of the PR companies.

Q24 **Deidre Brock:** Therefore, you do have membership fees?

Stephen Montgomery: They are not membership fees, no. We use the PR company if we want to put out media. It will put some media stuff out for us to people like that. If we want to do up some PR stuff that is all that they pay for. It is not a membership as such.

Q25 **Deidre Brock:** How do they chip in? Is it dependent on their size?



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Stephen Montgomery: I think that is going into different financial areas of the group that do not need to be brought up in this Committee. This Committee was about the labour shortages and—

Q26 **Deidre Brock:** Well, you are giving evidence at a Select Committee, so obviously you would want to be transparent about your operations.

Stephen Montgomery: Yes, of course it is transparent. If we need to use a PR company we pay them, just like anybody else. If an individual business has to use a PR company it has to pay them, so there is nothing untoward.

Q27 **Deidre Brock:** I noted that you have called recently for the vaccine passport scheme to be I think dropped, or amended anyway. You have called on the Scottish Government to do that. Do you get advice from health professionals when you make these calls? Obviously, it is done in order to protect your workforce and those people who visit establishments that your members run. What kind of advice are you getting from virologists or epidemiologists or other health professionals?

Stephen Montgomery: We have met with people like Linda Bauld. We have met with Hugh Pennington many times over the pandemic. Our main reason for being against—not against the vaccination certification, per se— is the effect that it is having on the businesses. There is no evidence at all at the moment to say that the vaccination certification in this current scheme is having a positive effect.

I would like to draw your attention to the survey that was just completed by the joint trade bodies: 78.15% of those surveyed have seen a material or significant debt; 76% say that they will not survive without Government financial support if this is extended further; 73.68% have said that turnover is down between 20% and 40% compared to pre-Covid; 88—

Q28 **Deidre Brock:** Absolutely, my heart goes out to all those organisations that are struggling as a result of this pandemic and all those employees who have had a terrible time over this period—

Stephen Montgomery: If I can just interject—

Deidre Brock: —although I think it is kind of interesting to note from Germany, which is currently going through its fourth wave of lockdowns, *Der Spiegel* blaming politicians for not taking the sort of actions that the Scottish Government have taken—that is delaying opening up nightclubs and so on—until vaccination levels were high enough and vaccine passports were in place and so on.

Let's just move on. Could I ask your view on how you think labour shortages have changed Scottish hospitality and how you expect the situation to develop over the next year?

Stephen Montgomery: If I could just go back on your last points there, 79.47% of people who were surveyed over the weekend have come back



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and said that they have received physical or verbal abuse since the introduction of Covid certification, so I would just like to bring that in.

Deidre Brock: All right, thank you.

Stephen Montgomery: Sorry, what was your question there?

Deidre Brock: How do you think those labour shortages have changed Scottish hospitality? What is your viewpoint on that? How do you think over the next year that the situation is going to develop?

Stephen Montgomery: If you look back now, you will see that many hospitality businesses in Scotland are either shut on a Monday and Tuesday or they have shut completely or they have shut on Monday, Tuesday, Wednesday and Thursday during the day and only open in evening times and then work in the weekends. That is predominantly to save the workforce that they have from burnout and, obviously, to try to get in the turnover that they need at the same time.

Looking at where we are—let me see now—we have some industry surveys for you. We are going to be looking at tourism and support cast to account for 11.3% of Scotland's total number of job openings in the long term. That is from 2024 to 2031. Based on the information, approximately 57% of job postings in tourism as the most requested specialist skills are chefs, customer service, cleaners, restaurant management and housekeeping.

We need to now get looking at where we are going to be long term, not what we are going to do individually to plug the gap because that is not going to happen. We need to be getting into schools a lot earlier. Currently, I am working with our local colleagues down here to try to devise a 12-week course to try to get 16 to 18-year-olds into hospitality and also to get those who have had the soft skills previously at 18 to 20 years old—whenever they have been at university or whatever it is, and they have gone on and got married, had kids and now they are sitting at home with a bit of spare time—back into the hospitality sector.

I think we are going to struggle. We have various issues around it. However, we have some mitigating circumstances we have put in place, like campaigns and a young person's guarantee. We have Springboard to 2022, where we are training young people to be ready for work by 2022. We have the hospitality and tourism skills board, which is UK wide. The Scottish Government have funded a campaign in July and August, along with Springboard, the Scottish Tourism Alliance and Visit Scotland, to try to get people in as well.

We need to understand that we can throw money and we can throw advertising at everything we can, but unless we actually have the people for the uptake in the jobs we are doing nothing for it. I keep going back to the issue around the Army. When the Army advertises for recruits, it does not advertise that you are going to go to Northern Ireland or you



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are going to go to the Gulf or to Afghanistan. It advertises the positive part where you are going to have a skill, you are going to see the world and everything, and hospitality needs to get that as well. We have a hospitality-raising campaign now going out, which is going to cost £5 million. That is going to be aimed at the same area around advertising as what the Army did. I think that will be absolutely spot on in trying to get everybody back into hospitality. That is something that I would call on the UK and the Scottish Governments to back.

- Q29 **Deidre Brock:** Absolutely. I know that in Australia—where I am from originally—certainly 25 years ago when I left anyway, working as a waiter, for example, was seen as a long-term career option rather than a short-term thing that you did while you were doing uni or just for a short period of time before you started a proper job, so anything to help encourage that approach is really welcome.

Is there anything else, just shortly? You mentioned the vaccine passports, of course, but we have talked about that. Is there anything else you think the UK or Scottish Governments can be doing to help with those staff shortages? You have mentioned quite a few schemes, actually. Some of those seem to be industry led. What else do you think they could be doing?

Stephen Montgomery: We already see wage increases, which is great to see across the hospitality sector because we were known for a long time as a poorly paid type of work. That has gone up over the last nine months every month, and I congratulate everybody who will be paying the living wage now and not just the minimum wage. That is something we need to see.

We need to understand why we were relying on the European workers for so long, because I think one day rolled into a week rolled into a month and we just got on with it. Now that that European network has been closed down, we need to be looking at why UK workers or Scottish workers will not come into hospitality. That is what we need to be doing. We need the Scottish Government to sit down and talk to us and work on a plan together that we can work on collaboratively that will have a positive effect on hospitality. In doing that, it should bring people back to the high streets and in turn help the retail sector as well, because retail is also suffering. That all leads back into the same thing, whether it is the Road Haulage Association, whether it be the fruit pickers, everybody, when the three of us are put together it makes for a better economy.

- Q30 **Mhairi Black:** Thanks to our witnesses. It is good to see you. I know that it has previously been mentioned but could you go into a bit more detail about why exactly you think that the furlough scheme, in particular, led to workers leaving the sector? What other sectors benefited from that loss? I will put that out to anyone.

Stephen Montgomery: For the hospitality sector, we were the first to shut down. We thought the furlough scheme was going to be a great



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scheme, and it did protect the skilled workforce because we just cannot go out on to the street and pull somebody in and say, "Listen, can you cook us a rare fillet steak?" It just does not happen, so we need the training behind that. It protected a lot of the workforce, but it also gave the workforce, when they were shut down, the chance to re-evaluate their lives and take on a second job.

In hindsight now, looking back on it—and hindsight is a great thing and that goes for everybody, not just Scotland, everybody in the world, if we can do things maybe a bit differently—I think that if people were allowed to have a second job, which they have done, and still taking 80%, if we were to allow that where it was maybe only to be made up to the extra 20%, we might have had a better chance of retaining that workforce. However, people have seen, especially in hospitality, that chefs are working maybe 50 to 55 hours a week, where they have had the weekends off with family and so on and they have known what their home life is like, which they haven't before because they got into the habit of working so long, which we respect and we thank them for everything they did. However, we have seen online shopping become a major part and the high streets and retail has diminished. They have gone on to work for possibly DPD or Amazon, where it is one man in a van and they have their own time and they are home at the weekends or they have worked at supermarkets as well. I think we have lost a lot of our workforce to other areas of retail and other areas of employment and other sectors that we will never get back.

David Michie: I was going to say that the furlough scheme had not that much impact within Scottish agriculture, and unfortunately the UK Government's position was that there did not need to be changes to the migrant labour scheme, the seasonal workers pilot, because when people came off furlough they would go and work on farms. That has not been the case at all. Businesses have been trying very hard to recruit UK workers and it is very difficult to do that because of the nature of the temp role and the communal and seasonal nature of the work. What we really need to do is change that migration policy, have a better seasonal workers' pilot and in the short term work with the UK Government to create a 12-month Covid-19 recovery visa to alleviate labour shortages as these medium and longer term initiatives are put in place.

Mhairi Black: Martin, would you add anything?

Martin Reid: Yes, I would say that we have had largely the opposite reaction to what David was pointing out. The furlough scheme was well adopted within our industry and at its peak during the first lockdown there were around 400,000 employees furloughed. It has not risen above 200,000 since August 2020, but 36% of logistics employers had furloughed staff as of 31 December 2020. It was well used.

Stephen's points are well made. One of the issues that we have faced as an industry is the power of the retail side of things. A lot of the major



superstores were offering a golden handshake for drivers to leave their current employer and go and work within that sector. They were the first to jump on the higher wage rates because they had the collateral to do that. There is a shift in how goods are moving, particularly around the local area, so some of the drivers thought that instead of doing long hours away from home they could work, as Stephen pointed out, doing local deliveries. They made that life decision to do that so that has been a factor. In terms of the furlough scheme, it has been well utilised by our industry.

Q31 Mhairi Black: Excellent, thank you. Lastly, out of all the issues that you have described today, how many of them could be solved with improvements to working conditions and pay? Do you think that they could be solved simply?

Martin Reid: Yes, I think that is a fair point. As I say, there is a huge light shining on our sector just now because of the knock-on effect it has to other business areas. The industry itself and employers are taking that into account and rightly so. It has probably been a long time coming, but the issue for many years has been the just-in-time way we do things and how things are procured has been a race to the bottom. It is always the cheapest option that gets the contract so that has been an issue for a long time. As I said, because of the outside factors that have happened, supply chains are having to relearn how to do things. This will be a gradual step. The costs will be passed on to the consumer at the end of the day, but wage rates are going up and working conditions and working hours in particular are more negotiable than they were before.

We have issues that cannot be solved by that, though. We have touched on the shortage occupation list briefly. There are no logistics positions on the shortage occupation list, yet one in 12 people in the UK work within logistics. An HGV driver is not seen as a skilled occupation. Anybody who knows anything about that will know it is a skilled occupation, but because it is seen as level 2 it cannot take its place on the shortage occupation list, which in turn means that there are lower levels of funding available in order to bring people into the industry. There is a whole knock-on effect.

One of the MPs mentioned Australia and the Australian model. This is supposed to be how the shortage occupation list was going to work and it was designed along that way. We know that if tomorrow we got word that Australia needed mechanics, that would be on its list by the end of this month. We are not seeing that. It is easier for a ballerina to come into the UK than it is an HGV driver.

Mhairi Black: Stephen, did you want to add anything there?

Stephen Montgomery: Yes. I think the furlough scheme was a great thing. If you look across our main membership, everybody thought that the furlough scheme was actually free, and I think a lot of the general public thought it was free, but it was costing us £196,000 every week



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across our membership for National Insurance, holiday accrual and pensions.

The other part of it is the fair work and wellbeing of our employees is something that we need to embrace now. Many employers, thankfully, will be looking at that now and opening their policies and looking at them, sitting down with employees and going, "What is going to make your job better? What is it we can do to make your job better in the workplace?" That has to have a positive effect on trying to get people back into the workplace.

That is one of the major issues about trying to get people to take that first step outside the house as well. They have been locked up for so long and it is about the mental health of people saying, "Listen, we have been locked up for so long. How are we going to get back to employment?" It is about coming in and having an honest conversation with an employer and saying, "This is what we can do for you". It is that first step that is going to be the most important.

Mhairi Black: Excellent, thank you.

Q32 **Chair:** Just on the wage issue, we have heard quite a lot, particularly from Government, that all your sectors need to do is to raise the level of wages and most of these problems will be solved. I just wonder if it is going to be a wee bit more complex than that. I visited a bus company in Pitlochry, for example, the other week there and it is losing drivers, god knows how many it was per week, to your haulage sector, Mr Reid, because the wages are better there. Is it the case that all we are doing is shifting this around a little bit and one sector is gaining while another loses? This idea that somehow we can increase wages, which we all want to see, of course—this is one of the things that we would like to do on behalf of our constituents—and that somehow this will not lead to an increase in prices, is that a sustainable view? I see your hand is up there, Mr Michie.

David Michie: Yes. There was an earlier comment about the powers of retailers and that certainly comes into play here. Our horticulture members are in the process of negotiating contracts with multiple retailers. There are few of them; they are very big and they are very powerful. Because of the situation we are in with migrant labour, they have become very uncompetitive compared to other countries. They are getting undercut and there is likely to be more imports of fruit and vegetables from other countries, which is not great particularly for perishable produce in terms of the climate impact of that transportation. Labour is huge; it is 40% of the costs of horticultural businesses.

We would absolutely welcome wage inflation, provided it is in a sustainable way and it is linked to business growth and economic output. That is absolutely not the case for our members. They are price takers; they are not price makers.



Q33 Chair: I know I mentioned you there, Mr Reid, in that question. Is it the case that because you are able to offer improved wages what you are doing is just creating difficulties for other sectors, like the bus drivers I saw in Pitlochry?

Martin Reid: I guess that there has always been a wide range of salaries available, depending on what goods you are moving. Because of the shortages we are feeling and the wage rates that have been negotiated, then it is attracting people from other sectors, which in one sense is good for our sector; in another sense it is not good for the wider economy. At the end of the day, if you are paying more rates for the same productivity, then that cost has to be passed on.

What we are finding just now is that a high percentage of clients are happy to pay additional rates when it comes to the hauliers renegotiating. How long they will continue doing that I don't know, and at some point we have to pay the piper on that. They are prepared to do it just now because they are seeing the acute shortages that are happening because of the driver shortages. Because we underpin so many other sectors, it is still 90% of everything that you wear, eat, sit on and utilise in your day-to-day life will have spent some time on the back of a truck. It is a vital part of the Scottish economy and for UK plc.

Chair: Do you want to make a contribution, Mr Montgomery?

Stephen Montgomery: Yes. We were talking about wages. The wage increases, and I am talking about hospitality here now, the golden hellos, the resettlement grants, the loyalty bonuses, all that does is, just as you say, Chair, you might as well shuffle the cards and just spread them around the table. All we are doing is not solving the issue of labour, we are just pushing it to one side because people are going from one hotel to another hotel and it is all about money.

Eventually, that will become a barrier because cash flow will just diminish so quickly and the business will not survive. However, as Martin has just said, the customers are willing to pay a wee bit more to their hauliers for the product, which is great and that has been a long time coming from previous experience. However, the end user is the one who has to pay the price, ie the customer.

I think we are very close to getting to a point where we are going to become a Scandinavian country, where your pint of lager or whatever is £7 or £8. When we are in a sector, hospitality, where profit margins are very low—somewhere between 3% and 8% a year—we have to be very careful about that. We want to pay. I would love to pay all my bartenders £12, £15, £18 an hour, but when you have to pay £10 a pint it becomes a bit of an issue. We have to bring the customer—and that is across all sectors—along on that journey with us, not just the businesses.

Chair: You wanted to come back, Mr Reid?



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Martin Reid: Yes, that is a key point and one that we have put into our proposals to Skills Development Scotland. What we were finding at the beginning of this is when some people were getting put through their HGV test by a haulier, then as soon as they passed the test they did not want to speak to the haulier and they wanted to jump ship straight away and go to the highest bidder.

One of the proposals that we have is based on feedback that we have had from longstanding family-run companies. It was called a young driver scheme, and essentially the haulier held on to the licence of the driver for a period of time to get their investment back. Although that is not necessarily going to be the case now, part of our suggestion is that two or three of the last modules before they complete their driving test have to be done through the haulier that has sponsored them all the way through this, so at least they will get a period of a year of loyalty and productivity before the licence is handed over.

Q34 **Sally-Ann Hart:** Good morning, gentlemen. I am going to ask David Michie some questions on agricultural workers. The first question is: what impact is the labour shortage having on Scottish farming business currently?

David Michie: It is having quite a big impact on Scottish farming businesses, but it varies from sector to sector. The impact on the horticultural sector is absolutely huge. The impact on the dairy sector is pretty big, and the pig and poultry sector is very difficult as well.

In trying to think about the impact, we did a survey. One of the questions that we asked all our members is, "Is the labour shortage influencing your business decisions in the longer term?" and 85% of respondents said yes, it is impacting their decisions. Of those who wrote a comment, the majority said they would retract, limit the expansion of their business or consider leaving the industry due to lack of confidence. That is their belief, perception and mindset at the moment, but it does indicate that it could lead to a retraction of economic activity and output and be damaging to the rural economy. I think that has answered it. Is there anything else you wanted there?

Q35 **Sally-Ann Hart:** To follow up on that, it is having an impact currently on businesses, so do you have farming businesses that are investing now in mechanisation, technology and automation? For example, in my constituency we have fruit picking and grape picking. They have grape pickers now and they can use technology, a machine, to pick the grapes. People have been investing locally. I do not know what you have seen in Scotland about mechanisation.

David Michie: That is really interesting because many of our members have been trialling mechanisation for picking soft fruit. Unfortunately, it is not fit for purpose at the moment. For the products that they are producing, it is difficult to put a timeline on it but they think it is probably at least five years or so.



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The other important thing about automation and mechanisation is that it may work for some businesses producing particular products. It might work for grapes, but for the vast majority of farm businesses across all the different sectors it is probably not going to work or it will not work for everyone certainly. I think it is quite unhelpful to put a timeline on it and then assume that within five years everything is going to be absolutely fine. I think there needs to be much more investment in people and getting a more vibrant and diverse workforce into the agricultural sector.

- Q36 **Sally-Ann Hart:** Talking about investment in people then, I know that the migrant labour from Europe has been described as high quality. They are high quality. They know what they are doing. When you are looking at recruiting the local workforce, I know that Scotland currently has an unemployment rate of 4.3%. It is a very low unemployment rate so there is not a huge amount of people who can come forward. Could they be trained to the same high quality as migrant workers, and perhaps improving conditions as we have discussed before in the haulage company or hospitality? I know you talk about the geography, the work pattern, the length of season, but would higher wages, better training and better conditions improve the recruitment of a local workforce for that skilled job?

David Michie: This year has seen significant wage inflation in the horticulture sectors and the employment of UK workers has still been extremely low. It has been very difficult to recruit and retain workers at the same time. Yes, I understand your point, but I think that the nature of the work has changed so much in the last few decades, back to the 1990s when there was much larger employment of UK workers to a very different sector with very different markets. To assume that you can get local people to do the job is quite difficult.

I have said before that it is temporary, it is transient and it is communal. You have to live onsite. You need to start at 5.00 am and you finish at 1.00 or 2.00 in the afternoon because of heat. There are all sorts of reasons why it is not really a job, in terms of a job for local people to do. It is more of a short-term work experience that people can dip into, earn a lot of money and then move away again. Unfortunately, within the UK we just do not have that pool of people to do that. It is generally young people that are doing that and taking a year out or so, and you need a much wider pool to get the numbers available to do that.

- Q37 **Sally-Ann Hart:** In terms of the action being taken by UK and Scottish Governments, to help farm businesses to access the labour they need, how would you assess that?

David Michie: To access the labour they need, it just has not worked. We have been about 20% short for the bulk of the season. The way the seasonal workers pilot has developed has meant that last year and this year there have been workers who are not fully informed of the work that they are doing. They come over to Scotland to work on the farm and the



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reality is quite different to their perception. There is quite a lot of work to do to improve that scheme.

In the past when there was freedom of movement, and before that when there was freedom of movement in all EU countries, there was a much closer link between the farm businesses themselves recruiting. They would go out to countries to recruit people. The people they were recruiting were very clear on what they were doing and the rates of pay. They had a very high returnee rate. Over 70% of people would return year on year, and they could use those happy workers' networks to bring more people in.

When Brexit happened and the seasonal workers pilot came in, that was completely cut and that was all removed and it was operators and agents doing that recruitment. There was quite a bit of work needed to build up, to make the expectation gap and information gap smaller so that the people who are coming to work are very aware of the opportunities that are there to earn a lot of money if they are highly productive, but also of the challenging conditions and Scotland's weather, to be honest. Working outdoors in Scotland is quite challenging and it is not for everyone; it is not for all the time. It is a short-term work thing that people do, rather than a job that local people do.

Q38 Sally-Ann Hart: Looking again at mechanisation, do you think the UK and the Scottish Governments should be doing more to help support Scottish farmers in technology, research, mechanisation, so that the need for labour is reduced?

David Michie: I think that an investment in all sorts of innovation, not just mechanisation, would be welcome. However, we cannot rely on that to replace the workers. I do not think that is a realistic prospect in the long-term. It would be quite dangerous to put all the resources into mechanisation when it may not work. It is something that must be welcomed and developed, but to work across all sectors in the longer term I do not think is a realistic proposition. I hope I am wrong, and it is available to people in the long term, but I would not like to put all resources into that.

Q39 Sally-Ann Hart: When you are looking at shortages of seasonal agricultural workers in the long term and mechanisation is not going to suit all sectors of agriculture, and it would be difficult to train up a local workforce because it is a difficult job and seasonal, how are the shortages of seasonal agricultural workers going to impact Scottish farming businesses in the long term?

David Michie: It is already impacting them. There were not enough workers, so lots of the work that was done on-farm this year was the emergency such as the pick to meet our markets, to get our contracts so we do not get punished by our retailers. The important tidying up, preparing and getting ready for next year has not happened. Because of that there will be a retraction in terms of area.



The workers worked incredibly hard, permanent and seasonal staff, 120% of work hours. The farmers do not want to put their workers through that again next year, so it looks like at the moment it will be retraction, unless there is some assurance from Government that the seasonal workers pilot scheme will be extended to 60,000 places and the percentage of workers. At the moment there needs to be only a maximum of 60% of workers on the farm that use the seasonal workers pilot. That needs to be extended to 75% because the loss of freedom of movement from the EU workers means that for various reasons there are less EU workers available.

Q40 John Lamont: I want to continue that questioning with Mr Michie. As you might remember, in the last session of Parliament, this Committee did an inquiry into the labour market in Scotland. We took evidence from a couple of the agencies that bring migrant workers into Scotland and into the UK. This predates Covid and predates much of the impact of Brexit.

They identified two issues, which attracted quite a lot of media coverage at the time. One was that the previous countries where they were able to pull migrant labour into the UK, for example Poland and Romania, were no longer offering as many workers and were now looking to Ukraine and countries in that area to draw workers from. Secondly, they were saying that when they arrived in the UK for many of the migrant workers Scotland is seen as a less desirable place for them to base themselves. Do you have any evidence that supports that? That was evidence that we received back in 2018 to 2019 from memory. Is that something that you are aware of that is compounding the Covid issues and the other issues around Brexit that you have identified?

David Michie: Yes, since Brexit the UK, from what we have heard from some of these agents, is a less attractive place for people. Places like Germany are maybe easier to work in, particularly due to changes in taxes and benefits and the implications of leaving the EU to work in the UK.

Q41 John Lamont: I think the point they were making rather was the relative prosperity of Poland had now risen so much so that the attractiveness for those workers to move to other parts of Europe or indeed come to the UK was less and they are now looking at Ukraine and other countries because the difference between the relative prosperity was more appealing for them to move, rather than the impact of Brexit, because Brexit had not happened then.

David Michie: Yes, so Brexit and Covid accelerated it, but certainly there are more workers coming from Belarus and Ukraine now.

Q42 John Lamont: They are not in the EU.

David Michie: No, correct. We need a seasonal workers' scheme for workers from much wider than the EU.

Q43 John Lamont: That is quite an important point. You want a seasonal



workers' scheme that extends wider than EU workers?

David Michie: The seasonal workers pilot scheme already does, but it is not enough places. It is only 30,000 places.

Q44 **John Lamont:** In terms of where the workers are coming from, it is definitely countries that are not necessarily the countries that were previously providing migrant workers to come to Scotland and the UK and there are other countries you need to focus on in terms of appealing to those workers to come to Scotland?

David Michie: I would say that we need to focus on the EU and wider.

Q45 **Wendy Chamberlain:** Thanks to the witnesses for their time this morning. Mr Michie, I know you have had quite a lot of questions, but I do want to speak to you in the first instance in relation to the food supply chain. ONS data in October 2021 indicated that one in five people in Scotland were unable to buy essential food, with half of all respondents reporting that there was less variety of food in the shops than usual due to ongoing food supply issues. Since then, there has been quite a lot of talk about what that means for Christmas. I appreciate your policy for crops, but can you talk through the labour shortages in meat processing that are affecting Scottish farmers?

David Michie: I have some information from Scotland Food and Drink and the latest information they have given me is it is about 15% of the workforce across food and drink manufacture are EU nationals, compared to about 8% across all sectors. The industry is reliant on seasonal labour with 75% of businesses seeking additional labour throughout the year. I know that they are affected. I do not have more up-to-date data. We can send that in writing, later.

Q46 **Wendy Chamberlain:** I suppose my general question is—and I am sure people listening in would be interested—are there still concerns about Christmas?

David Michie: The short answer is yes, but I do not have the evidence to hand to substantiate that. It is bigger than Christmas. It is looking to extend much wider than that.

Q47 **Wendy Chamberlain:** So concerns for Christmas and beyond. Mr Reid, can I bring you in on that point please?

Martin Reid: Christmas will be delivered. You might not get absolutely everything you want absolutely all the time, but thankfully our industry is very quick and nimble. As long as you are not asking for the earth Christmas will occur this year the same as it has every other year.

Q48 **Wendy Chamberlain:** Thank you. In my constituency I have a couple of consortiums of agricultural and horticultural growers. One of the challenges they have had is around HGV availability. Mr Reid, is that still something that is being experienced? One of the challenges for those businesses is the fact that they have limited storage on site for perishable



produce.

Martin Reid: Yes, that is a factor. In addition to the general haulage movements, which happen all the way through, we are responsible for seasonal goods as well, the harvest and so on for the agricultural sector. We also have the retail in the run-up to Christmas. All of these are affected at the end of the day because we underpin so many other industries. The problem comes when there is the additional pressure of seasonality. That is traditionally a time when there are all hands to the pump for the industry but when there are less hands to go to the pump then that becomes an issue, particularly with time-critical goods.

Q49 **Wendy Chamberlain:** Absolutely. What that means, with labour shortages as well, is potentially crops being left in the field. Mr Michie, in terms of food processors within the supply chain, what are you picking up as challenges there on the horticultural side?

David Michie: Yes. On the horticultural side, there have been big problems with processing and also the haulage to get to the processing. There was a member who I think may have been in your constituency, who was unable to supply cauliflower and broccoli to get frozen. This was at the end of August when we received the data, but it was about 2.5 million heads of broccoli and 1.5 million heads of cauliflower that were just dumped, ploughed in and it was completely gone. Without the harvesting, haulage and packaging costs, that was a growing cost of £1.1 million that was lost due to the labour crisis.

Q50 **Wendy Chamberlain:** Yes, and being borne by businesses when they are already seeing increased costs via Covid protocols. Have those increased costs been an issue, particularly when we have had different factors across the UK? Obviously, those businesses in Scotland are in competition with other processors.

David Michie: We are facing unprecedented increased costs in agriculture due to energy prices and other input prices, so fertiliser, fuel, feed for livestock producers. There is a huge inflation in costs and as I said before farmers are price-takers, not price-makers. There are very few retailers offering contracts and unfortunately we are becoming quite uncompetitive with other countries.

Q51 **Wendy Chamberlain:** You say uncompetitive with other countries. Is that Scotland or the UK that you are talking about?

David Michie: I cannot talk so much for the rest of the UK. I can talk for our horticulture members who are saying that globally everyone is facing an increase in energy costs and so on, but, because of the migration policy that we have, those labour costs are far higher for our members, our horticulture members, than the blueberries from Peru that are being flown in instead of blueberries from Aberdeenshire being sold in supermarkets. It is very difficult for them.

Q52 **Wendy Chamberlain:** My particular question was the fact that we have



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had different Covid protocols across the UK and you could argue that the Scottish ones have been more stringent. Is that a cost factor that you have been aware of as well, Mr Michie?

David Michie: No, sorry, in terms of agriculture the Covid protocols for the primary production have affected migrant workers staying in temporary accommodation. I cannot talk so much for further up the supply chain of processing, I am afraid. I can ask Scotland Food and Drink and get back to you on that.

Q53 **Wendy Chamberlain:** That would be helpful. Thank you very much. Finally, Mr Montgomery, we are talking here about a great deal of disruption within the food supply chain. What are you seeing at the hospitality end as the impact of that?

Stephen Montgomery: You have the three main factors on the call here. You have the people who pick the food, and then you have Martin's colleagues who transport it and then we are the end user. At the start it was customer base we were looking at and asking, "Why do you not have this when you had it before?" and there was a lot of upset because you did not have as big a menu as you had previously. Whereas now, because it is more broadcast and more publicly acceptable that you are not going to have what you had before and that your menus are smaller, people are more accepting of that.

However, going back to Christmas, there is a bit of fear of whether we are going to get our turkeys, or everything we have. We have been assured that there will not be a shortage of that main product come Christmastime, but I think it goes beyond that. The labour shortage is not going to be for now; it is going to be for longer term. We only need to go back about three weeks ago when we could not get sausages or bacon. I think that was a lot to do with the CO₂ shortage that we had. We had one of the UK main beer suppliers who could not even supply us with their own brand of lager. It all boils down to all three components with the one same issue, and that is labour.

Q54 **Wendy Chamberlain:** It feels like a bit of a vicious cycle, because what you were describing earlier in the evidence session was the potential reduction in days that hospitality is open because it is dealing with its own labour shortages. Surely, from a food supply chain perspective, if you are open less you are potentially utilising less as well. I suppose, particularly across the food supply chain producers, growers, poultry, are making those decisions now. Is there a fear that that vicious cycle could take us through into next year as well?

Stephen Montgomery: I hope that there would not be that fear. I hope that with the end of furlough and Christmas coming people will start to think, "I need to get money. I need to get a job. I need to get out and about". We all thought that the end of furlough was going to have the effect that people would jump back into work but it hasn't.



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We have 500-odd vacancies available now in our main core membership. If you look at where we were with the main core membership with 17 new sites waiting to be built at a spend of £30 million with probably another 500 or 600 jobs available there, we cannot do that now because we cannot take the chance of expansion with no labour. That has all been put on hold, plus we do not know if there are going to be any more restrictions coming in. We do not know what is going to happen come New Year, so that cash flow has to be conserved for what if.

- Q55 **Chair:** Lastly, are there Scottish-based solutions to this? Obviously, as part of the UK, the European Union freedom of movement has ended. The Scottish Government have suggested a Scottish visa scheme, a specific Scottish visa scheme that would allow recruiting people from across the EU for a period of up to two years. Would that help you out in terms of some of your recruitment issues?

Stephen Montgomery: As far as the hospitality sector is concerned, there are legs in that somewhere but I go back to my original point. Skilled workers as far as hospitality are concerned will be chefs and so on. We would look to have people come into the country who are skilled and want to make a life here, not someone that wants to come in for a couple of years and then we say to them, "Listen, we have used you now, bye bye". That cannot be the case.

As far as going back to what we had with the road haulage, I think there were 100,000 visas available for lorry drivers to come in, and there were 27 or something. I think the target around that was wrong.

- Q56 **Chair:** Was that because it was only for a few months? Realistically, if they came for two years with the possibility of having that extended that would be a much better incentive for people to come and work in your sectors.

Stephen Montgomery: I don't think that this labour shortage is going to be over in two years' time. I really do not. I think Covid is going to be here, the recovery of Covid is going to be here for a lot longer than we think. We said last year 18 months. Now we are here, I think it is still going to be 18 months and longer. It is what we do now for the future.

- Q57 **Chair:** I will put that question to both of our other guests, and maybe add this to it. Say Scotland had the power to bring forward freedom of movement again, would that help you? If we go back to the situation where we were maybe a year or a year and a half ago, if we had a Scottish visa scheme to address particular demands? We have demographic issues in Scotland that are perhaps particular to where we are as a nation. What do you think about that?

Martin Reid: I will take that one for starters. Freedom of movement would be a good thing. It would help all our sectors but one of the things that we need to do is to remove the barriers to entry. For my industry, in particular, the main barrier has always been the cost of getting a licence, so at a time like this we need help in doing so. We need to remove the



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barriers. The Government have announced the review of CPC, which is very welcome, so one other proposal that we have put into Government for returners is that the Government pay for the CPC element, which would remove a fiscal barrier for anyone who wants to come in.

I go back to the fact that we need to see these jobs as more skilled in the general populace. Not only would that get us on the shortage occupation list, but the rhetoric that comes out from the Government is important when you are talking about attracting new people into the industry. Who would want to go into an industry where all they are hearing is how it is unskilled, dirty, smelly, all of these things? The rhetoric needs to change. We need to promote these careers properly and we need to bring people into the industry and remove the barriers to entry.

Q58 Chair: Lastly to you, Mr Michie, should the Scottish visa scheme and freedom of movement scheme be reintroduced?

David Michie: Freedom of movement would make a huge difference. When we interviewed our labour providers to give evidence, all of them said that Brexit is a significant factor and the loss of freedom of movement had significantly reduced the growth of available labour across Scotland for Scottish farmers. It is important to realise that with freedom of movement people cannot move but products, particularly agricultural products, can and unless there is a change in migration policy then maybe that produce from around the world will displace Scottish produce as it retracts.

We want to work with both Governments to put in place a fit-for-purpose migration policy that benefits workers and farm businesses.

Q59 Chair: Lastly, Mr Montgomery?

Stephen Montgomery: Thanks for letting me in there, Chair. I think there is a place in Scotland for a Committee of some sort of what we see here, to see how we change labour shortages and everything in Scotland, where you have three or four of the main sectors around the table where we can collaboratively agree and speak with the Scottish Government to try to make a way forward and, in turn, go to Westminster and say, "Listen, this is what we have come up with. What can you do?" or whether we take that on ourselves. I think that would be the proposal that we put in from hospitality that the main sectors of this involves the big labour shortages and get around the table together along with Scottish Ministers to try to develop some kind of plan.

Chair: Fantastic. Thank you ever so much. A fascinating session. We could have asked you so many more questions, but I think we have a sense of some of the issues that are confronting your sectors. We are very grateful for you turning up at pretty short notice to help us out with this one-off inquiry today. I am certain it is an issue that we will return to in the Scottish Affairs Committee, so anything else you can help us with



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we would be more than grateful to receive, but for today, and for your attendance, thanks ever so much.