The impact of the end of Freedom of Movement: A qualitative study

REVEALING REALITY

About Revealing Reality

Revealing Reality is an independent, multi-disciplinary research agency, working with regulators, government, charities and private sector organisations. We provide insight to inform decision-making, policy recommendations and service design and to help drive change. We conduct detailed qualitative and quantitative research into services and their users – observing how systems function and capturing a range of different perspectives to understand user experience and unmet needs. Our work also includes the exploration of people's behaviours and motivations, with an emphasis on understanding these within the context of people's real lives. https://www.revealingreality.co.uk

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Role of the MAC in producing this report

Members of the Migration Advisory Committee (MAC) and the MAC secretariat worked with the research team at Revealing Reality to develop, conduct and steer this research project. However, the robustness of the analysis is the responsibility of the authors, and the findings and views presented in this report do not necessarily reflect those of the MAC.

Anonymity within this report

Anonymity and confidentiality are important in the reporting of this work. Throughout the report we have taken a standardised approach to ensuring respondents are non-identifiable. No names are used in the report. In addition, we have provided minimal details on who each person is, limiting information to their role and/or sector of work. Where possible, specific respondent details have been removed or aggregated. In some instances, we have changed some small details to provide further anonymity, including aspects about the person such as their gender, age, role, and exact location.

Executive Summary

Background to the study

This research was commissioned by the Migration Advisory Committee (MAC), an independent public body that advises the government on migration issues, and was carried out in collaboration with Revealing Reality. The MAC and Revealing Reality sought to understand how the end of Freedom of Movement (FoM) impacted four sectors that have historically relied on EU workers more than others, namely agriculture, hospitality, manufacturing, and transport and storage.

Study objectives

The end of FoM in January 2021 contributed to a shock to the UK labour supply.

The focus of the qualitative research was to understand how nine organisations had responded to the end of FoM. It explored the extent to which organisations followed the following trends[1] in response:

- Tried to attract new workers by raising wages and improving conditions
- Sought to reduce the labour-intensiveness of work through automation
- Reduced levels of production

Key findings

All the organisations experienced labour shortages after FoM ended

All organisations in the study had experienced a shortage of labour after FoM ended. Several cited the end of FoM as a significant cause. Organisations also mentioned the impact of the covid-19 pandemic on their labour supply. The combination of these factors led all organisations to report challenges in recruiting and retaining labour.

None of the organisations were able to use the Skilled Worker visa to fill their entry-level roles as the roles were not on the list of skilled occupations, or their annual salaries would not surpass the threshold required. Agricultural organisations relied on the Seasonal Worker visa; however, they highlighted the limitations of this route. For example, organisations felt the visa was not appealing enough to attract EU workers who would have to pay to apply and undergo an application process which they would not need if seeking work in other EU countries, and where they were not limited by a six-month visa.

All the organisations in the study had looked at new ways of recruiting workers, but few had been successful in their efforts. Examples included attending local career fairs, giving out

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[1] Dustmann and Glitz (2015) in 2022 MAC Annual Report

flyers in the local area, redoing their job adverts and tailoring these to a domestic audience. Recruiting UK-born workers had proved challenging for some organisations, especially when the roles required working in certain environments seen as less desirable or were physically demanding.

Some organisations faced more challenges retaining employees than they did recruiting them. For some sectors, competition came from other sectors which offered higher paid or more "comfortable" roles. For example, organisations in the manufacturing and hospitality sector mentioned losing workers to roles in warehousing. The two warehousing and logistics organisations in the study found that workers often jumped between roles at different warehouses, trialling new workplace environments or following higher-paid roles or sign-on bonuses, meaning new recruits rarely stayed longer than a few months.

The characteristics of some businesses made attracting and retaining staff challenging

The research included a wide variety of organisations, all operating within particular circumstances. Unattractive working conditions, roles with a low status or workplaces in very rural areas were often seen as less desirable to workers. Organisations hiring workers for entry-level roles which offered comfortable, sociable, working conditions and were considered higher status did not struggle to the same extent as those hiring for manual, labour-intensive, often isolated, repetitive roles.

Organisations that had failed to take steps to ensure workers felt valued struggled the most

The organisations which appeared to struggle the most had not taken steps to invest (both financially and through non-financial incentives) in their workforce before the end of FoM. There was a sense from some organisations that these investments were not a priority before the end of FoM as they had always had a constant labour supply. In comparison, the organisations that experienced fewer challenges in attracting and retaining staff had developed processes like long-standing incentive schemes for staff, a strong workplace culture, and heavily advertised opportunities for progression within the role, and self-development in other skills such as IT and language skills.

Some organisations had started taking steps after the end of FoM to strengthen their workplace culture and build loyalty to the organisation among staff. These attempts had been successful to varying degrees.

Few organisations had relied on increased wages to attract and retain staff

Most organisations had raised wages in line with the minimum wage and a couple had done so in line with the higher cost of living, but very few went beyond these increases. Organisations often felt unable to pass on the cost of higher wages to their customers and some felt that even with increased wages, they would still struggle to attract and retain the labour pool available to them. Despite this, some had introduced sign-on bonuses, increased pay for certain shifts (e.g. night shifts), and changed their payment structures so that people could progress to higher wages more quickly.

Automation was not a panacea

Automation was regarded as an inevitable part of an organisation's evolution, and several had made small innovations and investments. These either aimed to reduce the need for labour, or to improve working conditions for staff, for example by making a role less physically strenuous.

The appetite and ability to automate were often limited. Innovations were often not perceived to be as effective as labour, or their cost meant the return on investment was not deemed worthwhile.

Organisations were in favour of automation in theory, but felt effective and cost-effective innovations were years away – not a solution to immediate labour shortages.

A few organisations felt forced to reduce production but it was a last resort

Organisations were unsurprisingly reluctant to reduce their levels of production. However, some had been forced to make decisions that reduced their production in response to labour shortages. This included organisations reducing their operating hours, relocating operations to areas with more staff available despite incurring additional costs to do so, and reducing the proportion of production happening in the UK.

Reduced productivity was an additional consequence of high staff turnover for many organisations. Newer staff were often working while undergoing training and therefore operated at lower levels of productivity than long-standing staff who had developed skills over time. A few organisations mentioned that some UK-born workers were less productive than EU workers, some of whom had moved to the UK with the specific goal to work and earn as much as possible.

Introduction

Background and method

This research was commissioned by the Migration Advisory Committee (MAC), an independent public body that advises the government on migration issues, and was carried out in collaboration with Revealing Reality. The MAC and Revealing Reality sought to understand how the end of Freedom of Movement (FoM) impacted four sectors that have historically relied on EU workers more than others, namely agriculture, hospitality, manufacturing, and transport and storage.

The approach taken for this project was qualitative in nature, centred on-site visits and interviews with organisations operating in the four sectors mentioned above. An emphasis on place-based research enabled the research team to gain a rich understanding of the roles that organisations faced challenges in filling after the end of FoM, and allowed them to observe the nature of the working environment and practices, as well as the organisation's place in relation to the local community. Interviews with senior decision-makers gave insight into the rationale behind organisational responses to the end of FoM and subsequent labour shock.

We visited nine organisations in total, including multiple interviews with a range of types of roles (in terms of working environment, pay, and qualification level) across different locations in the UK. By speaking to people in recruitment roles, operations, and senior management, as well as ad hoc interviews with other employees on site, the research team was able to capture a more nuanced impression of each organisation, and the challenges facing each particular area:

Manufacturing
- An organisation that produces clothing
- An organisation that processes and packages food

Hospitality
- A restaurant chain
- A hotel chain

Transport and logistics
- A public transport provider
- Two warehousing and logistics organisations

Agriculture

- Two organisations in the agricultural sector

Revealing Reality and the MAC are very grateful to all organisations who volunteered to take part in this research, and dedicated their time to share their experiences and perspectives.

It is important to note that this is a qualitative exploration into how these organisations were impacted by the end of FoM, and is by no means representative of UK organisations' experiences of the end of FoM. The four sectors were chosen because of their comparatively high historic use of EU labour. There is, however, likely to be a self-selection bias in the sample. Organisations that felt particularly negatively affected by the end of FoM, or desired specific changes to immigration, may have been more motivated to take part.

Objectives

The end of FoM in January 2021 contributed to a shock to labour supplies in the UK.

Three responses were expected in response to this shock:[2]

- **Employers may try to attract new workers by raising wages and improving conditions.** Aiming to substitute EU labour for those already in the UK, including UK-born workers.
- **Employers may reduce the labour-intensiveness of work.** This may be done by raising the productivity of workers, automating, or relocating activity.
- **Employers may ultimately produce less,** if they can do none of these things the sector would then decline in its share of the labour market.

The researchers explored how organisations across the four sectors had responded to the end of FoM, while navigating other challenges to labour supplies. They set out to investigate to what extent organisations had made changes in line with the trends above, and where changes had yielded successful or unsuccessful outcomes.

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[2] ([Dustmann and Glitz (2015)](#) in [2022 MAC Annual Report](#))

1. Labour levers: Managing retention and recruitment

All organisations within the research had experienced the effects of the end of FoM on their labour supply, although some struggled to disentangle these from other global events, such as the covid-19 pandemic and the global energy crisis. The organisations that had not focused on ensuring workers felt supported, comfortable and valued in their role appeared to face greater difficulty recruiting and retaining workers than those that had, both historically and since the end of FoM.

As such, this section is structured as follows:

- Being clear about what can be addressed

- Working to retain the EU workforce

- Making workers feel valued

- Recruiting far and wide

"We're a good employer fundamentally, we do care about our people. In terms of conditions … we are good in comparison to competitors around the area and nationally… the work is demanding, but there is a sense of purpose to it… it's a nice town, it's well served with local schools… It's not a bad place to base yourself and raise a family. And if the wage is competitive, which it is, then these people will stay and continue to work hard."

Warehousing and logistics organisation

Being clear about what can be addressed

Organisations struggled to identify the extent to which their labour challenges were solely caused by the end of Freedom of Movement

Every organisation in the study had felt an impact on their labour supply. Those interviewed said the covid-19 pandemic had affected their workforces – especially if the organisation had been forced to close during the pandemic.

"Nobody really knew how many people had actually gone home. By home I mean they left the UK over the pandemic period, and may have been working elsewhere whilst claiming furlough in the UK… We have lost a huge pool of people that no one expected to leave."

Restaurant chain

These organisations found it hard to disentangle the effects of the pandemic and the end of FoM. Several suspected many of their employees would have left the UK following the end of FoM, but this process was "accelerated" by the pandemic.

Employers listed other factors causing the labour and production challenges they faced. Examples included improvements to the economies in employees' home countries (notably Poland), while the 'cost-of-living crisis' was driving up workers' expenses in the UK. The energy crisis also affected production costs, and inflation put pressure on organisations to implement salary increases to retain staff.

> *"Covid / Brexit came and they [employees] thought work was picking up again in their home countries, so well-paid work became available in Poland for instance, and a lot of people went back and I still to this day have a deficit of engineers, so I'm 20% short."*

Public transport provider

> *"Last year our energy cost £50,000 a month. Two weeks ago it was £200,000 a month. That's a fourfold increase… They [raw material costs] have all gone up in some form or another."*

Organisation in the agricultural sector

It was therefore often difficult to differentiate the impact of these factors due to their timing, and the fact that these issues were often intertwined.

However, businesses still felt that the ending of FoM contributed considerably to labour shortages

Organisations spoke about the impact that the end of FoM had had on trade ease and cost, transport of goods, and above all, labour availability.

The sectors covered in this report had historically been reliant on EU labour before the end of FoM. Every organisation we spoke to reported a decrease in the proportion of EU workers in their workforce now compared to pre end of FoM.

> *"In 2018, we had just a few non-EU employees, but that has increased over time to become over 50% of our workforce. Our EU workers have declined over that period of time, and are now less than 50% of our workforce… since 2021, we recruited more than a thousand people, five of which were British, 128 were EU, and 1,137 were not EU."*

Organisation in the agricultural sector

Employers reported a range of workforce challenges, including an inability to fill vacancies using UK-born workers. They were often unable to attract them into the roles, or to retain any they did recruit. There were also some employers who mentioned that these workers were less productive.

Most of the roles that employers were struggling to recruit for were not eligible for the Skilled Worker visa as the roles were not on the list of skilled occupations, or their salaries did not meet the threshold.

Agriculture organisations that had used the Seasonal Worker visa scheme felt this was not currently sufficient to meet their demands, which is explored more in 'Recruiting far and wide' later in this section.

The challenges with recruiting and retaining staff after the end of FoM will be explored in the 'Labour levers' section below.

The organisations that had invested the least in their workforce struggled the most

Organisations in this study that had not made efforts to cater better to staff needs encountered more challenges in retaining staff than those which had historically done so. These organisations admitted they had previously managed to meet their labour demands without a need for such investments and had not considered the consequences the end of FoM might have on their labour force until they felt the effects directly.

> *"We almost treated colleagues like a bit of commodity, I think it's fair to say, which is awful to say. We had that many people that wanted to come and work for us."*
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> **Warehousing and logistics organisation**

By contrast, the organisations that were managing more successfully after the end of FoM had generally prioritised various aspects of work culture, such as building a strong, supportive workplace, offering progression opportunities to staff, and assisting them through the transitions associated with the end of FoM. These organisations were often already considering staff salaries and wellbeing as part of their ongoing retention strategies.

Some organisations were investing in rapid changes to how they managed their workforce following the end of FoM to ensure workers felt valued, with varying levels of success. These changes included promoting a focus on staff wellbeing, flexibility, offering part-time work, increased annual leave, and focusing on career opportunities. These strategies will be explored in more detail in the 'Making workers feel more valued' section.

Labour shortages were also driving innovation in some instances, as investing in automated processes could reduce the need for labour for certain tasks. Further detail is given in the 'Automation' section.

Most organisations were trying a combination of different changes to overcome the impact of a more challenging labour market, and to varying degrees – often investing in automation, culture change, retention practices, and new recruitment strategies simultaneously.

Some organisations faced a greater challenge to attract and retain workers

The variety of organisations included in the research were each working to recruit and retain workers within specific circumstances. Organisations were limited by the levers that were available to them. In some instances, factors such as the working conditions or status of the role meant certain roles within certain industries were perceived by workers to be more "desirable" than others.

The organisation which appeared to be struggling the least to retain and recruit staff, the garment manufacturer, had the benefit of being seen as a desirable, high-status organisation to work for in an accessible location with good transport links. It had also made efforts since the end of FoM to make workers feel more valued by further improving aspects of the work that it had addressed previously, including competitive wages, bonus schemes, a strong workplace culture, and a comfortable working environment for entry-level roles.

Other organisations in the research, such as the organisation which processes and packages food and the farm, felt they could not take the same steps while remaining economically viable operating within the UK. The former was operating in an "undesirable" and relatively inaccessible part of the UK, in addition to requiring employees to work long, physically demanding shifts. The latter required staff to carry out long shifts, working mostly in

isolation, conducting labour-intensive activities. Both faced fierce competition from other organisations operating in the same area and felt they had limited ability to pass on any increased labour costs to the consumer.

The organisations that were most successful in recruiting and retaining workers were those using a variety of the 'levers' available to them. In most cases, the organisations that were doing this were those which had already been proactively using them before the end of FoM.

Working to retain the EU workforce

Some of the organisations that relied heavily on EU migrants had worked to prevent existing EU staff from leaving after the end of FoM. Others had not made the same extensive measures. The following section explores instances where proactive retention efforts were made, and where they were not.

Some organisations made large efforts to retain their EU workforce

Organisations commented on the uncertainty staff had felt around the end of FoM and the steps they had taken to alleviate this.

> *"There was a lot of anxiety and nervousness … we were having conversations with colleagues asking what's going to happen to them and their family, [are they] going to be able to stay…"*

Warehousing and logistics organisation

Some had taken steps to support their employees to apply to the EU Settlement Scheme. The help organisations provided to their employees varied from giving talks and organising briefings to setting up physical information points and helping complete applications. This was easier for organisations that had a primary site where most employees worked, than those where employees were working in different locations or were not site-based, for example, the public transport organisation.

A couple of the organisations whose workforce was primarily from the EU and which feared the impact of the end of FoM provided hands-on support to their EU employees, like offering appointments with the HR team to apply to the EU Settlement Scheme. One farming organisation was able to support their workforce to gain their settled status in time, meaning that 95% of their entire workforce had settled status by the end of FoM. However, they struggled to retain them throughout covid-19.

> *"We've put a lot of time and effort into having all of our employees apply. We had hubs that were on site, where there was one dedicated person to talk about settled status and get people in. We had several laptops and iPads and everything to help people complete the process. We also had external support on some of the sites."*

Organisation in the agricultural sector

> *'We were very proactive. We wrote to all our employees, regardless of their nationality to say, we're looking to support you. We had sessions where people could come up to apply and we'd pick up where they had trouble with their application. A lot of people did struggle to do it because a lot of people don't have computers at home.'*

An organisation that processes and packages food

As a large company with considerable infrastructure, it may have been easier for the garment manufacturer to support EU employees than for some other organisations. Nonetheless, it achieved very successful EU labour retention in the wake of the end of FoM. At the announcement of the end of FoM, they hosted workshops and had conversations with their EU employees.

"We got a lot of people join the initial workshops and presentations. Some people got off and then started their application… I think, you know, we had 200-250 people that had to go through the settlement scheme, and about three-quarters of those attended one of our workshops."

An organisation that produces clothing

In addition to helping their EU workers with their immigration status, a few organisations provided English lessons, aiming to proactively support their long-term integration in the UK and retain their labour.

"It's also the English lessons that we do offer. Because we do pay for those and we also give them time off work to do that as well. So, you know, it's an incentive for us as much as it is for them, and we've had quite a good turnout for that."

An organisation that processes and packages food

"About 3 or 4 years ago we set up online language courses… bit of a mixed response – some people really liked it, some people found it difficult to do online. What we introduced a few months ago in conjunction with college, is doing some English language lessons on-site and in more of a classroom-based environment as well."

An organisation that produces clothing

Less proactive organisations lacked data regarding the proportion of their EU workers who had benefited and acted on the advice from their sessions. Some organisations encouraged their EU workers to seek help and support throughout the process, but were not proactive in their assistance – the responsibility laid on their employees' shoulders.

"We were not allowed to insist but we could ask, as they were going through the process… we encouraged it, we facilitated it, we supported it… We had signs up around [saying] come to HR, speak to your manager. We used the opportunity to highlight [deadlines]."

Warehousing and logistics organisation

A warehousing employer, which had had to reduce production in the past year following a reduction in workforce, said it had tried "briefings with employees to try and put some of their concerns to rest in terms of peace of mind" but they did not track their levels of retention as a result of these sessions.

Making workers feel valued – it's not just about money

The following section explores which levers were available to organisations when attempting to retain or attract workers by making them feel valued. Although not all levers were available to each organisation, none of the organisations included in the research had exhausted all levers available to them.

Raising wages

Higher wages were expected to attract new workers[3], but actual increases were limited

Employers across three of the four sectors of the research had increased wages to match the rising minimum wage and living wage, but rises had not matched the rate of inflation. For example, one agricultural organisation had increased entry-level wages by 6% between April 2020 and April 2022.

One warehousing and logistics organisation was an exception here. The organisation mentioned the particularly competitive nature of their sector, and the high salaries offered by their competitor organisations, which led them to offer higher pay and bonuses.

A few organisations mentioned sign-on bonuses as a strategy to attract new candidates. One public transport organisation had introduced a £2,000 sign-on bonus for drivers, as well as offering 'referral' fees to current employees if they were able to put a candidate forward. Similarly, a warehousing and logistics organisation had introduced sign-on bonuses for new drivers:

> *"We had to put in place both a retention bonus for existing drivers and an attraction bonus to get drivers to come and work for us. And the numbers were anywhere between £2,000 and £5,000. […] And there would have been sign-on retention bonuses in the warehouse again, whether it be Amazon or others would have done something, we just offered a lot smaller amount, £250, £500."*

Warehousing and logistics organisation

Some had changed their pay structures

Elsewhere, those who had focused on increasing wages had often done so for specific roles, or shifts, rather than across their organisation. For example, a food processing employer explained that to recruit for their more technical or "tedious" positions, they had to increase their hourly rates.

Other organisations had increased their pay for "less desirable" shifts, such as night shifts or weekends, that they had particularly struggled to fill after the end of FoM. For example, one transport organisation increased their night shift hourly rate by 30% and similarly, a food processing and packaging organisation had increased their night shift bonus:

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[3] Dustmann and Glitz (2015) in 2022 MAC Annual Report

"One thing we did this year was, we significantly increased our night shift premium. It went from an additional £1 an hour to £3 an hour. That's very, very costly. It has had some success, we have seen an improvement in our night hygiene teams."

An organisation that processes and packages food

Other organisations had changed their pay progression structure to enable new starters to progress to a higher salary in less time.

"How could we reform pay that they could get to the top quicker…our starter rates you're only in for a year now and you are progressing every year, but even four or five years is too long [for people to wait to reach the highest pay rate]."

A transport organisation

Employers had various justifications for not offering greater wage rises despite labour shortages

According to some, raising wages was unfeasible due to their business models or budgets.

Those operating in the agricultural sector reported they were unable to pass on inflated labour costs to the consumer, as supermarkets "dictated" the price of their produce. Increasing wages considerably more than annual increases to the national minimum or living wage may resolve staffing issues, but as long as supermarkets would not accept higher product costs, it was perceived to be impossible to offer wage increases at this level and continue to operate.

"[Farms'] basic pay structure increased by anywhere between 10% and 20%. And they're not getting paid any more for their crops by the supermarkets… so they had this huge increase in labour, which is their largest cost."

An organisation in the agricultural sector

Other organisations such as warehouses or the food processing factory struggled with higher energy costs, transport costs, and administration costs – which respondents attributed partly to the end of FoM – and used this to explain why they had not increased wages greatly.

"It's not as simple as just how much you're paying people because everyone can then join that game, and all it does is add to inflation. Because the industry we're in operates on thin margins and it's got to go somewhere. […] And wages alone had an impact on the cost, because they're so great and if you were arguing the toss over one or two pence a kilo with a retailer, they would tell you to go away."

An organisation that processes and packages food

Others expressed doubts regarding the role that wages played in workers' decision to join or stay. They cited other factors they thought more important, such as the site location, or the appeal of the jobs to the current younger, UK-born workforce. One warehousing organisation noted that their competitors had increased wages, yet still struggled to retain new employees. These organisations feared a situation in which they were paying greater wages to employees but still faced challenges in recruiting and retaining staff.

An agricultural employer similarly pointed out that wages did not seem to have an impact on labour availability. According to them, the positions they were trying to fill simply did not attract local workers, who prioritised flexibility and comfort.

> *"We cannot find people locally who want to do the work. … It's not a wage rate issue. It doesn't matter what we seem to offer."*
>
> **An organisation in the agricultural sector**

However, as most of the organisations we spoke to had not significantly increased wages, it is difficult to assess the extent to which this may affect the ability to attract and retain labour.

Emphasising progression

Several organisations we interviewed tried to retain and attract workers, both foreign and domestic, by highlighting and widening progression opportunities. Most of these opportunities existed before the end of FoM, but they were not always presented as a 'perk of the job'. This had changed in recent years.

> *"The progression opportunity is probably one of the biggest [pull] factors because you can earn this or you can earn that if you progress."*
>
> **An organisation that processes and packages food**

The structure of several organisations relied heavily on an entry-level or low-skilled workforce, for whom there often seemed to be limited avenues to progress and better their skills and income. These organisations, in the manufacturing, agricultural, and logistics sectors, had started to emphasise more clearly what opportunities existed, and how an entry-level job could be seen as the start of a long-term career.

> *"The agricultural industry is [now] trying to look at making some qualifications and a structured career route within agriculture."*
>
> **An organisation in the agricultural sector**

During the interviews, several organisations commented on the opportunity that entry-level workers had to work their way into higher, often management-focused, positions over time. For example, a Polish employee at a warehousing organisation had started as an agency worker in October 2018, progressed to agency supervisor, was hired full-time by the company, and was team manager at the time of our visit in early 2023. Such 'success stories' were found across all organisations.

> *"I've been the manager for eight years. I started as a receptionist in 2009, and then I developed… Even if we don't speak perfect English, we still can find our roles like a receptionist, takeaway section, and then we develop towards waiters, chefs, wherever we feel like we fit the role. And then I passed my assessment as an assistant and then became a general manager."*
>
> **Restaurant chain**

> *"There are different levels of skills required. And we said to the people, there's an opportunity to get some training. It's up to you. And you'll be paid more. You'll be trained. All of the men said no. Three Romanian women said they'd give it a go. And they've been fantastic! They've picked up the training. The yields have improved. They're motivated, they're earning more money."*

An organisation that processes and packages food

Leadership and management opportunities were considered key in attracting and retaining workers for the employers who had such systems in place. One manufacturing organisation had a long-standing leadership development programme in place, but recently refreshed the scheme to help their team leaders develop their non-technical, management and IT skills – more in line with the demands of their jobs.

On the other hand, a few organisations could not, or did not wish to, emphasise progression to the same extent. For example, a public transport organisation explained that they could not offer the same level of progression opportunities into higher-paid roles but they were making their workers' experience and loyalty to the company visible by implementing tenure-based salary increases.

A couple of employers shared that they could not attract workers by 'selling' such progression opportunities because these opportunities required a longer amount of time working for their organisations than people were willing to spend.

"It's completely shifted from career-driven colleagues to 'I'm just going to try it and a lot of them try it and don't like it. Or actually they've heard [another warehouse] isn't bad, or I'll give [another warehouse] a go."

Warehousing and logistics organisation

Improving the working environment

When it came to providing a comfortable working environment, organisations were not equal. Some jobs benefited from naturally more welcoming conditions, while others could not easily or cheaply be improved. The most striking contrast observed was between the farming and the hotel sectors. The latter often allowed its workers to sit down, socialise, listen to music, and interact with customers or each other. A hotel chain explicitly referred to their working environment as a factor that helped them recruit domestic workers into receptionist roles.

Organisations operating in the transport and storage, manufacturing and, above all, agricultural sectors, on the contrary, expressed that they had little room to make their working environments more accommodating for their employees. Day-to-day operations demanded workers be ready to spend hours outside or in the cold, sometimes in isolation, unable to use a phone, carrying heavy loads or repeating the same movements their entire shift. Such manual jobs were often physically difficult. One organisation explained how this increased their need for honesty when describing the conditions to potential candidates:

"We went through a phase of almost overpromising… the reality was the work is hard. People have said to us when they were leaving 'you didn't tell us it was going to be this hard'. So it's just pitching it right to say, 'look, these are the positives of the role, but by the way, the reality is this'. Otherwise people walk in to it and think it's something it's not, and that's not good for anyone."

Warehousing and logistics organisation

While organisations often felt they had a limited ability to change their working environment, they did small things where they could, such as allowing employees to listen to music while they worked.

Larger changes to employees' comfort and working environment were made primarily through automation. Manufacturing and agricultural organisations were automating processes which allowed them to reduce the labour-intensiveness of certain roles. This is discussed further in the 'Automation' section.

Location, transport and accommodation

The location and accessibility of job roles were also difficult to change. Some organisations benefited from their location, for others it posed a challenge if it wasn't considered appealing to job seekers. Many organisations could not change where they operated – the nature of the business meant it had to be rural or it had to be located in a busy area with good transport links, for example.

Organisations based in more remote locations felt they had to work harder to keep, or attract, workers. An organisation which processes and packages food emphasised the difficulties it had in attracting domestic or foreign workers to its factory. The employer tried helping workers to find accommodation nearby and offered free parking, with limited results.

A couple of employers had focused their efforts on providing cheap or free transport to and from their organisation. Across their sites, a farming organisation spent £10,000 a week on buses for employees living in neighbouring towns, in addition to the 45 properties they owned and rented to their workers. Similarly, a warehousing organisation had mapped its staff postcodes to create bus routes for its workforce. It was also investigating launching a new bus route from a nearby town where there were higher levels of unemployment, in an effort to attract new workers.

Farming organisations also struggled to replace their seasonal workers with domestic ones, as the nature of the work required a great degree of geographical mobility, and often required staying on-site in caravans. Foreign workers tended to accept such conditions and moved from one seasonal job to the next.

"Farm work involves really picking the crop when you can, so you really need to stay in the caravan on site, which is a disincentive for UK workers. They're not used to that."
An organisation in the agricultural sector

On the other end of the spectrum, a few organisations found it easier to attract and retain workers thanks to their proximity to good transport, infrastructure, and schools. For the garment manufacturer we visited, location had been an important factor in retention. Their workers tended to live locally and could walk or take the bus to work, and they had been able to settle with their families and partners, establishing their communities. The other warehousing organisation we spoke to benefited from a much more practical and attractive location for domestic and foreign workers alike, not least because it was close to an international airport with regular flights to the countries many of their employees came from.

Flexibility – adapting to meet employees' needs

Even though most organisations could not improve their working environments to the same degree, most could – and did – offer more flexible working patterns to accommodate their

workers' needs and lifestyles. As employers increasingly turned to the domestic labour market and competed for a smaller, often younger, workers' pool, flexibility became a key lever in attracting and retaining workers.

A hospitality organisation felt they had not struggled to retain workers due to the flexible nature of the shifts they were offering. This suited the local student population, who could fit shifts around their studies.

> *"Seventy percent of my team are students, and they only work a couple of days a week. This is what they need. […] we posted this job 11 days ago, and 277 applied, for a night person."*

Hotel chain

Other organisations had also adopted more flexible shift patterns and approaches to full-time and part-time work, including hiring people for weekend work only. As well as helping them compete for workers in a challenging labour market, there was a sense among some employers that since the pandemic, the domestic workforce expected such flexibility. A manufacturing organisation referred to them as "a different breed of workers".

> *"We've offered part-time work and we've got so many different shift patterns. We used to have a number of set fixed rotas. It used to be 'you're starting with us on Monday, here's your rota'. It's now 'you're starting with us on Monday, when do you want to work?'... We don't have a single colleague in this depot that's working a shift pattern that they've not chosen or wanted to do."*

Warehousing and logistics organisation

> *"We have always been quite rigid in our shift patterns but, definitely the last two years, [the] team have challenged me with putting in lots of different shift patterns. And now, we're actually saying to people 'what can you work for us?'"*

An organisation that processes and packages food

> *"In the past we would have said, well, that is the job. We are now having to become a much more flexible and friendly employer that says, 'tell me what you can do and I will see if I can give you a job that does that.'. A lot of women who want to drop the kids off and pick the kids up, I will now give you a six-hour job whereas previously you were expected to do... an eight hour job."*

Public transport provider

However, offering such flexible shift patterns caused added administrative and scheduling challenges. Organisations that used to rely on fixed shifts, sometimes covering 16 hours or more of their days, now had to cater for individuals starting at different times or being part of different teams throughout the week. This was more of a challenge for the manufacturing and, above all, agricultural sectors, as they often relied on seasonal workers to complete long, labour-intensive work over a few months. In comparison, sectors where demand was more stable year-round could put in place these flexible arrangements more easily.

Work culture

A final lever used to attract workers for many organisations was work culture, and they often commented on the steps they had taken to make their workplace more comfortable for their employees, and the ways in which they fostered a stronger community spirit.

One manufacturing organisation had worked to cement a strong workplace culture before the announcement of the end of FoM. Employees within the organisation spoke about the staff body like a 'family'. The organisation also took the time to celebrate staff during special events.

"We do a twice-yearly company meeting where we get all the staff together, so we can get about 500 people in here... We didn't do it during covid, we had to find other ways... We'll use it as a briefing session to update people on what's happening in the broader business, to talk about our plans for the next six months, and then kind of use it as a bit of a celebration and recognition event to highlight the good work people have done."

An organisation that produces clothing

"We have these big screens… which are easy for people to access… we try to highlight important messages on here and then will sometimes use it for things like welcoming new starters, birthdays, celebrating long service, for example."

An organisation that produces clothing

Additionally, they incentivised loyalty by offering pension benefits and annual bonuses for long-standing workers.

"We double match employees' pension contribution up to 6%. That's something we've introduced in the last 12 months. We have an annual bonus scheme as well which is based on [the organisation's] overall performance, and secondly the individual's performance as well. The target is five percent of annual salary, potentially up to 10 percent."

An organisation that produces clothing

Some organisations in the research had not prioritised promoting a supportive workplace culture before the end of FoM. In the manufacturing and agricultural sector, this could partially be attributed to the transient character of seasonal workers from the EU who would stay for a few months, leave and then either return or be replaced by another foreign worker the following year.

These organisations had since taken steps to improve their company culture. One warehousing organisation struggled to recruit using agency workers, a labour pool it had heavily relied on previously. They were now focusing on recruiting employees directly and had worked to improve their workplace culture as a lever to retain new starters, who often left within their first six months.

"We [used to] really heavily rely on that 'try before you buy' agency market. We're not saying it was the right or ethical things to do, we realise that now. But at the time, we had such a large pool of agency staff, we could directly employ the best agency colleagues and that's how we maintained the headcount. We never really had issues recruiting ever before the Brexit scenario."

Warehousing and logistics organisation

"One of the few positives of these past few years is that we've focused on colleague engagement like we never have before. [A colleague] mentioned earlier about previously, all employers have treated colleagues like commodities because they were freely available… [Now] We work as hard as we can to understand our colleagues. How can we give a great experience? We've really, certainly here at [this site] asked 'Are we doing absolutely everything we can?'"

Warehousing and logistics organisation

Some examples of initiatives that organisations across the sectors had put in place to improve workplace culture and demonstrate to workers that they were valued by employers included: creating a prayer room on site, improving the showering facilities, hosting cultural events, and offering days out to workers.

Recruiting far and wide

As retention strategies garnered limited results and the EU workforce dwindled, organisations moved away from EU labour sources. Consequently, they diversified and transformed their recruitment strategies to attract domestic and foreign, non-EU workers.

Organisations in the agricultural sector took advantage of the Seasonal Worker scheme, often looking beyond the EU

One of the organisations in the agricultural sector had used the Seasonal Worker scheme to mitigate labour shortages. The Seasonal Worker scheme enabled them to replace a proportion of their historic EU workers with new workers recruited through the scheme, and in some cases the scheme was cited as being critical to the operations continuing.

"We've had to totally rely on the seasonal work permit scheme… if it hadn't been for [it] we would have closed at least one of our sites because we just wouldn't have been able to function."

Organisation in the agricultural sector

The organisation believed that the UK had become a less attractive employer for EU workers than other EU countries as individuals required a visa, which incurred additional cost, hassle and waiting time.

"The biggest problem has been trying to attract EU citizens through the seasonal work scheme – it's not working… It's not attractive to them. You know, they're going to come here for six months or are they going to go to Germany, or France, or Holland, the wealthier Western countries. So clearly they're going to do that because here, they can only come for six months."

Organisation in the agricultural sector

One of the organisations in the agricultural sector used to recruit heavily from EU countries such as Bulgaria, Latvia, and Poland – the organisation had only three non-EU workers in 2018. However, they had recently shifted to using the Seasonal Worker scheme, using an authorised agency to recruit from countries such as Vietnam and Nepal, where people saw the prospect and earning potential of working in the UK as appealing.

"The scheme is driving us towards looking further afield, to even poorer countries, people who are more desperate, you would say. Who, for them, even six months is good."

Organisation in the agricultural sector

The organisation described the challenges that these changes in workers' profiles posed, especially in terms of language and culture and when delivering training.

"The challenge [recruiting further afield] gives us is it brings different cultures into our workplace. It brings non-English speaking. One thing you could say for other European countries is there was a high proportion of English speaking. The culture was quite similar… My teams in other locations have been using Vietnamese citizens and it has been very hard because of the language barriers to training."

Organisation in the agricultural sector

One warehousing and logistics organisation said that many of their newer employees were still from EU countries, but that there had been a noticeable shift in the country of origin towards nations from which they had rarely employed staff in the past, such as Bulgaria. They felt that the new Bulgarian workers often had limited English skills and could not be trained as efficiently – a challenge they had not faced before the end of FoM.

This shift in the non-domestic workers' pool also led to a change in the type of workers applying, often younger and less skilled. Organisations speculated that these people were more willing to move to the UK without their family. An organisation in the agricultural sector mentioned that some university students studying agriculture came to the UK to improve their English skills and to learn more about their field. These new recruits were less likely to return, and organisations felt that, to an extent, they were wasting their investment in upskilling them.

"Whilst seasonal crop picking might be attractive to university students for their summer, nobody really sees it as an entry to an agricultural career."

Organisation in the agricultural sector

Some felt the Seasonal Worker scheme was not a long-term solution

Organisations in the sample were encountering a number of challenges with the Seasonal Worker scheme.

The primary concern was the time limit of the scheme, with workers permitted to stay in the UK for a maximum of six months at a time. The organisations in the agricultural sector both noted that this introduced a six-monthly turnover of staff, which cost additional time and money in comparison to FoM. For example, organisations we interviewed felt they could not replace the knowledge and productivity of long-standing trained workers with untrained seasonal workers who would stay in the role for only six months, to then be replaced by another untrained seasonal worker.

This was especially challenging for one of the organisations in the agricultural sector, whose crop needed picking consistently year-round, rather than within set 'seasons'. One manager explained that they usually needed six months to teach a new recruit to be a proficient picker who met satisfactory productivity levels. Picking and packing, they said, required technical skills and understanding, gained over time. Having new waves of staff every six months meant they were constantly working at lower levels of productivity whilst new staff were being trained.

"Farms lost a lot of productivity from these workers who used to come back year after year because although it's not a skilled job, when they come back for a second season, they're much more productive than they were in the first season because they understand what they're doing and the way the farm operates and, you know, how to pick that particular crop in those conditions."

Organisation in the agricultural sector

Finally, an agricultural organisation referred to the limited access to Seasonal Worker visas.

"We don't have any problems in recruiting, this will never be an issue. The actual quantity of visa licences that were made available – that's where the labour shortage is coming from."

Organisation in the agricultural sector

More generally, all organisations were diversifying their recruitment strategies to target domestic workers

Previously, organisations in the study had relied on lower-budget recruitment methods such as word of mouth and using agency workers for recruitment. As the EU labour pool reduced, organisations adapted their recruitment strategies to better appeal to the domestic labour market. This evolution often represented an increase in advertising spend – a restaurant chain had seen its advertising budget increase four-fold for recruitment since 2020.

Such strategies were rarely as successful as expected, especially in the longer term. One farming organisation said they had "exhausted" all recruitment routes since the end of FoM and had limited success beyond the Seasonal Worker Scheme. Attempted recruitment routes included posting on Facebook groups, posting flyers through doors, working with local employment officers, placing posters in local shops, and participating in job fairs, but felt that nothing had worked to recruit local, domestic labour. The few people who showed interest were seen by this organisation as doing so for "tick box benefits reasons" and regularly did not turn up to interviews. They also received no applicants through the 'Pick for Britain' programme, or the refugee and asylum networks they tried partnering with.

> *"[Workers] might be asked to start work at dawn because it's been raining for two weeks and now it's dry you can go and pick….At the moment that's just not an attractive job for UK workers."*

Organisation in the agricultural sector

Similarly, an organisation which processes and packages food found the diversification of recruitment strategies unsustainable, with high investment and limited results.

> *"I don't think I've ever spent as much on recruitment in the last two years as I have done in my previous seven years. We've used the internet, we've partnered with a specific agency, local advertising, we're sponsoring local teams around the area to try and get the name out there, we did radio, we did leaflet drops this year, 26,000, we've done career fairs, we're regularly down the job centres…"*

An organisation that processes and packages food

Some organisations had successfully recruited domestic workers, but faced challenges with high turnover and increased training costs

A couple of organisations felt they had to be very honest about the roles in their advertising, highlighting challenges to avoid having to re-recruit after investing in onboarding and training workers. For example, one warehousing organisation had introduced 'assessment centres'. Before offering people the job, they had them visit the site, talked honestly about pay, benefits, and their company values, and, above all, had people try the job for a day, paid, before formally hiring them. It was too early to see the impact of this measure, however.

Another organisation spoke about their honest advertising, which openly talked about the pros and cons of the role, including its repetitiveness and physicality:

> *"I think pitching it right is really important. Otherwise, the fallout rate is just too high, so a level of realism is important."*

Warehousing and logistics organisation

Other organisations had to adapt to the challenges of a less experienced, and often younger, domestic workforce. For the restaurant chain featured in the study, this shift resulted in lower levels of productivity. They adapted the onboarding and training processes to meet the needs of this new, younger workforce by creating digital, 'easy to digest' training content that they felt was easier for this audience to engage with. This incurred additional costs.

Two warehousing and logistics organisations spoke in similar terms about their increasingly younger and inexperienced workers compared to before the end of FoM. They felt this lack of experience led to longer training times to learn needed skills, costing the organisation money in terms of productivity loss, training, and supervision needs. Both organisations said that newer recruits only started working efficiently after 12 to 13 weeks but many would leave before reaching this point.

> *"Our core colleagues, 50% of them will leave before 12 weeks, and our agency partners, it's 80% leaving within 12 weeks. So it's getting to the point where you need to bring in 10 people to gain by three."*
>
> **Warehousing and logistics organisation**

More successfully, a garment manufacturing employer had used social media to recruit and appeal to the younger graduate market. They had lost relatively few workers with the end of FoM but expressed concerns regarding future recruitment, as they had historically relied on EU workers. They had therefore been proactively planning for this shift and put changes in place to invest in the future workforce. For example, since early 2020, they had a training scheme, adapted to the recruits' skill levels. Unskilled workers were placed on apprenticeships, which could last up to 12 months. People with limited skills would be trained for three to six months to make them fully operational. Finally, people who were recruited with a certain level of skills would be trained for up to 12 weeks so they could join the production line and "hit the ground running".

Relying on agencies to find workers was a short-term solution that had costs and risks

The two warehousing organisations we visited had always relied on the recruitment of staff through agencies, where most agency workers were from EU nations. That allowed them to increase their staff numbers to meet higher demand in the summer months or around Christmas. These organisations often used to hire part of their full-time staff from those who began as agency workers on their sites. With the end of FoM, agencies were struggling to source labour, and consequently, organisations could not rely on agency workers to bolster their pool of longer-term, full-time workforce as they had previously. For one warehousing and logistics organisation, EU workers used to account for 70% of their agency workers, but now only represented 15%. While this was not an issue yet (as their overall workforce and EU labour numbers had remained relatively stable) they worried about sourcing permanent staff in the long term while agencies struggled to provide sufficient numbers of staff.

Organisations had streamlined their recruitment processes to avoid dropout

Finally, organisations spoke about the challenges of long recruitment processes in a market where employees could 'easily' find work, with candidates taking alternative jobs if they did not offer jobs immediately. One warehousing and logistics employer we interviewed stated

that 50% of the people they invited for an interview did not attend, and those who did still "shopped around", using their leave or days off to try other, often similar, jobs in the area. Some employees attributed this to the low levels of unemployment the UK was experiencing at the time. Another hospitality organisation stated that they had to offer people roles immediately after the interview and allow them to start the next day to avoid them finding other work while waiting for a decision on whether they got the job.

2. Automation

Across the organisations we visited, automation tended to be limited to small innovations that required limited short-term investment. According to most employers, automation could help with processes, and sometimes with retention. Organisations felt it could not reduce labour needs or mitigate staff shortages to the extent the government was depicting.

This section is structured as follows:

- Automation as part of a business' evolution
- Opportunities to automate came with other considerations

Automation as part of a business' evolution

Across most of the organisations in the study, automating operations was considered part of a business' modernisation process and was seldom linked to labour shortages. An organisation that produces clothing said that one of their main goals was to "scale [their] team without adding headcount" and tech was, for them, "the number one enabler" in that regard. They had focused on automating their production tracking system and aimed to set up a fully digital, real-time tracker by April 2023 – a radical move away from their manual, paper-based system where information was processed over a day and a half.

As mentioned in the 'Working conditions' section, automation rarely increased levels of production, but it could enhance comfort and ease for employees, especially at entry-level, thus helping retain labour and making less-skilled tasks more attractive. The organisation that processes and packages food had automated the equipment in some rooms so they moved up and down. This reduced the amount of movement required by the employee. Robotics were used for certain parts of the packing line, limiting the need for labour and accelerating the packing process.

Opportunities to automate came with other considerations

Organisations felt automation was limited by technology available

In their quest to mitigate labour shortages and challenges in retaining workers, organisations were starting to see automation as a potential long-term solution. Some had done extensive research into the latest automation technology; others were less engaged. There was a perception among some organisations that sufficient automation opportunities did not exist. It is possible that organisations may not have considered or been aware of *all* available opportunities to automate.

When organisations claimed that opportunities to automate were limited by the technology available and the costs of implementation, they argued that it could not solve short-term labour problems.

> *"If we could automate it all, then brilliant, because it's so much easier to employ machines than people."*

An organisation that processes and packages food

"The lack of automation isn't necessarily about lack of investment. If people could buy it, they would, because clearly the justifications are there."

Warehousing and logistics organisation

"When you come to the market with automation, there's a long lead time because there's a world shortage. So the lead time for automating warehousing is at least three years. Plus the build time and everything else. So you're talking about four or five years plus. So it's not a short-term solution because all around the world people are trying to automate."

Warehousing and logistics organisation

A farming employer explained that a recent innovation they had trialled used the most up-to-date technology available. Developing and installing the equipment had been costly for the organisation. These costs were not able to be recouped by increased productivity. The automated process cost three to four pence more per kilogram of product because some stages in the process required additional labour to operate. This adaptation did improve working conditions, however.

"The technology and innovation, it's a slow burn."

Organisation in the agricultural sector

Automation might not replace labour

When machinery existed, it was not perfectly adapted or precise enough when compared to workers, and sometimes operated at lower levels of productivity. An organisation which processes and packages food provided a striking illustration of this. The employer explained:

"[There is] not a machine in existence, globally, that [can carry out the work]' as well as a professional, trained [individual] would. A New Zealand [food] company had tried [automation] on one of their three lines. They took it out because of the yields. The difference, 2%, is huge money."

An organisation that processes and packages food

A restaurant company had looked into automating their food production process but felt that the technology available would not be able to replicate the work of their chefs to the same quality standards.

Variation in products being handled was a key issue for the agricultural and logistics sectors.

"There are machines which can pick strawberries completely automated, but their productivity is way off a human being. […] I think it's more than a decade away before those kinds of machines will be able to replace humans."

Organisation in the agricultural sector

"You're picking quail eggs. And then you're picking big trays of eggs, you're picking trays of meat, and then to put that into a system that sees all these different sizes, all these different multiples?"

Warehousing and logistics organisation

An organisation in the agricultural sector also explained that labour was often still required alongside automation.

"One farm has put in concrete trackways and they've got a rig which is a robot operated rig, but you still have to have workers lying in the rig, picking things as the rig goes along and does whatever else it's doing. It saves labour, but it's not fully automated."

Organisation in the agricultural sector

Automation sometimes went against companies' interests

Automation went against some organisations' best commercial interests or their brand identity. One garment manufacturer explained that the 'hand-made' character of their products was key to their branding.

"That human touch is also important because we want to give that luxury service, and that can't always happen with automation."

An organisation that produces clothing

A restaurant chain expressed a similar sentiment when they explained the potential unintended consequences of automating part of the cooking process:

"Losing that authenticity of who we are would probably be a big reason why we didn't do that [automate more]. So having a robot literally cook [food], as in make it, cook it, take it, serve it, I don't know if we'd ever get to that point."

Restaurant chain

Reducing labour was also counter-productive for some organisations. One hotel organisation interviewed mentioned that they were considering increasing the number of staff in some cases, if financially feasible, to enhance their guest experience.

Automation would require a more technically skilled workforce

A few organisations highlighted that automated processes would require a more technologically skilled labour force. One employer noted that their team leaders were using computers more than they used to, which had already caused friction with their older workforce, not always comfortable with tech.

"It's going to be different types of roles for people down there, 'operators', 'engineer' type roles because the jobs are going to become more computer automated."

An organisation that processes and packages food

Automation would increase the demand for engineers, a role which organisations claimed was already in short supply in the domestic labour market. One warehousing and logistics organisation expressed their concern about sourcing engineers if a machine were to break down.

"It'd give you a massive shortage of engineers. And that's a big issue because, the thing about when you automate something is that, if you do something by hand, and 30% of the people don't turn up, then you have your capacity at 70%. If you do something automatically, and you haven't got the engineer when it breaks down, that's it."

Warehousing and logistics organisation

One organisation worried about the return on their investment

One warehousing and logistics organisation stated:

> *"The big thing is cost. We run a really tight cost model. Our return on investment, we would want it over three years maximum. You're talking minimum £250 million."*

Warehousing and logistics organisation

Senior staff within the organisation felt the return on investment for the existing technology would not be sufficient in the short term to justify the initial cost. Instead, they had chosen to prioritise improving their working conditions to help attract and retain workers in the short term, while waiting for larger organisations in the sector to trial and implement emerging automation technology.

3. Production

Unsurprisingly, organisations were resistant to reducing their levels of production. However, some felt they had no option but to make operational decisions which influenced their rates of production in response to labour shortages. In some cases, labour shortages had resulted in higher staff turnover. With more new staff in training, productivity levels dropped in some cases, reducing overall levels of production.

This section is structured as follows:

- Reducing production was often considered a last-resort option
- Reductions in production because of a changing workforce

Reducing production was often considered a 'last resort' option

Most organisations had not considered reducing production as a viable mitigation against the labour shortages they faced. Some reported that, if labour shortages continued, they may have to reconsider this position. Such a prospect, however, went against organisations' desires to maintain their profitability, continue to pay existing fixed costs and overheads, and avoid having to reduce the size of the business. One agricultural organisation noted that the Seasonal Worker Scheme was the only thing stopping them from having to reduce production.

"We are always on the backfoot now, but the Seasonal Worker Scheme has saved us."

Organisation in the agricultural sector

Yet, some reported already having reduced production due to labour shortages

One warehousing and logistics organisation had to outsource some of their warehousing activities (picking and packing food to deliver to stores) to another of their UK warehouses less affected by labour shortages. Goods travelling further drove up transport costs and conflicted with their ambition to reduce CO_2 emissions.

An organisation that processed and packaged food reported a third of their production now had to be outsourced to European countries due to a lack of available labour in the UK.

"Some of the value added… instead of being done here, it's being in Denmark and Poland, because we haven't been able to access the people with the skills to allow us to do that here, which we used to be able to do."

An organisation that processes and packages food

One of the organisations in the agricultural sector stated that there had been a reduction in production at between 15-30% at the farms they work with due to labour shortages, while the restaurant chain had to close down restaurants on certain days and reduce opening hours (though there were other factors influencing this decision, including reduced consumer demand due to the pandemic).

Reductions in production because of a changing workforce

Some organisations reported reductions in production as a result of a newer, less productive workforce

Even when organisations had been more successfully able to maintain their workforce by filling positions previously held by EU workers, some reported reductions in productivity due to the different levels of attitude, skill, and experience of new employees. This was exacerbated by high staff turnover rates through the Seasonal Worker Scheme.

> *"The hardest thing is scheduling because of the six-month exit… we're losing core workers and replacing them with non-core workers, which is really challenging… the management has noticed a huge increase in demand on training."*

Organisation in the agricultural sector

A few organisations noted differing attitudes of UK-born workers with previous EU workers, in terms of their motivation to 'work hard' and desire to earn as much money as possible. For example, where pay or bonuses were related to an employee's productivity, one organisation noted that those from EU countries would typically be more motivated to earn the maximum amount possible, while UK-born workers appeared to be less motivated by this. One warehousing and logistics organisation said they had had to accept lower levels of productivity among their staff body now. This meant the overall volume of products they were able to process decreased.

> *"People tend to think of labour as just bodies… interchangeable… These people were younger, bilingual, skilled, some of the most productive. What was left was, on average, less productive."*

Warehousing and logistics organisation

Conclusion

In response to the labour shock due to the end of FoM, exacerbated by the covid-19 pandemic, organisations had adopted a number of strategies to overcome labour shortages and maintain profits where possible.

Exploring the extent to which employers had tried to attract new workers by raising wages and improving conditions, aiming to substitute EU labour for those already in the UK, including UK-born workers:

Employers had attempted to attract and retain workers by improving working conditions.

For example, shifting from a historic more transactional view of their employees to focus more on employee wellbeing and adapting the role to meet the needs of employees. Those who had historically taken few or no steps to make workers feel valued tended to be those who struggled the most with labour shortages, though some were making rapid investments to change this.

No organisations had significantly increased wages.

Wage increases were rarely substantial, or even in line with inflation. Often organisations stated they were unable to pass this cost on, and some doubted whether increasing wages alone would address their challenges in attracting and retaining staff.

Employers had changed their recruitment strategies, notably focusing on recruiting UK-born workers and using the Seasonal Workers' Scheme.

A focus on recruiting UK-born workers was less viable for certain roles that were perceived as particularly unappealing to UK-born workers – such as farming work. Many employers were resistant to raising wages, due to feeling they were unable to pass this cost on to their customers and a perception that they would face the same challenges with the small labour pool despite increased wages. This meant that with inflation considerations, few salaries had increased at all outside required changes driven by minimum wage rates rising.

Exploring the extent to which employers reduced the labour-intensiveness of work through raising the productivity of workers, automation, and relocating activity:

All organisations had considered automation and were looking at how they may implement it.

Many were considering automation before the end of FoM but acknowledged it could tackle labour shortages exacerbated by the end of FoM going forward. However, for most organisations, automation was slow, with the necessary technology not yet sufficiently developed, and costly, with an uncertain return on investment. There were a few instances of specific roles being improved through semi-automation – for example, the loading processes in farms, or the tools used to produce food in restaurants.

Most felt automation couldn't solve the labour shortage issue in the short term.

While some organisations made smaller innovations to improve existing processes, many organisations felt that the technology was not currently available to support more effective large-scale changes. Some organisations looked more favourably at long-term changes in the

future, but at the moment they felt that the limited improvements in the short-term would not justify the upfront costs.

Exploring when employers could do neither of the above, and ultimately produced less:

Most organisations saw reducing production as a 'last resort' option.

However, they acknowledged that reduced production may happen if they were unable to maintain their workforce. Some had already reduced production in response to labour shortages, representing a cost to the business.

The end of FoM has put pressure on employers to improve the working conditions of roles historically done by EU workers, and in some cases automate. Few have increased wages significantly. The end of FoM poses an ongoing challenge to organisations in the UK, specifically those with roles that are perceived as 'less appealing' to UK workers and may threaten the future production of these organisations.

Annex

Additional methodology detail

Selection of organisations

The organisations participating in the study were selected because they operated within four of the five sectors identified as being most likely to be impacted by the end of FoM, given their high proportion of EU RQF1-2 workers, and of roles filled by EU nationals (see Figure 2.7 in MAC Annual Report). A fifth sector – administration – was also identified as being likely to be impacted by the ending of FoM, but was not included in the research because employees carrying out administrative roles are spread across a wide range of other sectors.

The participating organisations represented a range of types of roles (in terms of working environment, pay, and qualification level) across different locations in the UK. However, a large proportion of these jobs were at RQF1-2 level. They were thus identified as being particularly likely to be impacted by the end of FoM, as jobs at RQF1-2 level are not eligible for the Skilled Worker route and – unless employers were able to access migrant workers through an alternative route such as Seasonal Workers – they were no longer able to directly fill vacancies from outside the UK (though it remains possible, for example, for a spouse of someone entering the UK on the Skilled Worker route to work in such occupations).

Data collection

The research comprised site visits to each organisation and remote and in-person interviews with senior team members, such as Managing Directors, Heads of HR, or Operations Directors. Researchers conducted a total of 24 interviews with individuals in different management roles across nine organisations, as well as further, shorter interviews with other employees throughout the site visits. Many organisations also provided us with additional material to review, such as summaries of HR information.

During the site visits, researchers spent between two hours and two full days with an organisation. They gathered insights from team members involved in the day-to-day running, such as site managers and team managers, through structured interviews, and observed and interviewed employees on-site on a more informal basis. Place-based research enabled the research team to:

- Gain a rich understanding of the roles that organisations faced challenges filling post-end of FoM. During site visits, researchers were able to observe what these roles involved, working conditions, and any adaptations that had been made, such as job reorganisation or automation
- Meet a number of senior decision-makers involved in the strategy post-end of FoM, to understand the rationale behind their responses to the labour shock
- Deliver greater nuance in understanding employers' experiences of the end of FoM and the approaches they had taken to mitigate its consequences
- Gain a good understanding of the organisation in relation to the local community, looking into factors such as: how geographically isolated it was, where employees

typically lived, what the availability of housing and public transport was, a how close other potential workplaces were.

Data recording and analysis

During the site visits, researchers recorded data using handwritten notes and Dictaphones. In some cases, this data was supplemented with management information shared by organisations. After site visits had been completed, audio recordings were used to create transcripts and handwritten notes were transferred into an analysis grid. The analysis grid broke down information about each organisation across key research themes. Themes were agreed between MAC and Revealing Reality when drafting research materials.

Analysis of the research findings was ongoing and iterative. Revealing Reality researchers compared themes of the analysis grid across organisations in the site visit write-up process. The research team also held face-to-face weekly analysis sessions throughout the project. The MAC research team attended one of these sessions. The analysis sessions allowed the whole research team to listen to findings and draw parallels across different organisations.

After analysis sessions, the research team wrote up discussions into a working document outlining the emerging lines of inquiry. This document helped to capture ongoing thinking and iteratively capture research findings, which fed into reporting.