

# Work & Pensions Committee

## Oral evidence: Brexit and labour market policy, HC 899

Wednesday 18 January 2017

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Members present: Richard Graham (Chair); Heidi Allen; Mhairi Black; James Cartlidge; Luke Hall, Craig Mackinlay; Steve McCabe; Royston Smith.

Questions 1 - 59

### Witnesses

I: Beverly Dixon, Group HR Director, G's Group, Susanna Rendall, Managing Director, The Boxford Group, Nicolas Roach, Chairman, Nicolas James Group (owner Harbour Hotels Group), Matthew Sumner, Managing Director, Midas Care

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II: Andrew Clark, Director of Policy, National Farmers Union, John Guthrie, Employment Policy Adviser, British Hospitality Association, Dr Heather Rolfe, Associate Research Director, National Institute of Economic and Social Research and Laura Smith, Communications Manager, Build UK

## Examination of Witnesses

Beverly Dixon, Susanna Rendall, Nicolas Roach and Matthew Sumner.

**Q1 Chair:** Thank you very much, and welcome to this one-off session of the Work & Pension Select Committee on Brexit and Labour Market Policy, to the extent that we know exactly what may or may not happen. Can I ask you all to introduce yourselves for the record as to who you are and who you work with? Nicolas, perhaps starting with you.

**Nicolas Roach:** Yes. Nicolas Roach, I am a chartered accountant and the chairman and owner of Harbour Hotels. We employ about 1,000 employees, and we operate in the south of England.

**Beverly Dixon:** Beverly Dixon. I am Group HR Director at G's, and we grow salad and vegetables for all the UK supermarkets, lots in Europe, and we farm, and process, and pack in Cambridgeshire, Norfolk, Warwickshire, Sussex and Kent, as well as in Poland, Czech Republic, Spain, Senegal and the USA.

**Susanna Rendall:** Susanna Rendall, Group Managing Director of The Boxford Group. We employ just under 700 people. We are a fruit-growing and packing business, both soft fruit and top fruit. We are also a leisure and hotel business, and we are based on the Essex/Suffolk border.

**Matthew Sumner:** Good morning. My name is Matthew Sumner. I am Managing Director of Midas Care. We are based in Cambridgeshire, and we are providers of health and social care within Cambridgeshire and also surrounding counties.

**Chair:** Great. Thank you very much. You all cover slightly different sectors, which is very helpful for us. Can we start, Royston, with you?

**Q2 Royston Smith:** Of course. The obvious question to all of you, I suppose, but perhaps we start with anyone that wants to go first—Nicolas, perhaps—can you explain to us how the free movement of workers has helped benefit your firms, and particularly your sectors, so that we set the scene a bit?

**Nicolas Roach:** Sure. I have brought some statistics with me, just to give a factual context to it. Approximately, in our workforce of around 1,000, we currently have about 35% on average who are non-UK EU nationals. Geographically our hotels are in Guildford, Bristol, Brighton, Southampton is coming, and along the coast. We have a lot of coastal hotels, including in Salcombe, St Ives, Sidmouth and Christchurch. What has happened is, certainly in our business, we are operating in a four/five-star market. We have attempted to re-invent the British seaside offering, and as we have grown we have found it extremely difficult to recruit labour that only wants to remain in the business for probably one or two years. To be specific on that, in the food and beverage side of the



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business it tends to be much higher in terms of those short-term people, people who want to be a waiter, or waitress, or something like that. We cannot find English people, being blunt with you, certainly not in the south-east and the south-west.

What do we do about that? We run training programmes, we run extensive accreditation things, and we have academies, all types of things to try to attract people. But the people who turn up at the door who want the jobs, those extra jobs—we fill it with Europeans. The future for us, in terms of where we are going, I have two hotels under construction, and we expect to create another 1,000 jobs in the next three years. Statistically about 9% of our national workforce want to come into hospitality. That includes pubs, and leisure, and things like that. We have, I think, 3.7% unemployment down in the south-west and the south-east. So really, of the 20,000-odd who are looking to come and work in hospitality, who are unemployed—if they are indeed unemployed—the pool is small.

Where are we going to get them from? We have to bring them in if I am going to create those jobs. That is challenge number one. In terms of the balancing side of that argument, we find that in the longer-term roles—managerial roles—only 2% are EU nationals. People who have more permanent roles in the business, and that might be assistant managers, we find that they are UK nationals. The issue—for me, anyway, in my business—is predominantly that very short term one or two years.

I am extremely worried because of that cycle. We have looked at how long people stay. I cannot make someone stay to be a waiter forever. They do not want to do that. They want to do something else with their life. The problem is, if I do not know soon what is going to happen, if when we leave the European Union there is not some sort of system in place, the following year I might have lost 60% of the staff and I will not have anybody to fill it. It is a challenge and we are worried about it. In terms of hospitality as a whole, it is a big growth sector. Obviously the pound is helping. It should be something that we as an industry push much harder, and we should be growing.

**Chair:** Thank you very much. I think, Royston, you probably want to hear from the other witnesses as well.

**Beverly Dixon:** In G's we employ 6,000 people at any one time in all of those locations, including overseas. In the UK there are 3,800 people, 2,500 of whom will be seasonal workers. I will talk about how we have benefited from the seasonal-worker perspective, first of all at industry level. The British Growers Association recently did a survey that showed that across the sector we employ 75,000 to 80,000 seasonal workers. That is set to grow up to about 90,000 over the next 10 years, and that is even with the innovation that is set to take place. There is an absolute need for an enormous number across the whole sector.



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If you then come back to G's, our 2,500 people are all from Eastern Europe, pretty much. We employ a small number of people from Poland, more from Romania and Bulgaria. What is the reason for that? Why don't people that are UK born apply for those jobs? First, because of the nature of the work; it is seasonal. We only need people from April to October. That is not attractive for most people. Add to that the fact that most of our farms and pack houses are in areas of really high employment rates, which is great—the unemployment rate in Cambridgeshire is 1.2%—there are very few people looking for that kind of work. Attractiveness, unemployment rates, it is just not appealing for people to come. They would have to move home.

What we do, we employ people from Eastern Europe. We provide them with housing, so we accommodate 2,000 of those people. It is all self-contained, so we have medical facilities, we have sports facilities, we have shops, we have everything on the site so that we do not impact on the local community. We absolutely would not be able to operate without access to the European Union. I would like to make the point that it works both ways. Because we are in international business, if there is any situation that increases the bureaucracy, or changes the culture around asking people to go from the UK to, say, Spain, that will make it more difficult too. That tends to happen for people who are highly skilled. It would impact on our skills, knowledge sharing, and capacity building across the whole of the business, which would then impact back on the UK.

**Chair:** Royston, do you want to keep following on gently, giving everyone, perhaps, a brief chance to answer?

**Susanna Rendall:** Yes. We have to pick over 113 million fruits per year, and we need 250 people to do that. I think there were two areas where the EU has helped us. Initially we had only UK pickers when we were quite small. Our season was only about 10 weeks, and we were just picking apples. We used to have daily casuals. As our fruits became more skilled to pick, we needed to be able to train. We went to the weekly paid, paying National Insurance and tax with our people. We did a trial with the Inland Revenue when we went through this, and the result of this was that we then joined SAWS.

We need 50 people to pick the fruit during that period. We went through 1,200 people to get those 50 people to be able to stay and pick the fruit that year. Even the Inland Revenue administration-wise literally threw up their hands and said it was almost non-effective and not cost-worthy. We then decided to join the SAWS scheme, and that gave us confidence that we could start to grow and invest, because we have to spend about £46,000 per hectare to plant an orchard of apples, and it is even more for cherries. From that point we then started to grow, and to prosper, and to be able to provide more employment to the local economy.

Then it got to a point in about 2009 where, through the SAWS scheme, we could not get enough on the permit scheme. We then went with the



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BBC; they did a story on us because we had some of our fruit, our raspberries, that were going off in the field. We could not pick them. There was a national broadcast about it. We had 50 people from all over the country apply, and most of them were mothers wanting their young children, before they went on holiday, to have a couple of days of picking. We narrowed it down to about five people who were suitable. Of those five people, one did not turn up, one gave up after the induction process, two stayed for half a day, one stayed for a day, and no one came back the following day.

**Chair:** This is not a very encouraging story.

**Susanna Rendall:** That is what happened, and that is our experience. Then we opened the doors up to EU nationals, and the flexibility of having no restrictions on employing people to pick our crops has meant that we have grown 500% since then. We have taken on another 150 UK nationals to support the business that we have. Not only have we benefited from bringing about £17 million turnover, half of that is employment, which is producing money going back into the economy. It is also securing the jobs of all of those people in the service industries around us, and of the people that we are employing.

For us it is absolutely crucial that we have this flexible workforce resident on site, because in our harvesting period we have the weather, we have the ripening and we need them to come out early in the morning. With soft fruit you cannot pick in the heat of the day. There are a lot of difficult timings, and basically people are resident on site for us, and particular EU nationals, who are happy to take the physical work on. It has been an absolute priority.

**Matthew Sumner:** Our business is health and social care, primarily social care. The social care industry is employing about 1.3 million. About 90,000 of those that we can accredit and qualify are from the EEA market. The free movement has helped reduce that gap considerably over that time, but as I think is very well publicised, the gap is still a huge gap in terms of what is needed to meet the needs of adult social care. 55% of our business is run by those from the EEA market. We employ 55% of those coming from the Eastern European markets. We too have struggled in terms of the recruitment process.

As much as the marketing continues to be done in a rolling recruitment programme within the UK, the quality of those people coming through, and the limited amount of those unemployed within our area, means we are absolutely up against it. It is impossible for us to continue to recruit purely from the UK markets. The 90,000 people we are talking about are probably nearer to 150,000, because it is not a regulated requirement for us to register their ethnicity within their employment. What we are doing now, as much as we are recruiting from Eastern Europe, we are supporting that locally, but we are just not finding the people locally.

Q3 **Craig Mackinlay:** If I might come in, you all paint a very similar picture.



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I note that you all have businesses from areas of fairly low unemployment, and I think that has been the problem that you have faced. Beverly, I recognise your company from years ago. My father was a greengrocer, and I remember having G's products, and I have known them for years. Where are you now advertising? Are you advertising direct in Romania and Bulgaria? I have noticed that there has been a spread over the year—it might have been Spanish workers across Europe. New ones have come in, like a lot of Hungarians. They now seem to be doing other things, and we now seem to be getting to Romania and Bulgaria, especially since 2014 when they got rights of work. Are you now finding that even the Bulgarians and Romanians are difficult to find? Are you using people from the Ukraine and elsewhere? Are you getting them in via a working scheme at all? I have local farmers who have looked at that. I have a very big company that you will know very well, Thanet Earth is right on my border and that is 50% EEA workers. My area has a fairly high level of unemployment, so there are plenty of people unemployed to do the work, they just don't seem to want to do it, which I think is Susanna's experience. But where are you advertising for these roles?

**Beverly Dixon:** Yes, we do go directly. We are not allowed to recruit from the Ukraine so those areas extending beyond the EU would be absolutely ideal because, you are right, if we take 10 years ago, the majority of people were Polish but now because their society in Poland has benefited when people have been over here, people have gone back and set up their own businesses, or have other jobs elsewhere within the UK then that meant that we moved to Romania and Bulgaria. It is becoming much more difficult. We struggle to fill the vacancies. Concerned with post-Brexit, post June, we now have a situation where we have half as many applicants that we had this time last year.

Q4 **Craig Mackinlay:** Just to help my understanding of the situation, are you able to recruit from non-EU countries at all?

**Beverly Dixon:** No.

Q5 **Craig Mackinlay:** Is there a scheme in place whatsoever?

**Beverly Dixon:** No.

**Susanna Rendall:** There used to be.

Q6 **Craig Mackinlay:** I thought there used to be. In your company, Beverly as well, 1952 you probably had workers from—we weren't even in the EU then—abroad then.

**Beverly Dixon:** That is right.

Q7 **Craig Mackinlay:** We have had them all the way during the EU years and my view is we will probably have them afterwards without any problems.



**Beverly Dixon:** That is right, but we would ideally like to extend beyond the EU to be able to recruit people from the Ukraine. So currently we are recruiting people from the Ukraine for Poland and the Czech Republic because those two countries have special arrangements with the Ukraine. The students in the Ukraine would absolutely value the opportunity to come to the UK. So there are cultural benefits, there are diversity benefits and innovation and ideas, and access to highly skilled people.

Q8 **Craig Mackinlay:** I will go on to my proper question, which is are you finding that the appeal of Britain has reduced since the referendum? It may be a currency issue because obviously when the currency was somewhat stronger it was a great amount of money when it was converted to zlotys or whatever else. Do you think it is a currency thing or people thought that perhaps they are not so welcome or whatever else you might put your finger on?

**Susanna Rendall:** I have three hats here so I have different experience in all three areas. On the seasonal workers, we weren't affected this year so far because obviously we had them resident on site before the vote. However, the applicants coming in for next year are way down. On the packing operation, where 80% of our full-time permanent workers are EU workers from the local community, because we don't offer residence for them, the applications coming in have literally dried up. They are looking abroad, they don't feel welcome. Most of these people have set up homes here. Some of them do send money back but generally speaking they are worried about the future of their families and so if there are opportunities to go elsewhere where they have more security and it is more welcoming then they are looking at that. So that is an issue.

Q9 **Craig Mackinlay:** Finally on that, what could the Government do to provide some reassurance at this time?

**Susanna Rendall:** First of all, I think if people are already living and have permanent jobs in the UK they should be allowed to reside and stay here as long as the employers want them. For us we don't want to employ people we don't want, so all of these people have skills, they have had experience, they are prepared to do hard physical work, they have come up normally through the seasonal route so they have had experience, they know how to deal with lots of different elements of our business and so they are absolutely key. The Government must make them feel that they are going to be part of our society and welcome them, and not to feel that they are second class citizens.

Q10 **Craig Mackinlay:** I would like to finish with Nicolas because you have a different industry, you are not so seasonal, you have a bedrock of permanency. I have always found it rather odd that we have people who are willing to up sticks from Bucharest to come to the UK but we have areas of unemployment in this country and we don't seem to encourage people to go, "Well, I have no employment here, I will up sticks and go just 100 miles".



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**Chair:** I am conscious we have quite a lot of questions to get through. Nicolas briefly, then Heidi and then we must move on.

**Nicolas Roach:** It is a different issue completely really. In our industry we do not actively advertise in Europe. We do not mind where people come from. In fact, we do—ideally we would like British people because of language issues and all sorts of things. So what we tend to do, our advertising and our recruitment comes from the web, from agencies and we will get an array of people that come. It is usually people who are here from Europe who want to learn English, etc. So that is where we get our people from.

In terms of your point about mobility, why is it we don't get people from the north-east of England coming down to the south-east to come and work in a hotel? The issue is that, if you like, the bedrock of our industry is waiters, waitresses, chefs, you can't afford to perhaps leave home or leave your family if you have kids, you just cannot move to the south and afford to switch. We would love to have a programme, and we do, we have staff accommodation, we try and encourage people, but it is very hard to get someone to move from the north-east of England to come down and be a waiter at the bottom in a hotel, to be blunt.

Q11 **Heidi Allen:** Just very briefly, I am interested in what things we can do because we all hear loud and clear—I wouldn't want to be in any of your businesses right now because I think I would be packing up and shipping myself off to Italy, to be quite honest. There are unique things about all your industries that make it quite unappealing to UK citizens for the different reasons, are there any practical things that the Government could do to help with that or is it just a fait accompli and you need to have access to these citizens from around the world?

**Beverly Dixon:** We do need to have access to citizens around the world because I don't truly believe we would ever get enough people that are locally based to fulfil the vacancies. We certainly have lots of vacancies, like all the other industries, that are year round, permanent in the pack houses that absolutely need filling. For every two seasonal workers there is one permanent year round job, so we do need that but it could be as simple as transport to work. Where our farms are located, people cannot afford cars, they cannot afford to get to work if they are moving from a different part of the country. There may well be practical support with training, those sorts of things that might encourage people to come.

**Chair:** Thank you. I think we ought to bring Luke in at this stage because this is now on to the issue of recruitment of UK nationals.

Q12 **Luke Hall:** We have talked quite a bit about this already, about the difficulty recruiting UK nationals to fill some of the roles that you offer. Could we perhaps explore a bit more why it is so difficult? Nicolas, you said earlier on in your remarks that it is because of the seasonality or the instability of some of the work—you can find UK nationals to do the supervisor roles for instance—is it just the seasonality or uncertainty of



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the work or are there other factors such as people not wanting to do these entry level jobs? I just want to explore a bit more with the panel about why it is so difficult.

**Nicolas Roach:** I think once you get above a certain pay grade in a business you can afford to move. So you have more mobility by the fact that you can move house. We also have a construction business, we have relocated a number construction site managers from the north down to the south and we pay them assistance for their home move and a deposit to buy a house. That is easier because people have higher salaries. The problem is, if you like, at the bottom of the cake of the industry we are talking about people that, as I said, it isn't a permanent career being a kitchen porter, you don't want to do it forever. Therefore, you don't have the wages that enable that mobility.

**Susanna Rendall:** It starts off in schools. The careers people don't view our industries as career prospects. The thing is to start at the bottom and move up, you can move up quite quickly. Once you have done that hard ground work there are so many opportunities to grow and to develop into good supervisors, junior manager, good managers, higher managers. There are career prospects but it is not seen in that way in the schools and the colleges. I think a lot of that process needs to start there.

**Matthew Sumner:** There is not the critical mass to start with. You have 2,500 currently unemployed, registered on JSA within Cambridgeshire. The Office of National Statistics already state that 75% of those literally do not want to work anyway. So, first and foremost, do you want somebody caring for you who doesn't want to be there in the first place? Then you are left with 25%. By the time you net down in terms of the requirements, 80% of those employed within adult social care are female, then those who have cleared enhanced DBS, by the time those are drivers, by the time those have full availability to work all across the 15-hour shift from 7.00 am until 10.00 pm, you are getting into negative figures. Before you start to look at local recruitment you just will not get those people in terms of the requirements to fill those positions. The people just are not there in the first place.

Q13 **Chair:** Matt, could I just come in on that? If we were thinking totally outside the box and let's imagine that the UK decided not to allow any relatively unskilled workers from the EU to come and work here, and at the same time decided that we were going to cut the cost of welfare by not giving JSA to anyone under the age of, say, 24—just purely hypothetical—what affect would that have on triggering much greater enthusiasm among UK nationals who are young, who want work, who want money to come and work in your sectors? That is how I started off—picking peas at eight or nine and then going through the fruit and veg sector as a young person to get money.

**Matthew Sumner:** In our market we looked at that because we have constantly gone up the pipeline in terms of looking to try and get people into our industry. So only 10% of people are under 24 who are working in



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social care. What we have done is we have gone into colleges, we have started working with colleges, with those who are learning and training in education, health and social care. In a class of 12 in a local college there is only one person that is looking to go into adult social care. Everybody else was looking to go into nursing. Unfortunately, there is not a clear pathway currently in terms of going through the care system into health and into nursing.

**Q14 Chair:** I think that is a slightly different point because it comes back to things like university, technical colleges. Can we just hear from Beverly on the point of incentivising the young?

**Beverly Dixon:** We have had some experience of this because we have absolutely tried to do it. So we have a Seed to Success scheme. We run two or three of these programmes. We work with Jobcentre Plus to recruit NEETs and unemployed people. It is a 10-week employability skills training programme. You cannot believe how hard we have to work to get the people to even come and start the programme with us. In fact one of the Jobcentre Pluses have said, "Do you know we have run out of people, you need to give it a break for a while". So we have had to defer it for six months.

We eventually get about 12 people to start. There is no limit on the numbers, we take as many as possible.

**Q15 Chair:** Have you tried the schools?

**Beverly Dixon:** We do go through schools as well but we are particularly looking for NEETs in this situation, so it is those young people as they are coming up. Yes, we attend all the school careers fairs and advertise apprenticeship programmes too. So we have that contact. Get them through the programme, they whittle their way down, at the end of the programme there are probably about two people that finish and then we offer those people jobs. They are guaranteed jobs if they finish it and do well. Two people per programme on average, yes, and they have been fabulous but I need 2,500.

**Q16 Luke Hall:** Just extremely quickly. What is the entry pay level for that work?

**Beverly Dixon:** It is at least the minimum wage obviously while they are training and they get free transport to work.

**Q17 Luke Hall:** Then once they have started?

**Beverly Dixon:** Once they start work it tends to be performance based, so it is minimum wage plus enhanced performance bonus.

**Q18 Luke Hall:** Right, is that measured on the amount people are picking?

**Beverly Dixon:** Production, yes.

**Q19 James Cartlidge:** Which brings us to the key point, which is wages. I am very sympathetic. One of the businesses, Susanna's, is based in my



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constituency and I strongly understand your position. I also used to be a kitchen porter. I was saving up to go away to Romania, isn't that hilarious, when I was a student. Amazing. But on the point of wages, devil's advocate, someone out there might say, "Hold on a minute, you are not paying enough, you are exploiting farm workers from a very poor part of the world when you should be investing everything in local people and if you had higher wages you would attract more people". That is a devil's advocate argument but a lot of people would like to put that to you. Nicolas, how would you feel about that?

**Nicolas Roach:** In terms of wages, as you know, every industry usually works on a formula and we don't exploit people. We pay above the minimum wage and of course that minimum wage is rising by 20% in real terms in the next four years. So I don't think our issue is exploiting wages, it is simply—

Q20 **James Cartlidge:** Sorry, if you paid more do you think you would get the staff?

**Nicolas Roach:** From where? In the south of England, the south-east and the south-west, there are 24,000 people, if you take the unemployment rate, who are willing to come to the hospitality industry. I want to create a thousand jobs. I am going to take one twenty-fourth. That is every pub, every leisure centre. There is just not enough people for me to grow and that is a big issue. Do I continue with all these construction plans because I need to know that I can get a workforce?

On my business, being blunt with you, we are a four to five-star brand, we are a big group. It will not be us that suffer. We can afford to pay a bit more and we will take, frankly, labour from our competition. Our competition, and the people we take it from, will be individual hoteliers or individual pub owners, some are struggling to survive in the winter, we will take their staff and they will join us.

Q21 **James Cartlidge:** Just on the wages—I know you are keen to come in, Beverly—but specifically, Matthew, in the care sector, when I have been to care homes, especially one in my constituency, their feedback was, "When we try to recruit we are up against people who are stacking shelves", okay, because it is minimum wage.

We had a session in Birmingham on universal income. The point was made about the care sector and what it pays; arguably the sector has been underpaid for a long time. Obviously the Government will have to stump up, but it needs to be a more attractive sector where you pay more. For example, I think of child care where we did not seem to have a problem recruiting. They are mainly British and mainly female and it has that attraction. Can the care sector do that and to do so how much more would it have to pay?

**Matthew Sumner:** I think the living wage is obviously helping. We have had 6.9% in the last increase and so on. In domiciliary care and community care particularly we have to pay considerably above that so



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we, as a business, are currently paying as a basic hourly rate £8.55 because obviously there is the situation of travel time and so on, which probably is another conversation. The whole point is our hourly rate in terms of what people are being paid is considerably above the living wage. We are obviously looking for that to increase again come April.

The perception of us paying less for those that are coming from the EU; it costs us as a business between 8% and 10% more to employ somebody from the EU than it does from the UK. In terms of the investment, the training, the housing, the accommodation, the transport, the cars and so on. So the whole package is costing me as a business 8% to 10% more to employ somebody from the EU.

**James Cartlidge:** Beverly, you were very keen to—

**Beverly Dixon:** That is the same point. We do not pay the national minimum wage, we pay the national living wage and we pay that to people who are under 25 too so this is not about keeping wages low. We also provide subsidised accommodation and transport to work so the on-cost is significantly greater and we choose to invest that because that is part of us being attractive but we are in a labour intensive, very low margin business. There is an enormous amount of innovation investment in mechanisation and automation. First, some of that takes time and we have been doing that for many years so it is quite hard to reduce the reliance totally on labour but equally some of our products, it is too difficult to mechanise because of the delicate nature and the way they are grown. So some of those products we will not be able to mechanise and the idea is fewer people, higher skilled jobs, be able to pay more. So the alternative is that the price of food will go up because if we have to pay more we will have to charge more.

**Chair:** We ought to bring in Steve because we are on his patch here, if that would be all right.

Q22 **Steve McCabe:** I just wanted to ask about your experience of people like Jobcentre Plus. I think I heard Beverly say a moment ago, they said, "Hang on, you need to come back for a while". The perception seems to be that there is a great pool of domestic labour available and if only we could get it to people like you then we would not need all this migrant labour. I just wonder, what is your experience of Jobcentre Plus in that context? Is that what they are able to do or what do they need to do to make that happen or do you just think that is a fantasy? Can I start with Beverly since you raised that and then maybe quickly zip along the way?

**Beverly Dixon:** I think it is very difficult for them. They work closely with us and we work with all the Jobcentre Plus wherever we are located so we have great relationships. Their whole drive to do that is absolutely there but it is hard to get people to relocate. We are involved in one piece called Movement to Work that goes through the Jobcentre Plus, which is all about employability skills training but they have never managed to crack the nut of moving people from one part of the country to another or



effectively it would be out of cities into rural areas. People do not necessarily want to do that and don't necessarily want to live in accommodation on farms, it is not that appealing.

**Matthew Sumner:** We had a lot of contact and a working relationship with Jobcentre Plus and we continue to do so. However, just yesterday for example, if you put a search in for a care worker role or support worker role within a reasonable radius of somebody's home in Cambridgeshire there are 320 positions available, okay. So that is what we are up against. There is a huge divide and shortfall in terms of the amount of people there is that were willing to do the work in terms of meeting adult social care. So we have worked with Jobcentre Plus not just locally but recruiting people further afield. The question came in earlier about relocating people. We offer the same benefits to those who are willing to come down perhaps from the north-east or from the north-west and so on, provide them with houses, provide them with cars, start up and so on. We work with Jobcentre Plus. We got not one application from anybody who wished to relocate either on their own or with their partner and their families.

We had open days. We worked with the advisers. We did information sessions and so on with the advisers. We had a whole day booked out. We got appointments from people on Jobseeker's Allowance in terms of those attending; not one person turned up. We have stood in the Jobcentres, we have presented to them. So what I am saying is we have exhausted what I feel that we can do with the Jobcentre and Jobcentre Plus and as a recruiter who has a rolling recruitment programme we have to continue to use what works.

**Q23 Steve McCabe:** Is the problem these people are all in the wrong place in relation to your businesses and they will not come? Are we using too many traditional methods of trying to match people to employment in terms of the way that Jobcentre Plus works? Do we need a much more radical kind of incentive? I do not know. If you are in Newcastle and we want someone to come and work in your part of the world, do we need to say, "Here is a dirty big bonus. What you have to do is go and live there for—"

**Susanna Rendall:** I think it starts with the recruitment side because in our local Jobcentre we have had quite a bit of success, not with seasonal workers but with our hotel workers. So we have worked quite well with them. The only problem is that if we are interviewing 10 people, 10 people should turn up, only one turns up. The Jobcentres are too busy to find out who has or has not turned up. We try to give them information.

The issue that we have is that if they are coming from far afield you have to interview them and so I think a lot more needs to be set up so you can interview them without them having to travel because that, in itself, is a problem for people who do not have very much money. You are trying to get them down here but then they come all the way down here and they



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may not like the job and so it is the distance they have to travel when they do not have very much money.

Q24 **Steve McCabe:** So how would you do that? Would you do it by a telelink or would you—

**Susanna Rendall:** We are trying to set up so people can Skype so you can see and interview them. It is the whole thing about coming to a strange area of the country and so we have more success on the Jobcentres if it is local people.

**Nicolas Roach:** I think it is more of a humanity issue in terms of, for example, a chef. We do recruit chefs nationally but the problem is they have their wives, their kids, they are in school; they do not want to live away. They cannot relocate permanently because you have this huge task to relocate and you certainly cannot relocate down in the south-east and the south-west because they cannot afford to. One practical solution you suggested, rather than a big bonus, but there could be the inverse of the old enterprise zones where the Government could potentially subsidise the movement of lower paid workers. I have never seen that happen. It would be a bit weird to see the south-east and south-west get subsidies but that is the only way I could see you could bring people from the north-east down to the south.

Q25 **Chair:** Steve, can I just come in there? One thing that was going through my mind while you were talking earlier, in a sense although you are all in a similar-ish sort of business of recruiting large numbers of people your sectors are slightly different. Yours, it seems to me, which is basically hospitality is around customer service. Can you not find people from local colleges and universities because it seems to me my experience of my children at these places is they know they are going to have to pay back quite a lot of debt, the costs of living at university and stuff are pretty extensive. I do not have the money to enable them to sit on their backsides looking at IT screens the whole time so they are going to have to go out and find work. They tell me it is not easy to find. Is that not an opportunity for you?

**Nicolas Roach:** It is. We take them all. We have Bournemouth College, for example, we have two hotels in around Bournemouth and Christchurch. We have direct relationships with all of the colleges there and we will take as many of the trainees as we can get and there is a competition for that labour force. We put them into management trainee programmes if they have been to college and so on. Those people have a career planned in hospitality because they have been to college or they studied a course but they did not want to go and become a waiter or waitress for more than a year. They will have to learn the ropes and things like that. So there is just not enough supply of home grown to feed the machine that we have.

Q26 **Chair:** Are there not two potential sources there? One is people who are studying in the hospitality sector in order to pursue a career there but



there are others who just want to be able to earn money reasonably quickly working three evenings a week or whatever it is and you can cater for that.

**Nicolas Roach:** We have them. Yes, we take them but the analysis in the regions that I am in, which is the south-east and the south-west, if you look at the ONS stats, there are only 24,000 people looking for work in hospitality; that is it.

Q27 **Chair:** Is that including all the students?

**Nicolas Roach:** Yes. I am about to open a hotel in Southampton in July. I need to employ 300 people for an opening in July. That is a big number of young people because it is that type of thing. We cannot get these young people to come, the UK nationals. They are just not there. We will end up with, if you look at the ratio, about 35% of EUs again for that opening but 65% of that workforce will be UK-based jobs.

Q28 **Steve McCabe:** Just before we move on I wonder, Nicolas, if you just say a little bit more. You said something about the enterprise allowance in reverse and I just wondered, how would that work? What is it you have in mind exactly?

**Nicolas Roach:** I think this perception of, do we just want cheap labour; honestly I think that really is nonsense. I think we just want to give people jobs and create jobs and carry on in our businesses. So if we could take people who are currently unemployed from the north-east, which I understand is the largest unemployment area in the country, then we will; we absolutely will. So how do we do that and how can we relocate? If it is not just someone and perhaps the wife or family need jobs as well there is a challenge to relocate somebody. Housing is a huge issue for me so by an enterprise allowance I mean take a zone that has full employment, which fits where we have, and fund housing and the cost of relocation; it could even be a payback scheme so employers could chip in towards that—we would—in order to get people down. I do not have the detail of it but it is something to look at.

Q29 **Heidi Allen:** I do not know if many of you caught up with the Prime Minister's speech yesterday and perhaps are starting to get a bit of a feel for where her thoughts are going. If you could be whispering in her ear what sort of things would you be encouraging her to think about as she plans to negotiate all things, free movement of skills perhaps rather than just bodies, and what options might there be, whether it is bringing back seasonal permits or something like that? If you could talk me through industry by industry perhaps, starting with Beverly. What things could she be thinking about that would put all your minds at rest?

**Beverly Dixon:** Reassure the people that are currently here, to create that stability so that we do not lose any people that we have. Then introduce now, not in two years' time, a seasonal worker work permit scheme that is dependent on having a job, is time related and linked to an employer and ensure the employers do have the responsibility to



make sure those people are legal, trained, and looked after while they are here.

Q30 **Heidi Allen:** This would be worldwide, not just EU wide?

**Beverly Dixon:** It is important to have it worldwide and given that we are not going to be in the single market that would be ideal, worldwide access to great talented people.

**Susanna Rendall:** I would like to do that because I agree with what Beverly has said. I think for us it is also about flexibility—that we can flex the numbers because before it was quite restrictive. The other thing is although it needs to be time related the time needs to be extended. Before it was like six months. For our season, our season is from March until November so we are beyond that. We have tunnel teams that we have to train. We only want to train one set a year because there is quite a lot of training involved and we do not want to have two sets in one year. It is important for us if you are going to have a scheme, which we would agree would be worldwide, that we can stretch those numbers in order to grow or to take the seasons and sometimes the seasons change and also to extend the timescale.

**Matthew Sumner:** First, I totally agree. We need confirmation first and foremost with regard to those people that are already here. The 90,000 people employed in the industry, they need to know their jobs are safe within the industry.

Going forward, the shortage occupation list should be extended to adult social care and care workers and so on. Our business is different obviously because this is not seasonal. This is permanent employment that we are looking for. The concern with us in terms of the process of that list is that the application process is so protracted, the delay in the visa or application or the permits and so on, by the time they go through that process we would have lost them to another neighbouring country and so on because the choice of now going across to Germany or to Holland or to Austria and to work is obviously much more attractive because of the uncertainty here in the UK. We just need reassurances that we can get some sort of fast track system through if it is listed on the occupation lists to secure the employment here in the UK.

I just wonder if I could extend that perhaps to deal with restrictions in terms of it being sector based. The sector could be added to the occupation list. Employee restrictions as well. Because of the investment that we put into bringing people to the UK we would like to see that there is a restriction for sort of 12 to 18 months for that individual to stay with that employer, for us to get our return as an employer. We do obviously value an extremely robust recruitment process and we are not scared of putting people back on planes, back to their countries if they fail that recruitment process but we do need to be sure that when we train them, we bring them across that we—



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Q31 **James Cartlidge:** So, Matthew, they would have to only work for you, you are suggesting—

**Matthew Sumner:** Exactly for 12 to 18 months, yes.

Q32 **James Cartlidge:** I understand that but it is a big legal question there I think, the right of the person concerned. Is that currently happening?

**Matthew Sumner:** I think it is such a huge investment for a business to bring someone in and employ somebody that we need a minimum time that they should be employed with us.

**Nicolas Roach:** I am not trying to whisper—I am going to be a bit louder to the Prime Minister. I think every business and people in their lives need certainty and I cannot see why we need to wait until all of the negotiations are completed to be able to say to people, “We will allow a permit system that allows you to come in”. I do not agree it should be on an employed basis because I think that leads to exploitation. I think you should be allowed to come to this country, provided you have proof of employment on a permit and that permit needs to be such that it is less than a year but it should be renewable for the following year so that people can go back to their families. They have not moved. They have not moved to this country. They have not settled here and it is outside of the migration statistics. So it is not a political issue for the Government.

We could fix this very quickly. It wouldn’t mean our migration numbers are going to change because people have not settled here for more than a year. So that is the first thing. We need some certainty.

Q33 **Heidi Allen:** So a year would be enough for you in terms of certainty.

**Nicolas Roach:** A year and then a renewal. I have my numbers. Pretty much most of our lower paid workers do not stay in that job for more than about 18 months. That is the very maximum because they have moved into other areas or they have gone back. So we need, perhaps, to be allowed to renew for the second year.

**Craig Mackinlay:** A year renewable but a—

**Nicolas Roach:** Yes. Then the second issue is nobody wants a shock or a cliff so there has to be phasing because some of things that we are all talking about today they might not be right. We are quite innovative in this country. We might have people moving down from the north-east or whatever so I think we need a period to adjust. We do not want to suddenly have, “That is it; you cannot bring these people in”. There needs to be a few years.

**Chair:** Thank you, that is all very clear. Craig has one very brief question.

Q34 **Craig Mackinlay:** Just to sum up some of this.

I think we are going to struggle in the future if we just keep relying on



EEA workers. I think the pool is in itself drying up but let me put two things to you. The traditional methods of recruiting UK staff are not working for you and when you do try, and you obviously have been trying, you have been somewhat disappointed. So you have gone to a pool of people who are keen and able and want to roll their sleeves up. Would that be a fair assessment of what you have tried? All right. Are you asking, and I am summarising what some of you have said, the Government, perhaps outside of any negotiations with our EU partners, to come up with a unilateral scheme, perhaps sector based and it may be even wider than EEA. Perhaps like the Australian scheme we have for Australian short term workers. It may even be Commonwealth preference and old EEA? Is that sort of what you might be thinking—and do it now?

**Susanna Rendall:** Right now.

**Nicolas Roach:** Do it now.

**Craig Mackinlay:** Yes, now, unilaterally.

**James Cartlidge:** Yes, and reopen absolute migration to outside the EU. Don't underestimate that.

**Chair:** There are lots of things that are controversial here. I am also conscious that we have four other distinguished witnesses to give their evidence so I think sadly we will have to bring this session to an end, although I am conscious it could go on for quite a long time. It is a very important area and I am grateful to all of you who have come quite a long way for joining us today and sharing your thoughts. If you have further thoughts, not least on some of these ideas that Heidi, James and Craig were raising towards the end, do please feel free to send them in by e-mail to Adam. I think you have Adam's e-mail address, which would be much appreciated because I am sure this will be the subject of more debate. Anyway, for now thank you all very much for coming.

## Examination of Witnesses

Andrew Clark, John Guthrie, Dr Heather Rolfe and Laura Smith

Q35 **Chair:** Can I ask you to take your seats and then we will quickly whizz through the introductions.

**Andrew Clark:** Thank you very much for inviting me. I am Andrew Clark. I am the director of policy at the National Farmers Union.

**Dr Rolfe:** Hello. My name is Heather Rolfe. I am from the National Institute of Economic and Social Research.

**Laura Smith:** I am Laura Smith from Build UK. We are a construction trade association.



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**John Guthrie:** I am John Guthrie, employment policy adviser for the British Hospitality Association.

**Chair:** Great. Thank you very much for coming. Luke.

Q36 **Luke Hall:** What sectors are going to experience the biggest impact from restrictions of the inflow of EU workers, especially in lower skilled work? Perhaps we could start with Andrew.

**Andrew Clark:** I look at this problem thinking of it as sort of almost four dimensional in the sense that for farming we have both temporary and permanent workers. We have people working on the farm, we have the people working down the processing chain. We cannot solve this labour problem if we only look at a small part of it, so there are obviously urgent concerns. The most urgent impact, and you picked it up already in the earlier session, is directly on farm in terms of the horticulture sector. That is where the big numbers lie within the farming community. We estimate at the moment about 80,000 temporary workers from outside the UK work on farm.

The message I do want to leave with the Committee is that it is all very well if we could get that labour and retain that labour and it continues to grow but there is almost no point in having it if we cannot then have a competitive food processing chain further down that relies on both a combination of temporary and permanent non-UK labour as well. So we need a whole chain solution.

**Dr Rolfe:** Yes, I agree that agriculture is a very important sector as far as the employment of EU migrants is concerned, but the whole chain of sectors associated with agriculture also relies heavily on migrant labour. You have the food and drink processing sector, which is something like 35% migrants, and then the hospitality sector, which is over 20%. So you have all that cluster of industries. We also have construction, which nationally does not have a very high proportion of EU migrants but in London does and in the building sector does, so 40% of construction workers in London are EU migrants. So not only do you have a kind of sectoral problem of potential restrictions on EU migration but you also have a geographical issue as well.

The other sector that is very important is social care, where there is quite a high proportion of migrants, including migrants from the EU. I would say it is really those sectors that are most important plus retail and wholesale sectors but particularly the wholesale sector and warehouse work.

**Laura Smith:** Just to build on Heather's points, construction employs around 2 million people. About 10% of that total workforce is from outside of the UK. Anecdotally, members will say that on sites in London in particular, upwards of 40%, some are even 60%, are non-UK workers. There are some genuine national statistics, but there are some real pressure points in certain areas as well.



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Just to demonstrate the skills challenge that the industry has, the sector needs to find about 250,000 new recruits by 2019. So we have a skills challenge now and that will continue to grow in the next few years as well.

**John Guthrie:** As we have heard in the first session and also from Heather, hospitality is clearly a sector that is going to be hugely affected by the ending of free movement. To give you some sort of idea about numbers, if you take hospitality, as is defined by ONS, it is about 3 million jobs. Related areas are tourism, about 1.5 million, so 4.5 million jobs throughout the UK. Our estimates are that across that entire population about 15% are from the EU, but with that there are high significant subsectors and geographic differences. If you take Wales as an example in hospitality it is less than 10%, although there will be individual hotels where it is 40% or 50%. If you take London and within the south-east, which accounts for a third of all hospitality jobs, that has seen perhaps the greatest growth. So London, in the last decade, has become the food capital of the world and it is a fabulous strategic asset for international tourism and so on. If you take London those numbers of EU workers as a proportion of the whole can be 45% to 50%, in some businesses north of 50%.

We have heard it all before in the previous session. We are looking at an issue of perhaps geographic imbalance. One part of the UK economy has grown quite substantially in recent years. Other parts of the UK have not grown as much. Where you have the greatest demand for a new workforce and for a replacement workforce, you are operating in conditions in many labour markets of near or full employment. This is a significant issue.

Q37 **James Cartlidge:** I am trying to put this in a sort of nice diplomatic way; I am very good at that. I stay in a hotel when I am at Westminster, it is just over there, and I do not think there are any British staff, maybe two or three, just out of interest. To what extent is it the case that foreign nationals are doing jobs that, to put it bluntly, UK nationals are either unwilling—or perhaps by reason of the benefit system, it is not financially in their interests—or even unable to do? To what extent is that—

**John Guthrie:** If you say London and the south-east, I would have to say that this whole issue about attitude, all of that, I just do not think that applies. One of the things we have to bear in mind is that four years ago this country, British people, put on a fantastic show called the Olympics. The idea that British people, British workers, are not hospitable is completely wrong. We are. All of these businesses that employ 30% from the EU, that means that 70% are British. The idea that British people are incapable of delivering great customer service or working hard I think is just plain wrong.

What we do have is a situation in which the hospitality and tourism industry has grown massively. The number of international tourist



arrivals has grown and it is set to reach 40 million by 2020. This has been a huge area of growth. As the economy has grown, leisure spending, international arrivals, business arrivals, getting all the big global conventions coming into this country, you need a workforce to cater for it. In many areas of high economic growth, like London, for example, a dynamic service capital of the world, the availability of people is just very problematic. It is availability.

**James Cartlidge:** You think it is the availability of labour. Do the others—

**Dr Rolfe:** Yes, can I come in? What I am going to say is based on evidence that we collected from employers recently, before and post-Brexit, but also over the years, on why they recruit migrant workers. The story is very consistent in these sectors that we are talking to. It is that they say there are simply not enough British workers available. The problems are particularly acute in certain areas of the country like the south-west, a big food production and hospitality sector. That isn't where there are a lot of unemployed people, as you know. Unemployment currently in the south-east and south-west is around 3.8%, so it is probably around the level it was when Polish people first started coming over here, so they have not resolved the problem.

Q38 **James Cartlidge:** So they are not coming here and taking our jobs, as it were, they are just—

**Dr Rolfe:** Yes, filling. But they have enabled the sectors to expand, as John has said, so that we have pretty vibrant sectors. But I think where there is an issue about the employment of UK workers versus migrants is that migrants have the advantage of being very flexible. These sectors that we are talking about very much value flexibility in terms of days of the week, months of the year, roles within the sector and geographical mobility as well between sites. That is something that a migrant can do very easily, especially a newly-arrived migrant, but a British worker will find quite difficult, particularly if they are coming off benefits. That is where migrants do have an advantage over British workers. It is much less about pay, I think that is pretty much over-blown, much less about work ethic, also very much over-blown, but flexibility is a real issue.

**Andrew Clark:** Heather has made the point I was going to make. It is about flexibility. I am representing members who are out in the countryside and we have heard about regional differences. I would say there is a spatial difference between rural and urban. In our rural areas, there is not a lot of labour available. I think Helen Whately, MP for Faversham, was just talking about this in the Westminster Hall debate. It simply is a mismatch of the numbers of people available close to where our farms are and where there is demand for work.

It was brought home to me following the Brexit vote when we had a lot of meetings with our members. In Penzance I was talking to big growers down there, cauliflower and daffodil producers, which shows you the



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length of the season, starting from around about now right the way through to late in the year. I said, "Where has your labour gone?" because I grew up on a farm. We used to go and collect people from the local market town to come and work on our hop farm. I remember that is how it used to work.

It does not happen like that anymore now. The numbers and the professionalisation of the workforce, the just in time delivery means we cannot just rely on a few people we pick up on the street. We need people who can produce quality product; they are skilled. It is the difference between making a lorry-load of class A Marks & Spencer cauliflower or cattle feed if you cut it up wrong, if you harvest it incorrectly. Those people who used to work on our farms now work in the retail stores.

**Q39 James Cartlidge:** When we say "unskilled" we mean that if they were non-EU, they would not—

**Andrew Clark:** I think "unskilled" is the wrong word to use. It confuses skills with qualifications. The people we need on farms now have to be very well-skilled. You heard earlier on when Beverly from G's was talking about the need to train workers. We have dangerous machinery; we have a real serious health and safety issue on farms. We have to make sure those people know what they should be doing, how they should be doing it, not just for the product, but also for their own safety.

**Q40 James Cartlidge:** Can I just finish? Just to be absolutely clear, the reason why the word "unskilled" is used is because in the debate, particularly in the referendum, there was a sense of, "We are happy to have immigration if they are high-skilled" etc. The only definition we had to differentiate that is the non-EU visa system, which is a tiered system. 66% of EU nationals working in the UK would not get in under that, so they are unskilled in that sense. In other words, if we had a tighter system, they would not be here. That is all that—

**Andrew Clark:** Yes, a points-based system would not work for the type of workforce we need on farms, I suspect in other sectors as well.

**Q41 Steve McCabe:** If it is mainly about flexibility and this supply of EU migrant labour is going to be particularly severely restricted in the future. What can the Government do to make our existing labour force more flexible, particularly for young people? Is there some way you can incentivise that? Is that possible or are we just going to have to live with the fact that there is going to be a labour gap in the future?

**Dr Rolfe:** Can I say it is not just about flexibility and that is the reason—

**Steve McCabe:** No, I am saying if it is largely about flexibility.

**Dr Rolfe:** Yes. That is the reason why there is a high proportion of migrants in those sectors. That is not the only barrier to entry. There are issues around pay. There are big issues you heard in the last session



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about career pathways, the fact that the sectors don't offer them. I think some low-skilled—if I can use that term—sectors have laboured under a bit of an illusion. They often say, "Our sectors are misunderstood. Teachers misunderstand our sector; parents misunderstand our sector; careers advisers do, so young people do. They don't find our sector attractive because they are misinformed and if only they were told about it, we would not have a recruitment problem". I think that is a bit of head in the sand. We heard those views very much before Brexit.

I think the employers we have spoken to are coming around to the idea that perception is reality to a certain degree and they have to do something to sort out career pathways in those sectors. The sectors that we have talked about have a big requirement for low-skilled work and much less requirement for highly-skilled work. Obviously there are supervisory positions, intermediate positions. If we go down the automation route, there are going to be more skilled positions in some of those sectors as well, but flexibility isn't the only issue and some of the sectors have to get their house in order.

**Q42 Chair:** Can I just come in there, Heather? Thank you for your written evidence. I think there are two things that shone from this report. The first one was a strong sense I had of the employers slightly wishing for the impossible, "All employers said their preferred future policy for EU immigration was free movement". It is quite clear that isn't going to happen, so they have to adapt and change, as we all do when circumstances evolve. But you have also put that, "Post-Brexit, employers thought that attracting more British workers would now need more serious investigation and action". You have quoted one organisation in the construction sector, Laura's sector, "Discussions have taken place to review its resourcing strategy and how it might attract more British output". Putting it bluntly, the game is going to change and therefore businesses are going to have to adapt, which businesses are good at doing, and therefore finding more employees from the UK is likely to be a pretty high priority for any Government. What do you think employers could or should do more of to make that happen?

**Dr Rolfe:** What I said was, sort out the career pathways, so make entering the sector more attractive in the longer term. The sectors that we are talking about are seen as ones that people pass through. You talked about your sons and daughters or yourselves maybe working for a period in farms, hotels. It is seen very much as sectors where you just go for a short period. That need not be the case, of course, but I think are some solutions that could be done. I know a few years ago there were ideas of bigger firms offering their training to smaller firms, firms that could not afford to invest in training themselves. Government probably does need to do more investment in training, but those kind of measures need to be made.

**Andrew Clark:** Thinking about the NFU and representing farming and growing, we accept that we need to make agriculture an attractive place



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to work. We have been working with many others in the sector through the Bright Crop initiative to make farming sexy, interesting and exciting. Part of this is also a partnership across Government and ourselves to make sure that politicians recognise farming is important. If the sector is considered to be important, then it attracts people. If it is successful and we talk it up, then people want to come and work for us and work in the sector. There is a career path. There is a significant issue for all of our sectors, that we are comprised of many small businesses. How can you make a career path in a business in which there are two people? It is quite difficult and there is that challenge.

- Q43 **Chair:** By the way, I think there are things that you could do that would be different to engage with young people on this, particularly through the National Citizen Service scheme. It would be a great way of getting young people to come out and see what is happening in our agriculture and seeing the fun of working in groups of people, outdoors predominantly.

**Andrew Clark:** Chairman, I will invite you to an Open Farm Sunday in early June and you can see what we do already, 400,000 people on farms.

**Chair:** Well, do. Will you e-mail?

**Andrew Clark:** Yes.

- Q44 **Craig Mackinlay:** Obviously the report we will write after these sessions will hopefully inform Government as to what the thoughts are out there. But to get some real empirical data, what should DWP, Jobcentre Plus be doing to get that proper data to inform what the Government should be doing in their negotiations and the subsequent immigration policy so they can get a finger on whether there are sectoral requirements and what is really needed so we get the right policy at the end of these Brexit negotiations?

**Laura Smith:** Here is where the construction industry can help the Government. One of the things that we don't currently understand is we know that around 10% of the workforce is non-UK labour, but we don't understand what occupations those people are undertaking. Some research from the Construction Industry Training Board in 2013 suggested that most of those were doing technical or craft roles, they were quite high-skilled roles, but we do not understand what that breakdown is like and whether in particular regions EU workers are doing particular occupations. I think that is where the industry can help. We are surveying our members shortly to try to start gathering some of that data and then I think that helps the Government to get a clear picture of where some of those regional disparities are and where some of those skills disparities are as well.

**John Guthrie:** I think Craig's question is a good one. About three years ago, nearly four years ago, we started a big partnership with the DWP, well before the referendum was announced, called the Big Hospitality



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Conversation, in which we worked with DWP and all the Jobcentres and set up systems of account management with employers. These conversations—the next one is at Liverpool FC next month—bring together unemployed people that are being brought to us by the Jobcentres, meeting employers. We have had about 30 of those sessions throughout the UK over the last three and a half years. Only last Friday I was on a conference call with 300 people from Jobcentre offices all over the country talking about a programme of action for next month.

All of this is going to intensify over the coming years, because I think the industry is alert to the fact that we have had, let's face it, in our terms a major strategic advantage with free movement of labour. That is going to come to an end and now we are faced with a strategic challenge, to put it mildly. Businesses are going to have to reform and adapt. What we are looking for from the Government more than anything else is a recognition that this cliff edge would be highly damaging if free movement ends on a Friday and there is no replacement scheme of any nature, bearing in mind that 96% of EU nationals working in hospitality would not be able to enter the country under the non-EU rules. Given this heavy dependency in a people-intensive business, we must avoid the cliff edge.

But certainly my association, that business recognises that this country changed last year. The vote is a fundamental change and businesses have to adapt to that, but what we are looking for is a longer-term arrangement whereby we see a progressive decline in the reliance on EU nationals and a progressive uplift in the employment of UK workers. That has to happen year after year. That needs to be independently monitored and supervised by something like the Migration Advisory Committee, which can have a dispassionate, independent, objective look at it and say, "These are the numbers that you ought to grant this particular sector" on the basis of real objective evidence, as opposed to some sort of cheap headline.

The way that the Low Pay Commission worked, it took evidence from business, trade unions, local councils and academics in setting a rate. In all of the 17 years that the Low Pay Commission operated before the NLW came in, every year the Low Pay Commission's recommendations were accepted by Governments of all persuasions. When you get this independent objective look and you hear evidence from businesses and you hear evidence from the DWP and the Government stats service and Jobcentres, then you get an organisation—and it could be the Migration Advisory Committee—of independent people, real experts in migration and population movement and labour economics.

It is then a matter of parliamentary control. The Government is accountable to Parliament, so the sovereignty issue has now been solved. We have control over immigration, but the actual number and the work permit scheme and the type of thing it works for then becomes a separate debate. It is not going to happen immediately, we know that, but I think longer term it would help businesses to realise that we are



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going to have this tapered reduction in reliance on EU workers over a number of years, but the number of work permits—or whatever it is called—that we would get year on year is set by some form of objective evidence.

**Q45 Craig Mackinlay:** Just to come back very briefly, we have had this reliance on this seemingly inexhaustible pool of EEA citizens in the UK. My experience that I am seeing, having spoken to the Hungarian Government, is that there aren't as many out there as we may think, because the economies of eastern European countries are improving, the Polish economy is pretty good, the Hungarian economy is good. We are not able to access those pools, because life in those countries is pretty good and the need to migrate has lessened. Have we kidded ourselves for all these years that it is just this inexhaustible pool? Do we need to be looking elsewhere as well?

**Dr Rolfe:** Can I answer that? From what employers have said to us, it is that they very much have been aware it is not an inexhaustible pool. When we did the research pre-Brexit, some employers, particularly down in the south-west, said that they had already seen a reduction in the number of EU migrants who were applying. Also the turnover rates in these sectors are high. In the hospitality sector and in the food and drink sector, I think the rate was around 30%. The workforce has to be renewed year on year.

On your previous question about identifying where shortages are in employers' needs, I think there is a real need for Jobcentres to work much more closely with employers. Particularly a few years ago, when we were doing research in Scotland and Wales around recruitment of migrant workers, many employers spoke about the quality of people who were referred to them by Jobcentre Plus, people who were completely unsuitable for their sector and were there just because they had to be seen to be applying for a certain number of jobs. The other thing here, we have evaluated the flagship scheme, the Work Programme, and you hear then from actual unemployed British people themselves that the courses they are offered to get them into work are very formulaic and really do not prepare them. They are asked to go on course after course on employability skills, writing a CV, even though they have nothing to write on it. What they need is some sector-based skills. That would equip them for jobs in those sectors where there are vacancies.

**Q46 Steve McCabe:** John, I don't necessarily agree with what you have been saying, but it sounds to me like you want to go back to a previous stage. We are at the stage where there is a Government policy to set a target to reduce immigration. You are saying, set that aside and have some kind of independent assessment, which presumably could mean if your industry expands and the demand goes up, you would be hoping that the independent assessment would see immigration figures go up to compensate. Do you accept that that is what you are inevitably arguing? I am not saying you are wrong, but that is the logic of what you are



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telling us.

**John Guthrie:** I am not making a comment about the Government's migration targets at all. I am just talking on behalf of what I see as being—

Q47 **Steve McCabe:** No, but the reality is whether there is that migration target, I am saying that the logic of your position is, if your business, your sector expands and it isn't possible for you to recruit enough domestic labour, the independent assessment would say, "Let's have more migrant labour to fill this gap". We could well end up with immigration going up rather than coming down. That must be the case, surely.

**John Guthrie:** I understand the point that you are making, but of course it is free for Government to accept or reject the advice. I am merely saying that it would be helpful longer term to have that objective analysis and therefore you are making a decision about the total number of work permits for a sector or whatever being rooted in real evidence. That would be quite valuable, but I do not want anyone to lose sight of the point that we recognise, absolutely recognise, that the reliance on EU workers must decline and the number of UK workers being employed, whatever the geographic difficulties, must increase. We know that and we know that that has to happen year after year after year until we get a much better proportion. We understand that entirely.

**Heidi Allen:** Before I ask my question, could I just ask a slightly contentious one, just on the back of what you said there? Devil's advocate: we have reached this situation where the UK population have said, "Yes, we want to come out of Europe" and your very honest reflection, John, that it has been too easy to rely on that EU labour that is there. As business people, why wouldn't you let your businesses grow and flourish if that labour can come to you? Whose fault is it that we are in this position and who or what could have done things differently, such that we are not where we are now?

**Chair:** I think today is focusing more not on trying to ascribe blame for the past, but rather than trying to understand what the sectors need.

**Heidi Allen:** But my point is, Richard, if we knew what were the decision points that we reached that allowed us to do that, then maybe there are things we need to look at to fix it. I would like to ask the question.

Q48 **Chair:** I guess allowing in people from Romania and Bulgaria without them being members of the European Union would be the starting point. But very briefly on this one, because we want to move on to other things.

**Andrew Clark:** What is driving the need for the type of workforce that we have? That is increasing professionalisation of the food chain, just in time delivery, which requires us to have flexibility in terms of being able to go in there and produce crop to the market very quickly. I think that has been one of the significant issues. Scale of production as well, economies of scale mean that we need to have big enough scale to be



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able to have a direct relationship with our customers, our retailers, supermarkets. Those have been two things that have been very significant demands.

The other one I guess is just the macroeconomics, that the economy now in this decade is very different to the one in 1970. Our aspirations as a community, UK aspirations about what we think is valued work are different. The world has moved on.

Q49 **Chair:** The cost of food today is much cheaper relatively than it was.

**Andrew Clark:** Yes, the cost of food hasn't changed, so we have had to be flexible.

Q50 **Chair:** The majority of the food that we were buying, especially British-grown vegetables and fruits, for example, would tend to have been bought very locally rather than through large supermarkets. Does this imply that we might see a change in all of that, so more British people doing the work, more local selling of stuff and slightly higher prices? Those are the sort of implications.

**Andrew Clark:** I can remember in the 1970s my mum used to buy vegetables locally in a brown paper bag from the greengrocer and now we buy them prepacked in a supermarket. Are we going to go back to the greengrocer with a brown paper bag? Some of us will, some of us are lucky, like I am, who have a good shop that does it, but I do not think the general public will be.

Q51 **Heidi Allen:** For those of you who were eavesdropping in the first session, the question I asked then was, if you were on Theresa May's shoulder and you could whisper in her ear, what things would you ask her to try to achieve for your industries to enable you to still flourish? It could be around seasonable permits, visas. etc. Any practical things that you think will help us and help your industries? If we start with John perhaps and move along.

**John Guthrie:** Very quickly, certainly building on the Prime Minister's comments, avoid the cliff edge in terms of the immigration issue for the industry, go for a tapered approach, as I outlined. Yes, we need access to work permits and the cost of those work permits must not be unreasonably high, because so many of our businesses are small enterprises. Those would be the principal ones. The previous Prime Minister made a number of comments about tourism and really waved the flag for British tourism. That was very, very welcome.

The irony is that we are going for free trade agreements with the rest of the world, an open trading environment. We want business people coming to this country; we want to get major meetings, conventions; we want world sports events. We need an awful lot of international visitors coming in and we need a great hospitality and tourism product to be able to look after them. If we are going to become the global free trading nation etc., our dependency on having a brilliant hospitality and a vibrant



tourism sector is important. There must be a way of satisfying what are the sort of reasonable requirements of the sector in terms of the workforce.

It has to show good faith, I totally accept that. It has to show good faith to the country as a whole in its determination to employ more British workers, that is clear. But having demonstrated good faith, which I think we have done over a number of years, I think we also need good faith from the Government to recognise the legitimate and reasonable resourcing requirements of our sector. It is a two-way street.

**Laura Smith:** The reciprocal agreement on the status of current EU workers is important. Yesterday's speech sent a helpful signal, but that has been members' main short-term concern in the light of the Brexit vote. Then in construction, there is a need for some of those high-skilled but really hard to fill roles to be considered and how that would work in a new system, but equally, there is a role for lower-skilled workers. I agree, there aren't any unskilled workers in construction, but there are lower-skilled workers. They are essential roles. They need to be filled and they need to be considered and that is something that we as an industry are thinking through as to what that could look like going forward.

**Dr Rolfe:** Again, I am talking with employers and the first thing that they want is some kind of guarantee that they are going to be able to keep the EU workers that they have. As you rightly said in the report, shortly after the referendum, when we spoke to them, they were still thinking they did want free movement. That is a signal that they really want EU labour. Talking through some of the principles with employers, I think that they do not see a points-based system would work in their sectors because of the need for lower-skilled—at least not highly-skilled—people who you could measure in terms of qualifications and those kind of things, salary levels. They would not want those. There is some interest in sector-based schemes, but I think there is a concern that they will need to be for a certain period, so not six months, for example, not like the Seasonal Agricultural Workers Scheme, which I think is six months. Am I right on that? Yes. They would want at least a year.

In hospitality, food and drink and obviously in agriculture, there have been temporary worker schemes. The food and drink one or the hospitality one was closed down quite early because of abuse of its terms, but also because of the availability of migrants. But I think there is some interest in those schemes. Of course for employers the devil will be in the detail and particularly the detail in terms of whether they will need to police these arrangements as well, which could considerably add to the cost. It would be basically transferring the cost of the Border Agency over to employers, which some of them may not be able to deal with that adequately.

You do also then go into areas of public perception: what does the public want, what kind of policies do they want? Are they in favour of temporary



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schemes or would temporary schemes create more of the kind of churn in communities that the public don't like? It is something that I believe was behind some of the Leave vote.

- Q52 **Chair:** On that question of perception, one thing, John, in the written evidence you submitted that rather puzzled me was your comment there that with the graduate job market currently shrinking, the Government has the opportunity to rebalance the system by tackling the negative perception of apprenticeships from an early age. Where did you get the idea of the negative perception of apprenticeships from? They are wildly popular all around the country.

**John Guthrie:** Sorry, I don't think I said that apprenticeships were—

- Q53 **Chair:** I think I am right in saying that. It comes from the British hospitality and tourism industry Brexit strategy response. Isn't that from you?

**John Guthrie:** No, I think the opposite is the case, because in terms of the number of apprenticeships that are taken up by the industry, there is a steady year on year increase. The apprenticeships are—

- Q54 **Chair:** You would agree with me. Can you challenge that rather extraordinary comment in the report?

**John Guthrie:** I will follow that through, Chairman.

- Q55 **Chair:** Because it seems to me that it is an opportunity. I do not see any negative perception from that from anybody in the country.

**John Guthrie:** No, because the number of apprenticeships are increasing year on year within the industry, so I would be pleased to clarify that.

**Chair:** Thank you. Andrew briefly and then we will come to Royston, who has been waiting patiently.

**Andrew Clark:** I could not miss the opportunity to whisper in Theresa May's ear, to answer your question.

**Chair:** I think Heidi had you on her shoulder at one point, whispering in the ear.

**Andrew Clark:** Wherever I am, the message I would like to say is that, within the farming community we absolutely accept the changes now for controlled migration and a controlled scheme. Control is something that we accept. In terms of evidence, we understand the Prime Minister is very keen on evidence. We think that the Migration Advisory Committee should look at this use of seasonal labour on farms. Currently we think it is very much underestimated by the official figures and we need to have an accurate database. The ONS data does not look at people in casual or temporary accommodation or communal accommodation.

The permanent workforce point has already been made by others, but we would like to say a reciprocal arrangement, just as the Prime Minister set



out yesterday. I think that is fair and all business would like that. In relation to the temporary workforce, we are advocating the relaunch of a seasonal scheme, a seasonal agriculture permit scheme overseen by the Home Office in which labour could come from anywhere in the world, just as our food products come from anywhere in the world, but so we could source labour from across the world into the UK, but for a limited period of time. We are thinking something less than a year, probably 11 months. We are conscious that the food production system starts with daffodils in December and goes right the way to late in November. That is what we want and we made a firm proposal for that.

**Q56 Royston Smith:** I was going to talk about that and we have almost, I think, exhausted it. In the last evidence session, Nicolas Roach definitely said it, and I think Susanna said it too about renewing it—perhaps going back to your home country and renewing it for another 12 months, that sort of thing. That would work for agriculture as well and perhaps construction and certainly in hospitality. Is that something that you would think would be a reasonable way of dealing with an issue, where part of the Brexit debate and therefore vote was about immigration and then ticking both boxes?

**Andrew Clark:** We used to have a Seasonal Agricultural Workers Scheme before it was abolished in 2012. That had been longstanding, since just after the Second World War. We are familiar with this sort of approach; it is not unusual at all. We have a good record of that. The important thing is that temporary workers coming on a work visa are here for a purpose, to work, to fill a gap that cannot be filled domestically, so I think that ticks an important political question and a local perception that jobs are being taken. They would then return to their home, so they would not be migrants, they would be simply a temporary workforce. I think we should be clear about that and that it is needed for the economy, but as I say, it is only part of what we need for the food chain to be functional.

**Laura Smith:** To give the construction perspective on that and some considerations from our industry, it can be quite difficult to predict volume of activity in the sector. It is by its nature cyclical. Government does have a huge programme of infrastructure and housing delivery, but those projects are not short term. If we think about HS2, Heathrow, Hinkley, we are not talking about one or two-year projects here. We are talking about 20-year programmes of work. There is, I think, a slightly different perspective from construction than there is in other sectors, just because it is, by its nature, slightly longer term than some of the other sectors. The skill needs to vary region by region. If we take the Hinkley example down in the south-west, there are very different skills needs based on that project than there will be on the electrification of the Mainline, or whatever those projects are, or on housing delivery.

It is also worth thinking that 99% of the industry are SMEs. These schemes do tend to be, by their nature, pretty complex, quite



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burdensome in time and the administration and the cost, so we would urge the development of a new system to think about the needs of the small and medium-sized enterprises that are the backbone of the industry.

**John Guthrie:** On the temporary schemes of less than a year, one can easily see, if you like, the political attraction, because they fall out of net migration targets. Clearly there is a part of the hospitality and tourism sector that is seasonal, but there are also other parts that are 52 weeks a year. If you take food management as a sector, providing school meals, meals in hospitals, meals for workers, meals for prisoners, that whole sector is, by its very nature, every day. London is now talking about being a 24/7 capital, a 24-hour London economy. London is becoming quite obviously all the year; business travel is all the year. But I accept the point that in some sort of work permit arrangement there could be some work permits allocated to the sector that clearly run for less than a year. That has the effect of depressing the net migration figures. I understand the attraction of that, but equally, I think there will be a bigger requirement for work permits that are of a more permanent nature.

Q57 **James Cartlidge:** At the moment, we have quite a quaint old-fashioned system of working out how many workers we need and it is called the free market. This all sounds to me like tons of bureaucracy. First and foremost, how will we know, how we will command and control/predict the numbers for each sector; how will you bid for it? I cannot understand exactly how that is going to work. I know it used to be like that, but for the country, the numbers need to come down, it seems to me, so you are going to have a smaller cake and you have to bid for your share of it. How in practice would that work?

**John Guthrie:** It is going to be extremely complex to come up with a pretty light-touch regulation, bureaucracy-free work permit system to replace free movement. There is no doubt about that, because I think one of the other panellists was making the point about when free movement ends, when people from the European Union come to this country, they have to come for a reason, they have to have an end—

**James Cartlidge:** They have to have a visa.

**John Guthrie:** A visa or whatever. They have to have an end date. Immigration enforcement and how that is going to work with a work permit scheme is a considerable area of complexity. Your point about regulation is one that we are very, very concerned about, quite obviously, and we are very concerned about what the cost would be, because the way we see it is that—

Q58 **James Cartlidge:** I guess what I am asking, John, is, has anyone communicated or written to either our Department or the Home Office? I am talking about the market mechanism, as it were. The actual communication that would exist, is there a man driving around all the



factories saying, "How many Slovaks do you need this week?" Do you know what I mean? It is a terrible analogy, but there must be a mechanism for working out your share or something.

**Dr Rolfe:** I suppose that will be the role of some organisation like the Migration Advisory Committee that decides that for the highly-skilled sectors. But I would mention one thing that I think is likely to happen. If at the same time as any new immigration policy is introduced that includes the requirement to have a job before you come here, what we will see is a big expansion in the role of agencies and then agencies will then handle all of those regulation issues, because agencies then will go out to eastern Europe in the same way that they did 10 years ago.

Andrew said that these temporary migrants will not be regarded as migrants. I think he is very wrong on that. I think that the public will notice the big groups of people who have been brought in by agencies to do specific jobs, possibly in employer accommodation, are here for a period, are very visible in some communities, and then go back. We will be creating very much a second tier of labour in the UK if we go down that road.

Q59 **Chair:** Andrew, you want to comment briefly?

**Andrew Clark:** It is just the visibility. In an urban area, they are invisible at the moment, but they are not invisible in rural areas. Any of you with a rural constituency know full well that we already have these flows of labour and they are visible. It causes unease. We have existing agency provision, we have labour providers. We have to, because we have the Gangmaster Licensing Authority overseeing our sector. I think that regulation is already present in our sector.

**Chair:** Thank you all very much. This has been a useful session. It is clearly an interim session. This is all part of building up our understanding and ultimately I think an assessment by the Department of what the best ways forward are going to be. I sense that employers are in transition too. From some of the initial analysis, Heather, in your report, I suspect that they have already moved on because it is quite clear that uncontrolled immigration is not an option.

I do think that there are real opportunities, perhaps particularly in organisations like the NFU and the agricultural sectors, for looking hard at how we might try to capture some of the spirit and enthusiasm and positivity that have come out of this huge NCS programme, over 300,000 people already. It will be every 16 and 17 year-old in the country who goes on it, who are also getting the benefits of doing things out of doors and in groups, and seeing whether we cannot channel that into a more active participation to meet some of your needs, because once people have done it once and it works, they can keep coming back during their young period.

There are some real opportunities. I do think, John, on what you were saying earlier about the spirit of the Olympics—but also World Cup rugby,



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where something very similar happened—there are going to be opportunities for Britain and British citizens, as well as thinking of more creative ways of maybe a wider range of different international people coming to help here. Thank you for that. We will have to work it out now, and we will have a very quick discussion as to what is the best way for us to take forward the evidence we have collected today. Thank you, all four of you, and the others from the earlier session, very much for coming.