

Written submitted by British Retail Consortium (LS0016)

EFRA Inquiry into Labour and Trade Issues and the Food Supply Chain – Submission by the British Retail Consortium

Background

The British Retail Consortium (BRC) is the trade association for UK retailers and includes as members all of the major supermarkets, collectively accounting for over 95% of UK grocery sales.

Our members rely heavily on their UK supply chain, the vast majority of food sold in supermarkets is sourced here. We have been concerned by the impact of labour shortages for some time, but this has become more acute since the reopening of the economy following the lifting of Covid restrictions. As well as a shortage of workers directly employed by our members, particularly HGV drivers we have seen the impact of shortages on our suppliers throughout the chain.

We welcome the opportunity to give our responses to the questions posed by the Committee and trust they will help add to understand the impact of labour shortages on businesses and consumers.

1. What is the extent and nature of labour shortages currently being experienced in the food supply chain?

We are currently struggling with labour shortages throughout the chain. The most acute shortage for retailers is drivers, where there are simply not enough qualified HGV drivers in the economy. This has led to delays throughout the supply chain resulting in small but frequent problems of availability and shortened shelf life.

We estimate major food retailers are short of over 15,000 drivers which means problems moving stock from distribution hubs to stores in time. The problem is compounded by the shortage of drivers in our supply chains which means deliveries to those hubs have been delayed or less than ordered seriously hampering the efficiency of the just in time model.

As we work very closely with our suppliers we are also aware of the long standing shortage of workers in food production and manufacturing. The recent report by the NFU, FDF and others highlighted the shortage of 500,000 workers in food supply chains. This is stretching the supply chain further, affecting confidence in UK supply chains and leading to shortages where demand is above normal levels or where specific factories reduce output.

Retailers source the vast majority of their food here in the UK and are becoming increasingly concerned that persistent labour shortages are making our supply chain more volatile.

2. What are the factors driving labour shortages in the food supply chain?

In the case of drivers it is primarily due to a fall in available tests for drivers over the covid period, which has exacerbated a long running shortage of drivers. A significant factor was stopping testing of new drivers, which meant for a period there were no entrants to replace those who were exiting the industry. We also believe some of those who were furloughed during covid decided not to return reducing the pool of qualified drivers. Finally some EU nationals returned to Europe during covid and have decided not to return.

The problem of a shortage of drivers was masked to a certain extent whilst much of the economy was closed during covid as we had access to drivers from other sectors. However, since Spring it has been apparent there is simply a lack of qualified drivers, a situation which cant be remedied by the

generous recruitment and retention packages offered by retailers. We believe these problems will persist well into 2022, until we see a sufficient pool of UK qualified drivers. This is a structural issue which has been building up for some years which is why it will take time to correct.

The problems in the supply chain are longer standing. Despite attempts by UK food producers it has proved impossible to recruit sufficient workers from the British workforce. That applies to both skilled workers, such as butchers, and unskilled workers in food processing. That shortfall was made up primarily by EU workers who have been working in the food supply chain for decades. The change in immigration policy since Brexit has removed the flexibility of workers to come to the UK as required; many, for example, were seasonal workers who would not have applied for settled status. Similarly, many EU workers returned to their home countries during covid and have not returned to the UK.

3. What is the Outlook for the labour shortage situation in the coming months and years

Again we see a difference between the current problem with HGV drivers and the wider food supply chain workforce.

For drivers we believe the increased level of testing coupled with the increased pay and rewards will build a sufficient pool of qualified UK drivers. Retailers recognise the importance of qualified drivers and have been clear they will do whatever it takes to secure sufficient numbers. This includes supporting their own colleagues who wish to become drivers and maintaining competitive pay and reward levels.

We believe the recently announced temporary visas for EU HGV drivers will make some difference. However, we believe it is too small in number and for too limited a period to bridge us to the position where we have sufficient qualified UK drivers. It was disappointing to discover visas wouldn't be available until early November as the supply chain begins preparing for increased Christmas volumes well before that. As a consequence of this limited intervention we believe we will see continued tension and disruption in the supply chain into 2022.

Similarly, we were pleased to see the release of additional visas within the SAWS scheme for poultry workers. UK poultry producers had made it clear without additional labour supplies in the run up to Christmas, particularly turkeys, would have been significantly disrupted so we welcomed the decision by Government. However, it remains a short term solution to wider labour shortages in food production, and other meat supply chains such as pork are similarly affected and require support.

The additional support for poultry producers is a short term measure and in wider food production it is difficult currently to see a long term solution to labour shortages. UK companies have been trying to recruit workers from local communities for many years unsuccessfully. Unfortunately, insufficient UK workers want to work in food production, including training for skilled jobs such as butchers. We do not believe this is simply due to pay and rewards, rather in a full UK economy they can choose to work for other businesses where the work and environment is less challenging.

In our view the Government needs to consider the structural issues underlying employment and the interaction with its immigration policy. We believe it has a choice, to accept a proportion of migrant workers is required to maintain production at its current level or allow an element of our food production to be outsourced to countries where labour is available and then import that into our supply chain. There is also a risk of increasing food waste in future years while the supply chain copes with persistent labour shortages with good food rotting in the fields.

4. What Other Issues are Affecting the Food Supply Chain

There are other short term issues which are impacting the chain and consumers, noticeably rising commodity and farm gate prices. Covid and the reopening of global economies has pushed up prices

for many key commodities, including oil. How long this persists for is debatable but we are seeing increased price pressure on food prices from both rising global food prices and rising labour costs. So far, supermarkets have absorbed increasing produce and labour costs to keep prices stable in 2021, however this has now reached its limit. As a result we have begun to see food inflation rising for the first time in years and expect to see this trend continue into early 2022.

The other issue is the cumulative impact on the resilience of the chain from labour shortages and other factors. The supply chain is currently under huge strain as it copes with insufficient drivers and other workers. This means any additional strains on the supply chain, as we saw with the recent CO2 issue, can have a bigger than usual impact on it. The just in time supply chain relies on regular volumes of food flowing through it to a tight timetable to ensure shelves are stocked. When production and deliveries into depots becomes more variable it is more difficult to cope when there is insufficient labour to flex and adapt to it. It also means producers are more wary about levels of production, for fear it may not make it to the shelves and end up as waste. That uncertainty also disincentives investment in future technology and improving the skills of workers. Labour is key to the resilience of the chain, and our main lever to overcoming disruption; so once that is reduced issues which would normally not have been a problem can have an impact on supermarket shelves.

5. What Impact will the Timetable for Introducing Physical Checks at the Border on Food and Live Animal Imports from the EU have on the Current Issues being experienced by the UK Food Supply Chain?

It depends on how the time before July 2022 when full checks come in is used to ensure EU exporters and UK ports and customs authorities are prepared. Certainly, our members who have stores in the EU experienced major disruption in the early days of 2021 when the EU imposed full border checks which have persisted in a low level fashion,

Our view, from discussions with European suppliers and assessment of UK ports was the UK was right to postpone the checks which were planned to come into force in October 2021 and January 2022. European suppliers were not all prepared, in terms of the specialist staff to support export. Nor were all EU countries ready in terms of their support for their exporters, in terms of the infrastructure to issue export health certificates. Finally several of the key UK ports for the importing of fresh food, including Dover and the Welsh ports do not currently have facilities to hold lorries for physical checks which risks backlogs and disruption. This is particularly important as these are key routes for the most perishable food where delays can have a significant impact.

It is important, therefore, these issues are rectified by July 2022. That requires continuing liaison between the Government, EU Member States and European exporters to ensure they understand our import requirements and have sufficient support and infrastructure in place to support exports. It is equally important our ports, particularly covering key routes such as the Channel ports and Wales, are ready to administer necessary checks.

One positive result of the revised timetable for imports is full checks will begin in July when imports of fresh produce are at their lowest, meaning there is a short window to adapt and refine import processes before the peak import period from late Autumn onwards. There is also the opportunity to reduce the burden of checks, for example by using e-certification.

6. What measures has the Government taken to alleviate the problems being faced by the food supply chain this year? To what extent have they been successful?

The measures to alleviate labour shortages for both drivers and poultry workers are welcome and a recognition of the challenges retailers and their suppliers are facing. However, they could have been introduced quicker and better tailored to the need. For example, the numbers of visas needed to have

been higher to address the true shortfall in drivers and introduced for a longer period than 3 months to allow the pool of qualified UK drivers to increase sufficiently.

We have been clear with the Government since Spring when the economy reopened there was a shortage of qualified drivers and it would impact on food supply chains. We have seen low level disruption through that period for consumers but the consequences for Christmas when sales increase markedly are extremely concerning. Retailers and their suppliers are doing everything they can to keep the supply chain running effectively but that pressure will build in the run up to Christmas. The Government could have acted quicker and agreed a temporary scheme, which we had asked for with logistics providers, which would have been more effective.

Expanding available visa scheme for poultry workers is also welcome and will have some impact in mitigating problems at Christmas but the problems of labour shortages in food production are much wider and remain unresolved. This, as suggested earlier, cannot be fixed by short term measures and needs a co-ordinated policy that marries policy on what type of food supply chain and immigration policy we want in the UK.

It was also important the Government took action on CO2 as the shortage would have added to existing challenges in the supply chain and affected a range of products from fresh meat to salad vegetables and soft drinks. The recently announced agreement should ensure steady stocks until the end of January 2022. However, this is also an issue which requires a long term solution. CO2 is key to the supply chain and needs to be regarded as part of our critical infrastructure. The Government needs to work with industry to ensure there is a resilient supply of CO2.

7. Does the Government need to take further steps to protect the food supply chain?

Retailers and suppliers have worked together over the years to ensure the supply chain is resilient and can cope with inevitable disruption from issues such as weather. However, that relies on national infrastructure and policy which underpins their working relationship. The recent issues on labour shortages and CO2 demonstrate the Government needs to play its role alongside the food industry to ensure continuing resilience and security of our food supply chain.

The Government is currently developing its Food White Paper which will set out its food strategy. We believe it is very important these issues of national infrastructure and policy are at the heart of that strategy. Decisions on essential inputs and the availability of labour will be key in shaping our future supply chain and how much reliance we want to put on UK produced food versus imports. This provides the ideal vehicle for the Government to set out how it will protect the supply chain.