

Written evidence submitted by Arla Foods UK (LFS0014)

Introduction

1. This document is the response of Arla Foods UK to the inquiry by the Environment, Food and Rural Affairs Committee into *Labour in the Food Supply Chain*. It addresses the questions asked about the likely impact of the proposals put forward by the Government for the migration regime that will apply after the UK leaves the European Union. We have also sought to address some of the specific issues relating to this topic that have been revealed by the coronavirus pandemic, although at this stage it is difficult to assess exactly what impact the outbreak will have in the medium to long-term.
2. Arla Foods is a dairy cooperative owned by approximately 9,900 farmers across several European countries; around 2,300 of our owners are in the UK, representing between a quarter and a third of all dairy farmers. We are a leading supplier of fresh milk, butter, spreads and cream, as well as the country's largest cheese manufacturer. Our much-loved brands include Lurpak, Cravendale and Anchor butter, as well as Lactofree, Skyr and Arla Protein. We have ten processing sites across Great Britain employing around 3,500 people, and our turnover in the UK is £2 billion (in 2019).
3. Arla has consistently expressed its concerns about the proposed new migration regime that will apply after Brexit, and we have submitted evidence detailing our concerns to the Government and the Migration Advisory Committee, as well as through representative bodies such as the Food and Drink Federation and the National Farmers Union. The new regime will affect Arla in many ways, whether at our processing sites, on the farms of our cooperative owners, or across the wider logistics and supply chain. This response addresses all of these points.

Why this matters to Arla

4. As already mentioned, Arla employs significant numbers of people directly. Our farmer owners employ many more, as do companies in our supply chain. Many of them earn less than the proposed £26,500 salary threshold, and a significant proportion are from the European Union. At our processing sites just under a third of staff (30%) receive less than the threshold level in pay, and up to 20% of all staff are from the EU. European workers also plan a major part in the logistics sector, as well as in ancillary but vital trades such as carpentry, welding and plumbing, and again the threshold will have an impact here.
5. The position is similar on farms. When we last surveyed them, around a quarter of all Arla farmers (24%) reported that they had EU nationals amongst their workforce; the RADBF has reported that between 2014 and 2016 the proportion of dairy farmers using staff from outside the UK in the previous 5 years had increased from 32 percent to 56 percent. Many of these workers earn less than the salary threshold, particularly if only their pay is considered: it is commonplace for farm workers to be given significant other benefits such as free housing and some bills being paid, and it appears that these cannot be counted towards the threshold.
6. Across all parts of our business we are already facing challenges with recruiting suitable staff. When we surveyed our farmer owners in December 2018, 47% said that it had already become

more difficult to find qualified workers since the referendum in 2016, with the suggestion being that the fall in the value of the pound had played a major role in reducing the size of the pool of available EU nationals. The same is reported from the haulage sector, where a proportion of lorry drivers are said to have returned to Eastern Europe in the past three years and already we are seeing major shortages (a situation likely to be exacerbated when changes are made to the IR35 regime, since many drivers from agencies are set up as limited companies). In both cases there is evidence that costs have gone up as employers have sought to retain and attract staff.

7. At our processing sites we have seen increasing challenges in trying to find qualified workers for at least the last 3 years. For example, the Time to Fill (TFF) measure for engineering technicians now stands on average at 67 days, with one instance in the last two years of it taking 171 days to find a candidate for a position at our Settle site. Team leaders are also hard to find, with the average TFF in that case now standing at 62 days, and one case of it taking 89 days to fill a post at Westbury. In other areas there is also evidence of shortages: one of our farmers reported that it had taken six months to obtain some feeder gates rather than the usual 3 months “because the Polish welders had left the country and no replacements could be found”.
8. In short, there are already significant shortages of labour even before a new threshold is applied, and even before we have seen what impact the coronavirus outbreak may have had. What seems to be clear is that even before the events of the last few months there was no pool of qualified and motivated British staff standing by to fill the vacancies that already exist, let alone those that will be created if the proposal goes through. When surveyed, only a fifth of our farmers (22%) believed they could find British workers if they needed to; more than half (51%) said they would not be able to. And our experience of facing delays in filling positions tells us there are not people waiting to step up.
9. Another option, mentioned by the Migration Advisory Committee, is to encourage automation. At our processing sites we are already investing heavily in new technologies and using new approaches where we can; our Aylesbury facility, one of the largest and most advanced dairies in the world, makes significant use of automation. Many farmers are spending money on ‘robo-milking’ parlours and other innovations. However, farms tend to be small businesses often operating with quite small margins; the pace of investment for many farmers will be measured in years, not months. Moreover, on farms and in processing there are many roles that simply cannot be automated. In other words, new technology has a role to play but it will not be in place on 1 January 2021.
10. It is worth noting too that many of the roles affected by the £26,500 threshold are far from unskilled. To work on a farm dealing with animals and operating machinery requires a lot of training and experience. Our processing sites are generally located outside London and the South East, where a salary of £26,500 is often seen as quite significant: the roles at such sites that would be affected by the proposal include lab workers, operators of goods vehicles, dispatch operatives and so on. In logistics the impact will be felt amongst lorry drivers and in other positions requiring qualifications.
11. Finally, the Government has suggested, as the Committee mentions, extending the seasonal agricultural workers scheme much more widely. Arla has only indirect experience of the scheme but we do not believe this policy is a panacea. Even if such a scheme covered the whole industry the fact that it would only allow workers to stay for perhaps a year would disincentivise

investments in training, and not allow people to build up the experience to make them truly valuable. It is a proposal for lower productivity, which is surely not what any of us want.

Application of the new regime to Arla and Arla farmers

12. Therefore, whilst we welcome the reduction in the salary threshold below which visas will not be issued from £30,000 to £26,500, we remain concerned about the impact of the new regime on farm workers and on specific roles within our processing sites. We believe that the threshold is too high and too blunt an instrument. In particular, it should take account of the full value of the remuneration given to workers, not just their salary.
13. In any case, even if the threshold is overcome, it is far from clear at the moment whether the jobs we are referring to will be considered to be sufficiently 'skilled' to attract the right number of points under the new regime. We are concerned that there will be a temptation to take a simplistic approach based on educational attainment (recognising higher degrees and doctorates) rather than considering specialist experience and professional and craft qualifications as 'points-worthy'.
14. Another very important route to securing points under the new regime will be by demonstrating that there are shortages of available staff to fill specific roles. We welcome the fact that all jobs in the 'Process and Production Engineer' category (SOC code 2127) are now on the Shortage Occupation List, but many of the other roles in our processing sites that we have had trouble filling are not. On farm the position is similar: it is helpful that veterinarians are on the List (SOC code 2216), but there are no other agricultural jobs there. There is also no recognition of the widely reported shortage of lorry drivers. In our view the Shortage Occupation List must be reviewed and expanded if it is going to be used as the basis of the new points-based regime.
15. Finally, imposing the new regime from 1 January 2021 risks causing serious disruption. Even before the coronavirus outbreak this deadline did not leave enough time for new colleagues to be recruited and trained, nor for investments to be made in automation on the scale seemingly envisaged by the Government. We have now experienced the turmoil of the past few months which means that our time to prepare for this significant change has been significantly reduced. Moreover, the impact of the outbreak on the labour market is unknown and unknowable at this stage. We would strongly urge the Committee to press for a transitional period or transitional arrangements before the new regime takes full effect.

In summary

16. Arla is deeply concerned that the imposition of the proposed new points-based migration regime on 1 January 2021 could have a very serious adverse impact on the labour market faced by ourselves, our farmer owners and our logistics and supply chain. If the new regime leads to a smaller number of available qualified staff it will very likely lead to rising costs and in turn financial difficulties, especially for farmers, as well as higher prices for consumers.
17. We therefore seek the following clarifications or amendments to the proposed new regime:

- Recognition that the roles we need to fill in our processing sites, farmers need to fill on farms, and supply chain companies also need to fill are 'skilled' for the purposes of the points-based system, even though the individuals concerned may not hold academic or craft qualifications
 - Acknowledgement that there is a genuine shortage of employees for many / most roles in our sites, on farms and in the supply chain; aim to add named roles to the Shortage Occupation List or whatever tool is going to be used under the points-based system
 - Inclusion of the full value of worker's packages in the calculation of whether remuneration is over £26,500 (ie. accommodation and bills for on farm workers)
 - Support from Government for investments, particularly on farm, in new technologies and especially for schemes to train (and educate) British-based workers.
18. Finally, given that the full impact of the coronavirus outbreak on migration and the labour market cannot yet possibly be known, we believe that it is highly appropriate that there is a transitional period after 1 January 2021 before the new regime comes fully into effect.

Arla Foods UK
24 April 2020