Temporary workers in UK agriculture and horticulture

A STUDY OF EMPLOYMENT PRACTICES IN THE AGRICULTURE AND HORTICULTURE INDUSTRY AND CO-LOCATED PACKHOUSE AND PRIMARY FOOD PROCESSING SECTORS

Precision Prospecting Ltd, 25 Fore Street, Framlingham, Suffolk, IP13 9DY
Telephone +44 (0) 1728 622500, Fax +44 (0) 1728 622510
jimwilliams@precisionprospecting.com

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A STUDY OF EMPLOYMENT PRACTICES IN THE AGRICULTURE AND HORTICULTURE INDUSTRY AND CO-LOCATED PACKHOUSE AND PRIMARY FOOD PROCESSING SECTORS[1]

1. INTRODUCTION

This is a report on the study of employment practices in agriculture and horticulture and co-located packhouse and food processing sectors.[2] This study was conducted on behalf of the Department for Environment, Food and Rural Affairs (Defra), the Agricultural Wages Board for England and Wales (AWB) and Work Permits UK, by a consortium of researchers led by Precision Prospecting Ltd. The project was divided into two phases. Phase one involved a survey of UK labour users and labour providers carried out by Precision Prospecting Ltd, in conjunction with Dr Jennifer Frances, of the Institute for Manufacturing, University of Cambridge. Phase two involved a qualitative study of the food chain carried out by Dr. Jennifer Frances, Stephanie Barrientos, Institute of Development Studies, University of Sussex and Ben Rogaly, Sussex Centre for Migration Research, University of Sussex.

1.1 Background

This study was initiated by the publication on 10 September 2003 of *Gangmaster (Fourteenth Report Session 2002-03)*, by the House of Commons Environment, Food and Rural Affairs Committee (Efra), which recommended that the government commission a detailed study into the use of casual labour in the agricultural and horticultural industries (paragraph 20).

The government's response to the Efra Committee report was for Defra and the Home Office to jointly invite tenders for a project to research the use of seasonal and casual labour in agriculture and related food processing and packaging sectors.

[1] The study looked exclusively at co-located packhouses and primary food processing on farm enterprises. Stand-alone packhouses and second stage food processors were excluded.

[2] Agricultural and horticultural holdings are defined in the UK farm classification system, which conforms to the EC system; and holdings are classified according to their main economic activity as measured by Standard Gross Margin (SGM); per hectare of crops and per head of livestock. The classification 'horticulture' comprises holdings with more than two thirds of their total SGM in horticultural crops. Field vegetables are classified as farm crops and mushrooms are not classified to horticulture. Horticultural crops are also grown on holdings other than those classified to horticulture. Fresh horticultural produce is defined in the Agriculture and Horticulture Act 1964 as "fruit, vegetables, nuts and edible fungi, whether freshly gathered or stored or taken from store but not including main crop potatoes or hops or any dried, frozen, bottled, canned or preserved produce".

1.2 Aims and objectives of the study

The study was designed to both complement the information collected in the annual Agricultural Census and to provide information on those areas, which are not covered by the Census.[3] The objectives of the study were threefold:
(1) To provide information on the number of seasonal and temporary workers engaged in agriculture and the agricultural packhouse sector, and the supply of workers to these businesses;

(2) To identify employment patterns and practices, the origins of seasonal and temporary labour and the extent to which labour moves between different economic sectors;

(3) To consider the potential demand for workers under both the Seasonal Agricultural Workers Scheme (SAWS) and Sectors Based Scheme (SBS), and the impact of EU enlargement on the demand for workers under these schemes.[4]

In spring 2004 the tender was awarded to a consortium headed by Precision Prospecting Ltd, and the research was conducted between May and December 2004. The report was completed at the end of February 2005.

1.3 Research methodology

The study was designed to collect qualitative and quantitative data. In phase one, quantitative data was collected using desktop research, and survey questionnaires, which were conducted using computer-aided telephone interviews (CATI). We contacted 2,358 farm enterprises to obtain a sample population of 945 businesses using temporary workers. We also identified a sample population of 85 labour provider businesses.[5] Survey questionnaires were designed for both sample populations, and the data collected by the National Farm Research Unit.[6]

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[3] The Annual Agricultural Census data used to be collected annually from nearly 300,000 holdings throughout the UK during the first week in June. Over the last 20 years concerns have been expressed on the accuracy of the self enumerated survey about the data on employment. The last full census was undertaken in June 2000 for England and Wales. Since then, in England and Wales, a survey sample has been undertaken. In 2001 the sample size was 25,000 in England. For 2002 and 2003, the sample size was 75,000 for England (and over 100,000 for the UK). In 2004, England had a slightly reduced sample size of 45,000 for 2005 the sample will be 75,000 making the June survey coverage for most years, over 30%. The June survey is stratified, with 100% sampling for the largest most economically important holdings. In 2002 the survey estimated 64,000 seasonal and casual temporary workers were employed in agriculture and horticulture and co-located packhouses for the sector as a whole. This report illustrates that the June survey data is more representative of temporary workers active on farm enterprises in the month of June only, rather than temporary workers active in the sector over a twelve-month period.
[4] Memorandum submitted by the government to the House of Commons Environment, Food and Rural Affairs Committee and published in *Gangmasters (Eighth report of Session 2003-04.)*
[5] The survey sample of labour providers came from the visible sector not the hidden sector of the economy, see Appendix 1, Survey Methodology.
[6] The National Farm Research Unit database operated by Precision Prospecting since 1994 covers more than 80,000 holdings, which account for 55% of sheep, 65% of beef, 85% of dairy and 80% of arable output in the UK. Information on 25,000 holdings is updated on an annual basis by CATI survey (see Section 1.5).

In phase two, face-to-face interviews and in-depth case studies were conducted. The qualitative data was acquired during visits and interviews undertaken with industry think-tanks and representative organisations, major food retailers, food service companies, labour users, (farmers and growers, and co-located packhouses and primary food processors), labour providers and agricultural workers. Over 70 face-to-face interviews were conducted to acquire evidence on key issues affecting the sector, and the use of seasonal and temporary labour.[7] We are grateful to all those who participated in the research and contributed to this study, in particular Lindsey Napier, Paula Tenaglia and Samantha Williams. For reasons of confidentiality, no individual interviewee is named in this report.

Table 1.1: Interview sample

Interviewee categories	**Size of sample**
Key informant interview	6
Retail and food service sector	8
Labour users	20
Labour providers (non- SAWS)	5
SAWS operators multiple and sole	2
Worker interviews	36
Total no. of interviewees	**77**

1.4 Overview of the report

This report is structured to meet the aims and objectives of the study, which are to quantify the size of the temporary labour market, and to identify the drivers of employment practices in the sector. We do this by setting out the competing perspectives of the participants in the food chain as to what, in their view, is driving poor and illegal employment practices in the temporary labour market in this sector of the economy. In the final section, we bring these views together and highlight key issues for consideration.

1.4.1 Modelling the data

The data from the labour user and labour providers' surveys is modelled to estimate: -

- The number of labour providers in the UK
- The number of temporary workers supplied by labour providers to agriculture, horticulture and primary food processing on co-located farm sites
- The number of temporary workers directly recruited by farm enterprises and labour providers under the following categories:

    - UK nationals

[7] Six field workers (including the authors of this report) carried out the interviews and case studies, and their combined field notes exceeded 120,000 words of testimony from the interviewees.

- Other EU nationals (non-UK)
- Non-EU nationals

1.4.2 Changing nature of the food chain

Section 2 begins with a synopsis of the changing nature of the food chain. We take a value chain approach, which explores the linkages between production, distribution, retailing and consumption. Concentration in the food chain has facilitated increased governance and integration by large retailers and food service companies. Retailers have increased efficiencies and reduced costs within their chains. We examine the consequences of this for changing labour market dynamics for temporary workers.

1.4.3 Food distributors' perspectives

The food chain is now characterised by a tiered structure, with a high concentration of firms in retail, food service and production. Within each tier there are different competing players, depending on product, size and commercial position, each with their own vantage point. In Section 3 we explore the multiple perspectives put forward by food trade professionals, grocery retailers, category managers and food service representatives. We do this across a range of issues relating to temporary labour. We outline their multiple perspectives on the structure of supply relations and pressures in the food chain, and illustrate their views on the drivers of change in employment practice.

1.4.4 Labour users' perspectives

In Section 4 we draw on the CATI survey to illustrate awareness of the agricultural pay rates, and the nature of work undertaken by temporary and permanent workers. Interviews with labour-user businesses and in-depth case studies to set out how, from the labour users' perspective, they must have access to the 'right kind of worker' to meet their customers' requirements. We set out the extent of the changes in labour users' employment practices that have occurred in the last five years, and how these have impacted on temporary workers.

1.4.5 Labour providers' perspectives

In Section 5, we look in more detail at the data gathered in the survey questionnaire and in-depth interviews with labour provider businesses. The approach taken is to describe how labour providers meet the needs of labour user businesses. The description given on how labour providers recruit, retain, pay, accommodate and transport workers is totally from the labour providers' perspectives (with some comments from the labour user interviews). The profile as to how labour-provider business activities and employment practices operate is from their standpoint alone. At the end of the section we return to the value chain approach to highlight where we see the pressure points in the temporary worker market that can lead to poor employment practices and worker abuse by some labour providers.

1.4.6 The Seasonal Agricultural Workers Scheme

We were asked by Defra to establish the extent to which farmers will look to SAWS to meet seasonal and temporary labour requirements over the next five years. The information given in Section 6 is based on labour users' perspectives from 20 in-depth interviews and draws on the quantitative data from the 945 labour users CATI survey, as well as in-depth interviews with five labour providers, six (sole and multiple) SAWS operators, and seven users of SAWS.

1.4.7 Workers' perspectives

Thirty-six workers were interviewed across four case-study companies. Section 7 uses these interviews (supplemented by contextual information from the interviews with labour users) to summarise common aspects of employment practices across the four companies, and provides more details on employment practices specific to each company.

1.4.8 Discussion and conclusions

The aim of the study is to explore, together with players in the food chain, the key factors driving employment practices in UK agriculture and horticulture and co-located packhouse and primary food processing operations. Drawing on a value chain approach, we have examined this sector at different tiers of the food chain, with food retailers and food service companies, buyers and category managers, suppliers (labour users) and labour providers and workers. In Section 8, we pull these disparate perspectives together and look for a way forward.

1.5 The Model

Precision Prospecting Ltd developed a model for carrying out the estimates for the number of temporary workers. It is based on a sample survey of 2,358 businesses in farming, horticulture or co-located primary processing contacted through telephone research, of which 945 were users of temporary workers. The sample was selected from the National Farm Research Unit database of 80,000 farms representing the most economically important holdings (see footnote 6). Holdings with field vegetables, non-combinable crops or livestock were targeted, and a random sample was generated.[8] 85 labour provider businesses were also interviewed to identify the estimated number of labour providers in the UK and the numbers of temporary workers in the sectors. The majority of labour provider contact names were supplied by farm enterprises to Defra. In addition, 54 names were supplied through the labour user interviews as well as Yellow Pages and some associated background deskwork.

[8] At this stage mushrooms and specialist horticulture had to be excluded from the sample to allow for the fact that mushrooms and specialist horticulture take place on smallholdings with just 2 - 10 ha. and are labour intensive.

1.5.1 Universe of temporary workers

Stage 1: Sample farm businesses by size and temporary workers

The first stage in building the model was to categorise our sample of 2,358 farm enterprises by size in hectares (see Table 1.2, columns 1 & 2) and the average number of direct temporary workers per farm in a month (Table 1.2, column 3).[9] A second table was constructed for temporary workers recruited by labour providers (see Table 1.3). Tables 1.2 and 1.3 included observations of holdings that did not directly employ temporary workers, or use temporary workers supplied by a third party, labour providers.

Tables 1.2 and 1.3 are based on the sample survey of 2,358 farm businesses, and show that in an average month farm enterprises directly recruited 0.99 temporary workers, and labour providers supplied 1.36 temporary workers. This first calculation excluded mushrooms and specialist horticulture, which typically take place on small farms but are known to be labour intensive.

[9] The use of a CATI survey as the most fitting method to gather data on the numbers of temporary workers in the sector led to the decision to categorise the sample by farm size as the most appropriate variable for stratification. Asking sample businesses by telephone about the size of their enterprise in hectares delivered a 100% response rate and a level of verifiable accuracy from respondents that would not have been possible had we asked for other indicators such as Standard Gross Margin (sgm) or European Size Unit (esu). The separate sampling of labour intensive mushroom and specialist horticulture holdings with as little as 2 – 5 ha, (which can have as much economic output as a large dairy holding with 200 animals) ensured that the use of temporary workers on small holdings were appropriately represented.

Stage 2: Estimated overall number of temporary workers in an average month for the sector

The second stage was to calculate the estimated overall number of temporary workers used in an average month for the sector as a whole.

Table 1.2: Farm size by category, numbers of farms in category and average number of temporary workers directly recruited over a 12-month period n=2358

Column 1	Column 2	Column 3
Farm size by category in hectares	**Numbers of farms in category**	**Average number of direct temporary workers per farm in a month**
Under 2 ha	3	0.33
2<5	8	-
5<10	12	0.25
10<20	52	0.10
20<30	91	0.56
30-<40	92	0.46
40<50	132	1.32
50<100	382	0.49
100<200	599	0.51
200 <300	405	1.52
300<500	323	1.02
500<700	114	4.56
700&over	145	4.33
Grand total	**2,358**	**0.99**

Table 1.3: Farm size by category, numbers of farms in category and average number of temporary workers indirectly recruited over a 12-month period n=2358

Column 1	Column 2	Column 3
Farm size by category In hectares	**Numbers of farms in category**	**Average number of in-direct temporary workers per farm in a month**
Under 2 ha	3	-
2<5	8	-
5<10	12	-
10<20	52	0.06
20<30	91	0.40
30-<40	92	0.90
40<50	132	1.11
50<100	382	0.42
100<200	599	0.62
200 <300	405	1.83
300<500	323	1.90
500<700	114	2.81
700&over	145	5.48
Grand total	**2,358**	**1.36**

Source: Precision Prospecting primary research conducted for Defra, Spring 2000

The method employed was to calculate the average number of temporary workers for each farm size by category against the number of holdings in each category known for the UK from the Defra 2002 June Census by Defra, Scottish Office, DARDNI.[10] From this we were able to estimate the total number of temporary workers employed in an average month for labour users recruiting directly; and for labour users recruiting through labour providers and for the sector as a whole.

By weighting the sample survey average number of temporary workers directly and indirectly recruited by farm size category to the Defra, June Census 2002 (see Tables 1.4 and 1.5) the estimated total number of directly recruited temporary workers on farm enterprises in an average month was 95,318 and the estimated total number of temporary workers recruited by labour

[10] The data from the June Census is not thought to be representative of temporary workers in the sector over the year, but it does record the numbers of workers on farms in the month of June

providers was 100,897. Mushrooms and specialist horticulture were excluded from the estimated number (see footnote.9).

Factoring in the estimated average number of temporary workers in an average month for mushrooms and specialist horticulture, the number of directly recruited temporary workers on farm enterprises in an average month was 99,460, and 125,254 were recruited by labour providers. The estimated total number of temporary worker on farm enterprises in an average month (including SAWS students) was 224,713.

Table 1.4: Average number of temporary workers directly recruited by farm size category from the survey sample weighted to Defra, June Census 2002

DEFRA JUNE CENSUS DATA			**SURVEY DATA 2004** from Table 1.2	
Farm size by category in hectares	**UK 2002 June Census Estimated nos. of farm enterprises**	**Estimated number of direct temporary workers per farm in June**	**Numbers of farms in category**	**Average number of direct temporary workers per farm in a month**
Under 2 ha	51,727	-	3	0.33
2<5	38,259	-	8	-
5<10	34,288	8,572	12	0.25
10<20	37,478	3,604	52	0.10
20<30	22,881	12,823	91	0.56
30-<40	17,069	7,916	92	0.46
40<50	13,629	4,316	132	1.32
50<100	38,829	19,057	382	0.49
100<200	25,499	13,029	599	0.51
200 <300	7,737	4,030	405	1.52
300<500	5,060	5,141	323	1.02
500<700	1,617	7,378	114	4.56
700&over	2,184	9,451	145	4.33
Grand total	**296,257**	**95,318**	**2,358**	**0.99**

Source: Precision Prospecting primary research conducted for Defra, Spring 2004, Defra June Census 2002

Table 1.5: Average number of temporary workers recruited by labour providers by farm size weighted to Defra June Census 2002

DEFRA JUNE CENSUS DATA 2002			SURVEY DATA 2004 -from Table 1.3	
Farm size by category in hectares	**UK 2002 June Census Estimated nos. of farm enterprises**	**Estimated number of in-direct temporary workers per farm in June**	**Numbers of farms in category**	**Average number of in-direct temporary workers per farm in a month**
Under 2 ha	51,727	-	3	-
2<5	38,259	-	8	-
5<10	34,288	-	12	-
10<20	37,478	2,162	52	0.06
20<30	22,881	9,655	91	0.40
30-<40	17,069	1,484	92	0.90
40<50	13,629	15,100	132	1.11
50<100	38,829	16,346	382	0.42
100<200	25,499	15,867	599	0.62
200 <300	7,737	14,156	405	1.83
300<500	5,060	9,625	323	1.90
500<700	1,617	4,541	114	2.81
700&over	2,184	11,959	145	5.48
Grand total	**296,257**	**100,897**	**2,358**	**1.36**

Source: Precision Prospecting primary research conducted for Defra, Spring 2004, Defra June Census 2002

Triangulation

Output from the model estimated that the number of businesses using temporary workers in the UK was 21,603, which broadly concurs with the Defra estimate of around 19,000 businesses (June Census 2002 England and Wales only).

We considered estimating the number of temporary workers in each category of farm enterprise (livestock, arable, etc) and thence summing the number of temporary workers for all sectors, as a further point of triangulation. However, this was not possible, as published sources on farm enterprises are not classified into mutually exclusive categories – for example, horticulture and field vegetables enterprises are often part of a larger arable enterprise.

Stage 3: The multiplier

Temporary workers may not stay with the same farm enterprise or with the same labour provider all year round. We needed to model how many individual people were needed over the whole year to sustain the total number of temporary workers in an average month.

The turnover multipliers were derived from the CATI survey data from labour users and labour providers. The labour user sample showed that 521 farm enterprises directly recruited temporary workers and that per enterprise per month an average of 8.28 temporary workers were needed. However, the average number of individual people employed as temporary workers required per annum per farm enterprise was 13.37. This means that in a twelve month period each person directly recruited as a temporary worker on to each farm enterprise is replaced 1.61 times (yearly average 13.37 divided by monthly average 8.28 = 1.61). In the case of labour providers the average number of temporary workers supplied per labour provider to labour users in an average month was 183,and the average number of people required per annum per labour provider was 822. This means that in a twelve month period each person supplied by a labour provider is replaced 4.5 times (yearly average 822 divided by monthly average 183 = 4.5).

Table 1.6: Operationalisation of the model

Model stages	**Estimated numbers of temporary workers in the sector**
(1.0) Estimated number of temporary workers directly recruited in an average month on farm enterprises	99,460*
(1.1) Calculated average number of temporary workers directly recruited per month per farm enterprise (base 521 respondents)	8.28
(1.2) Calculated average number of people required per annum per farm enterprise (base 521 labour user respondents)	13.37
(1.3) Multiplier to convert average per month to an annual number of people in temporary work	13.37 divided by 8.28 = 1.61
(2.0) Estimated average number of temporary workers recruited by labour providers in an average month	100,254*
(2.1) Calculated average number of temporary workers supplied per month through a labour provider (base 85 labour provider respondents)	183
(2.2) Calculated average number of people required per annum per labour provider (base 85 respondents)	822
(2.3) Multiplier to convert average per month to an annual number of people in temporary work	822 divided by 183 = 4.5
(3) Estimated total number of direct temporary workers on farm in 12-month period times the multiplier	(99,460 x 1.61) = 160,130
(4) Estimated total number of temporary workers with labour providers in a 12-month period times the multiplier	(100,254 x 4.5) = 450,796
(5) Estimated total number of temporary workers required by the sector in the UK over a 12-month period	611,000

* The average number was calculated by the following method. The survey asked the 954 businesses that used temporary labour what were their highest and lowest numbers of temporary workers employed for each month of the year either directly, or supplied by labour providers.

In summary the survey data showed that on average, directly recruited temporary workers on farm enterprises were replaced 1.61 times in a 12-month period as a result of labour turnover. For labour providers, temporary worker turnover was 4.5 times over the whole year (excluding SAWS workers). This means that on average each labour user has to employ up to 1.61 people when employing temporary workers directly. And each labour provider has to employ on average 4.5 people in order for there to be enough temporary workers to meet the demand for labour by labour users in an average month.

The estimate reached on this basis of the total average number of temporary workers in the sector in the UK to the nearest '000s is 611,000 of which 160,000 are directly employed on farm enterprises and labour providers' supply 450,000.

Taking into account labour turnover within the month

In calculating the multipliers we learned that an estimated 50% of temporary workers remain with a labour provider for less than one month. This raises some potential for under-counting or double counting for the estimated number of temporary workers provided by labour providers. The extent of under-counting or double counting depends on whether or not the temporary workers remain specifically within the agricultural, horticultural and co-located packhouse and primary processing sector or move on into other temporary or permanent work.

- To take one extreme, if all the people employed in temporary work move out of the sector, then the overall figure remains the same at an estimated 611,000 temporary workers.

- To take the other extreme, if all the people employed in temporary work remain in the sector, then the estimated number of temporary workers is reduced to an estimated 420,000.

The estimated total range of temporary workers employed in the sector is between 420,000 and 611,000. The estimated range for directly recruited temporary workers onto farm enterprises is 120,000 to 160,000, and for temporary workers supplied by labour providers the estimated range is 300,000 to 450,000.

However, no allowance needs to be made for seasonality within the estimated ranges of numbers of temporary workers, because it does not affect the over all pool of workers. The basic assumption - that there is an estimated pool of 420,000 to 611,000 temporary workers in the sector - still stands, whether they are employed or unemployed.[11]

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[11] It is important to recognise that the model is constructed to estimate the total number or pool of people, which the sector needs to draw upon in a twelve-month period. The survey data did not allow us to construct a model of estimated numbers of people employed in temporary work by numbers of jobs either full time or part-time. This is because some temporary workers may be employed for a matter of hours, others intensively for several weeks, whilst some remain employed for a whole year.

The data generated by this new approach to counting temporary workers in the sector triangulates well at two key points with data generated from the Defra June survey.

1) Output from the model estimated that the number of businesses using temporary workers in the UK was 21,603, which broadly concurs with the Defra estimate of around 19,000 businesses (June Census 2002 England and Wales only).

2). The June survey showed that in 2002 the monthly figure for temporary workers was 64,000 for England and Wales. The survey data in this study showed an estimated 90,000 temporary workers active in June for the whole of the UK including Northern Ireland. Added to which The Annual Recruitment Industry Survey carried out by PriceWaterhouseCooper showed that on average across all sectors the numbers of temporary workers have risen by around 5% for 2003 and 2004 which indicates that this study and the Defra June survey have similar findings on the numbers of temporary workers for the month of June.

3). This study also found that SAWS 2004 quota accounts for some 4% of the total estimated number of people employed in temporary labour in the UK.[11] On this basis it would not be unreasonable to suggest

1.5.2 Universe of labour providers

Stage 1: Survey of labour providers

A sample of 85 labour providers was interviewed and an average number of temporary workers in an average month was calculated using the following method. The survey asked the 85 businesses: "In your busiest months, how many workers will you typically employ?" and "Are there any months when you do not supply any temporary workers to your agricultural or horticultural customers?" Respondents supplied figures for each month of the year, and an average number of temporary workers was calculated for an average month.

Using this approach, the number calculated was an average of 183 temporary workers required for an average month.

Stage 2: Calculating how many labour providers are needed to supply temporary workers in an average month

The estimated average number of temporary workers provided by labour providers in an average month to farm enterprises was calculated as 125,254. This estimated number had also captured some of the 2004 SAWS students. In order to avoid double counting, the full 2004 SAWS quota was subtracted (125,254 minus 25,000 = 100,897) from the original estimated number, making the estimated number of temporary workers provided by labour providers in an average month 100,897.

The calculation to estimate the number of labour providers needed to supply 100,897 temporary workers in an average month is 100,897 divided by 183 = 548 labour providers.

Working with the model and the qualitative and quantitative data

The majority of labour provider contact names were supplied by farm enterprises to Defra. In addition, 54 names were supplied through the labour user interviews as well as Yellow Pages and some associated background deskwork. We are therefore satisfied that our sample of labour providers and data from the survey questionnaire are derived from a top tier of 'visible' labour providers.

Throughout this report we refer to these visible labour providers as the 'top tier', of which there are in the range of 500 to 600. By extrapolating from the sample we estimate that 75% of the top tier have turnover in the range of £1 million to £7 million and 25% have turnover in excess of £7 million. Desktop research shows that there are around 40 labour provider businesses with turnover in excess of £10 million working in the sector. The survey data indicated that two-thirds of labour providers use subcontractors and one-third also act as subcontractors. The majority of subcontracting activity took place in businesses with turnover of under £7 million.

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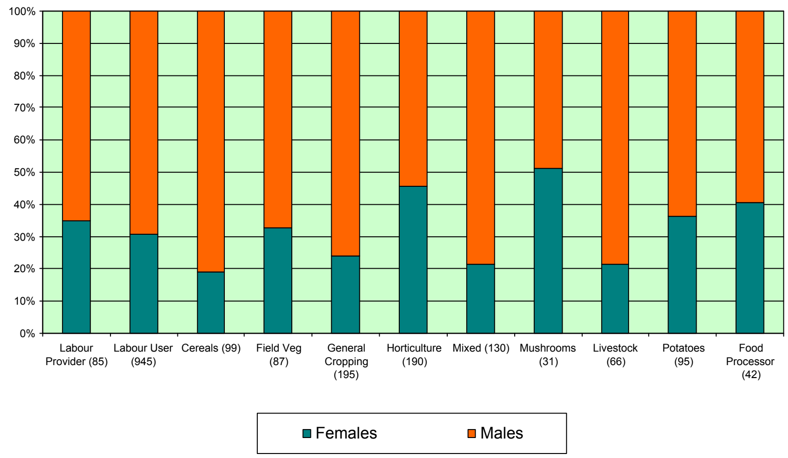
that the estimated total number of businesses using SAWS represents 4% of the total of 21,603 businesses in the sector which employ temporary workers, that is, around 800 businesses. The estimated number of businesses using SAWS based the data gather for this study matches with Home Office data

Figure 1: Sex of temporary workers by sector



Source : Precision Prospecting primary research conducted for Defra in Spring 2004

Estimates indicate that this group of labour providers works with a pool of temporary workers in the range 300,000 to 450,000. The estimated pool of workers is made up of approximately 35 % women and 65 % men (see Figure 1).

In addition to this top tier of labour providers, the desktop research and qualitative data lead us to suggest that there are possibly around a further 1,000 to 2,000 small and micro labour provider businesses supplying between them an additional 20,000 to 30,000 temporary workers (see Section 5). The division between UK nationals and foreign nationals in these small and micro labour provider businesses is not known, nor the extent of any subcontracting activities in which they may participate. The degree to which these businesses are legal or illegal is impossible for us to comment upon.

The model covers the activity of temporary workers on the UK's 300,000 agricultural and horticultural holdings and co-located packhouses covered by the Agricultural Census, where the Agricultural Wages Board (AWB) regulates businesses and workers, but excludes stand-alone packhouses that are not covered by the census, or the AWB (the sector). Stand-alone packhouse operations are significant users of temporary workers, according to their trade association, the Fresh Produce Consortium, and since they were excluded from this research we consider the numbers estimated here for those working in the fresh produce sector to be conservative.

Table 1.7: % Estimates of temporary workers in agriculture, horticulture and co-located packhouses and primary food processing sector by workers' nationality, and estimated nos in 000s by employment status (including SAWS quota of 25,000 workers)

% of workers by nationality	% of temporary workers directly recruited by farm enterprises	% of temporary workers supplied by labour providers	% totals of temporary workers in the sector
UK nationals	18.5	25.2	43.7
EU nationals (non-UK)	2.3	21.2	23.5
Non-EU	5.3	27.2	32.5
Totals % Estimated range '000s	26% 120- 160	74% 300- 450	100% 420 - 611

Source: Precision prospecting primary research conducted for Defra, Spring 2004

Interpreting the estimated numbers in this report

It is important to recognise that the model is constructed to estimate the total number or pool of people, which the sector needs to draw upon in a twelve-month period. The survey data did not allow us to construct a model of estimated numbers of people employed in temporary work by numbers of jobs either full time or part-time.

The estimated percentages of UK nationals, EU nationals (excluding UK) and non-EU nationals, and total estimated numbers of people employed as temporary workers in the sector either recruited directly or by labour providers, are given in Table 1.7 above. The total estimated number of temporary workers in the UK represents the estimated range of numbers of people the industry needs to draw upon over a 12-month period to cope with the peaks and troughs in demand. It is important to note that the estimated numbers of temporary workers employed over the period do not equate to numbers of jobs, either full-time or part-time. In the temporary labour market workers are not taken on for set periods; some may be employed for a matter of hours, others intensively for several weeks and some, although supplied by labour providers, remain with the same labour user all year round. In this report the estimated numbers always refer to the numbers of temporary workers required, rather than number of jobs.

2. THE CHANGING NATURE OF THE FOOD CHAIN

2.1 Introduction

This section looks at the changing nature of the food chain and provides the context for the use of temporary labour and changing employment practices. The food sector has seen a shift away from discrete sets of market relations involving independent firms and agents, where production was a key driver. It has moved towards a more integrated system of production, distribution and retailing, where dominant retail firms play a key role. The transformation that has taken place in the food sector is captured by a global value chain approach. It analyses the nature of integration in contemporary 'buyer-driven' chains now prevalent in consumer goods sectors such as food (see Box 2.1). Increased integration of consumption, retailing and production of food is now accepted by many trade professionals and researchers.[12]

Box 2.1: A value chain approach[13]

The *value chain* describes the full range of activities that are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), to delivery to final consumers and final disposal after use. There are different types of value chain, ranging from more 'arms-length' relations between firms to vertically integrated chains.

Contemporary value chains are characterised by:

- A shift from producer-driven to buyer-driven chains in which retail and brand name companies with a strong consumer focus play a key role
- Governance of the chain by dominant firms through the setting of standards, monitoring of performance and supply chain management
- A dynamic framework in which firms can secure margins by continual innovation and upgrading
- A systemic framework in which firms benefit from inter-firm links – 'A chain is only as strong as its weakest link'

[12] Department for International Development (DFID), 2004. 'Concentration in food supply and retail chains.' Available at: http://dfid-agriculture-consultation.nri.org/summaries/wp13.pdf; Key Note, 2004. Market Review: Food Industry. (Ref: http://www.keynote.co.uk/kn2k1/CnIsapi.dll?nuni=53709&usr=10116srv=01&alias=kn2k1&uni=1106421668&fld=K&noLog=1&frompage=Summ&key=125). Vorley, B. (2004) Food Inc, Corporate Concentration from Farm to Consumer, UK Food Group, London; Frances, J. and Garnsey, E. (1996), Supermarkets and suppliers in the UK: System integration, information and control', *Accounting, Organizations and Society* 21 (6), 591-610

[13] Kaplinsky, R. and Morris, M. (2002) A Handbook for Value Chain Research, International Development Research Centre (IDRC)/Institute of Development Studies (IDS) see http://www.ids.ac.uk/globalvaluechains/tools/index.html

Labour is often overlooked as an integral element of the food chain. But as an important component of a more integrated production and processing system, change at any point of the food chain can have consequences for labour use in another part of the chain.[14] The aim here is to better understand the factors within the food chain that contribute to changing employment practices.[15] We do this by following the food chain from consumption back through processing to primary production.

2.2 Changing patterns of food consumption

2.2.1 The impact of social and employment trends

Important changes have taken place in consumption patterns and the type of food eaten over the past decade. A key feature has been a move away from cooking food within the home to the purchase of ready prepared meals, snacks and packaged foods, and eating outside the home. In 2004, 55% of consumers spent 30 minutes or less each day preparing and cooking their main meal,[16] and eating between meals now accounts for 42% of eating occasions in the UK.[17] Research analysts Mintel report that the proportion of working-age women who are in employment has risen from 65.2% in 1993 to 69.8% in 2003.[18] Women now spend less time in the home, purchasing or preparing food. Rising disposable incomes allow households to spend more money on ready prepared meals and eating out. The average number of meals eaten out per week in 2002 was 1.38 per person, an increase of 3.8% from 1.15 times per week in 1997.[19]

2.2.2 Supermarkets and the rise of 'top-up shopping'

It is estimated that 98.5% of shoppers now purchase their main food requirements in supermarkets.[20] Supermarkets provide a 'one-stop' shop for a household's food requirements. They offer flexible shopping hours through 24-hour opening, and provide year-round provisioning of most food items. While a household's main shop is normally undertaken once a week or even using the internet, there has been a rise in 'top-up shopping', leading to the fragmentation of the weekly shop. In 2002, the average person made a total of 2.7 grocery-shopping trips per week.[21] This means that people are increasingly making grocery purchases for immediate or short-term consumption. However, the giant retailers are also capturing this market with their move into 'top-up-shopping' through their petrol station forecourt shops and

[14]. Barrientos, S. and Kritzinger, A. (2004) 'Squaring the Circle: Global production and the informalization of work in South African fruit exports', *Journal of International Development* 16:81-92.
[15] In the present study, we confine ourselves to changing employment practices in production and primary processing of food. We have not included employment practices in distribution and retailing.
[16] IGD, 2004. 'Consumer trends drive convenience'. Available at: http://www.igd.com/CIR.asp?menuid=33&cirid=1394
[17] Datamonitor, 2003. 'UK Consumer Trends' London. (Ref: http://www.datamonitor.com/~0661ce459b0b44079d8af0db89e4a56b~/industries/research/?pid=DMCM0681&type=Report)
[18] Mintel, 2003. 'Women: Changing lifestyles, influences and decision-making' London. (Ref: http://reports.mintel.com/sinatra/mintel/searchexec/type=reports&variants=true&fulltext=women+changing/report/repcode=S263&anchor=noaccessS263)
[19] Datamonitor, 2003. 'UK Consumer Trends' London.
[20] Verdict Research, 2004. 'Where Britain Shops 2004: Supermarkets'. (Ref: http://www.verdictonline.co.uk/VAFrame.asp?LHS=1&RHS=selection/VselRep.asp?Rep=327
[21] Datamonitor, 2003. 'UK Consumer Trends' London.

acquisitions of convenience stores. Supermarkets are also increasingly expanding into the provision of non-food items, which is a significant source of their current growth.

Supermarkets and large food service companies, through the imperative of market share, are consumer focused. They closely monitor consumer trends through market research, with some using focus groups and loyalty card schemes and Epos data analysis. They respond to and encourage consumer-buying patterns through promotion of a wide range of takeaway, ready prepared and snack food. These have a high added value through packaging and processing which is captured at the upper end of the value chain rather than at farm level.

2.3 Grocery retailing

2.3.1 Concentration and governance

Changes in consumer purchasing are reflected in distribution changes across the whole of the food sector. There has been a widespread decline in the distribution of farm output through wholesale markets and arms-length marketing agents (DFID, 2004). During the 1980s the supermarket retailing sector increased its total market share of grocery sales from 25% to 40% and, at the same time, developed a discrete supply chain that was independent of traditional wholesale markets.[22] By 2000 it was estimated that nearly 80% of fresh produce retailed in the UK was sold directly through supermarkets.[23]

There has also been a strong trend towards concentration within the supermarket sectors. Tesco is now the largest UK supermarket chain. In January 2005 Tesco accounted for 27.9% of fresh produce sales, Sainsbury's 19.2%, and Asda/Wal-Mart 12 %. [24] The big four supermarkets (Tesco, Asda, Sainsbury's and Morrisons/Safeway) account for 74.4% of supermarket retailing.[25] This dominance in market share has been accompanied by the changing face of supermarket retailing (see Box 2.2). Some supermarkets are also international players. Asda is owned by Wal-Mart, the largest food retailer in the world. Tesco is now positioned at number three in the world,[26] and operates in 12 countries.[27]

[22] The Strathclyde Wholesale Markets Study at http://www.freshproduce.org.uk/sectorial.html.
[23] Fresh Produce Desk Book, 2000, London.
[24] TNS, January 2005
[25]TNS,2005
http://www.tiscali.co.uk/news/newswire.php/news/reuters/2005/01/13/business/tescograbsmoreofmarketinsupermarketwar.html&template=/business/feeds/story_template.html
[26] Sir Terry Leahy, cited in The Guardian, 6 January 2005.
[27] Tesco, http://www.tesco.com/corporateinfo/

Box 2.2: The changing face of supermarket retailing

- Growth in size of supermarket floor space
- Large range of products now sold by supermarkets (on average 40,000)[28]
- Growth of 'own label' products which are now sold under each supermarket's name, estimated to be approximately 40% of all supermarket grocery sales [29]
- Complex programming and global sourcing, particularly in fresh produce
- Traceability to ensure food hygiene and quality standards are met
- 'Just in time' distribution systems to minimise the period products are stored, while ensuring availability on the shelf

Within food service the Compass Group is the largest operator in the UK, with an annual turnover of £3bn.[30] Worldwide, Compass Group plc is the world's leading food service group, with an annual turnover of £11.2bn and employing more than 375,000 people in 98 countries. Sodexho[31] has a global annual turnover of €11.5bn (£7.96bn) and is present in 76 countries. Brakes (formerly Brake Bros Ltd) is the 'leading supplier of frozen, chilled and grocery products to the catering industry in the UK'.[32] In total the UK food service market is worth an estimated £33.1bn [33] with an estimated 262,000 outlets operating nationwide. Over the last two decades the sector has grown significantly; however, in the last few years that growth has slowed.

Concentration and commercial power allows these companies to exert a high level of governance or control over their value chains. This is most marked in the case of supermarkets. They have made rapid advances in integrating their chains from 'field to fridge'. Large supermarkets now source most of their products directly from suppliers, and coordinate distribution to their stores through regional distribution centres.[34] This marks them out from large food service companies, which continue to partly source through wholesale markets. However, the move towards the use of regional distribution centres is also gaining pace in the food service sector. Supermarkets also operate a wide range of private standards, in addition to stringent food regulation. Here, we will focus on supermarket value chains.

2.3.2 Integration

Integration of the value chain has taken the form of a tiered supply arrangement by many supermarkets (see Figure 2.1). Supermarkets' commercial position and proximity to consumer markets puts them at the pinnacle of this tiered structure. The form this takes varies from company to company. Supermarket buyers take primary responsibility for the coordination of sourcing a particular group of products or category. Over recent years the number of buyers has

[28] http://www2.marksandspencer.com/thecompany/ourcommitmenttosociety/environment/pdfs/Wise_Moves_Modelling_Report_v2.0_18th_Apr_02.pdf

[29] IGD, 2004b. 'Retailer Own Label'. Available at: http://www.igd.com/cir.asp?cirid=1150&search=1

[30] http://www.compass-group.co.uk/aboutus/profile/company_profile.pdf

[31] http://www.sodexho.com/SodexhoAnglais/finance/doc/doc_ref_EN.pdf

[32] http://www.brake.co.uk

[33] http://www.igd.com/CIR.asp?menuid=67&cirid=110

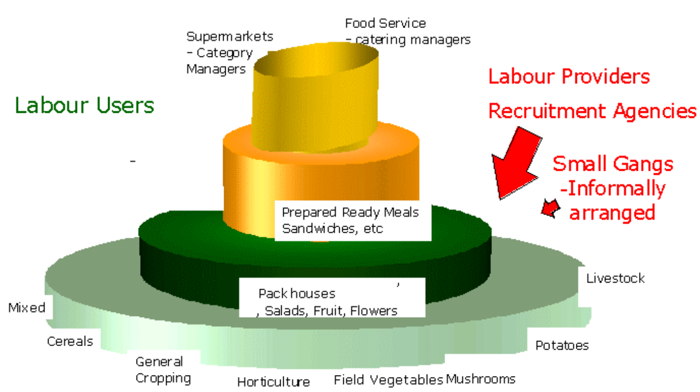
[34] Fresh produce is not put away into stock in a regional distribution centre, rather, as the goods arrive they are broken down into appropriate quantities for each store. 'Cross docking' has helped increase replenishment efficiency but the short cycle has an effect on suppliers. Full pallets of single products are no longer necessary. (See Whiteoak, P., 'Rethinking efficient replenishment in the grocery sector,' in John Fernie and Leigh Sparks (eds) (1998), *Logistics and Retail Management* London, Kogan Page.

fallen and the categories they now control are much larger. This has resulted in strategies being adopted to outsource some of the responsibility for controlling the category to existing suppliers.[35]

Some supermarkets use category management, where one supplier is given the task of coordinating a whole category from production through to final consumption all year round. Others use a system where buyers work with preferred or key suppliers and marketing agents. These suppliers take responsibility for sourcing specified products year-round, whether from their own production, other UK producers, or from abroad. Often supermarkets use variants or a combination of these methods.

Secondary suppliers and farms increasingly feed into supermarket chains through category managers or preferred suppliers, who take responsibility for coordination of supply from the lower tiers and ensure that all food hygiene and supermarket quality standards are met. There has also been a move among groups of producers to form marketing organisations, which help to provide them with greater leverage within the food chain.

Figure 2.1: The Food Chain



Coordination of the food chain has been facilitated by the development of sophisticated supply chain logistics involving the use of advanced technological systems, such as radio frequency identification (RFID), using web-enabled computerised tracking and web-enabled Electronic Data Transfer to order produce in real time, as well as Electronic Point of Sales systems to know what is leaving the shelves – again, in real time. These technologies help link sales to 'just in time' ordering, minimising the holding of stock and facilitating planning of future programmes. Loyalty card schemes and checkout data are used to monitor consumer shopping. Monitoring, assessing and constructing market trends and detailed information on what people buy facilitates the pre-programming of year-round supply to ensure product availability at the right time and at competitive prices. These arrangements have the effect that margins are much higher at the top end of the value chain.

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[35] Efficient Consumer Response (ECR) was introduced in 1992 to minimise the interaction costs between actors in the food chain. The two key features of ECR are its responsiveness to consumer preferences measured by current purchasing patterns, and that it shifts the onus for timely stocking of retail shelves to suppliers. Category management was partly in response to ECR.

2.3.3 Standards

Supermarkets' governance of their value chains is also reflected in the stringent conditions they set their suppliers in relation to quality, consistency of supply and price. In addition to phytosanitary and food hygiene regulations, they have their own industry and company standards; a supermarket supplier has to meet both public and private regulatory standards. These regulations cover food safety, animal welfare and environmental issues, and are encapsulated in a number of different codes and certification schemes (such as EurepGap, the British Retail Consortium code, the Little Red Tractor, as well as individual supermarket labels).

Supermarkets are not legally responsible for employment by their external suppliers. However, UK supermarkets have their own codes of labour practice aimed at setting minimum labour standards for suppliers within their value chains.[36] Most supermarkets are also members of the Ethical Trading Initiative (ETI).[37] This is comprised of companies, trade unions and non-governmental organisations (NGOs) committed to a base code covering minimum employment practices. The ETI has a Temporary Labour Working Group, which specifically focuses on UK agriculture. Supermarket members commit to implementing the ETI base code within their own code of labour practice, which their suppliers are obliged to comply with. This is normally monitored either through self-assessment, second party or less often third party audits.

2.3.4 Innovation and Efficiency

Increased governance and integration has facilitated the supermarket drive for greater efficiencies within the food chain. From the supermarkets' perspective, efficiencies are any measures taken that eradicate waste from the supply chain (see Box 2.3). Waste in this sense is not just material waste, but includes any resource within the supply chain that does not create value. For example, having to deal with 20 suppliers to get carrots would be seen as wasteful if a buyer could source carrots from just one supplier.[38]

Box 2.3: Securing greater efficiency

Efficiencies are gained through:

- Planning and pre-programming with key suppliers up to a year in advance
- The use of innovative systems and advanced technology to maximise efficiency of throughput in the value chain
- Real-time ordering and shortening lead times to minimise the time and cost of holding stock in warehouses
- 'Open-Book Accounting' used by some supermarkets with their category managers or preferred suppliers to assess where they can reduce their own food chain costs, while making clear the percentage margin they will accept for the supplier

[36] Although supermarkets are not legally responsible for employment practices by their suppliers, in response to pressure from civil society organisations most supermarkets have adopted codes of labour practice to ensure their suppliers comply with minimum labour standards based on Core ILO Conventions.
[37] See Ethical Trading Initiative website, http://www.ethicaltrade.org
[38] For a case study on how Tesco revolutionised the efficiency of its value chain, see Womack, J. and Jones D., (1996) *LeanThinking,* London: Simon and Schuster Ltd.

Efficiency savings have allowed supermarkets to cut prices of particular products[39] and, to varying degrees, maintain profitability in a global market characterised by large companies competing for market share. This battle for market share between supermarkets, focusing on increasing the numbers of customers and achieving improved returns to shareholders, has driven price cuts. The most profitable supermarkets have followed a strategy of Every Day Low Price (EDLP), rather than a 'hi-lo' pricing strategy of high discount rolling promotions.[40]

Producers have been caught between rising prices for inputs and intense pressure from the supermarkets' drive to cut costs. At times suppliers say they do not cover their production costs, of which (at least) 50% are labour costs. In October 2004, Northern Foods blamed the impact of rising raw material costs and price pressures from customers for its decision to cut 1,000 jobs and close two factories.[41]

The commercial power and governance of supermarkets is in contrast to UK producers, who are more fragmented. This makes it difficult for individual farms and suppliers to negotiate with their retailer customers.[42] Statistics from the Department for Environment, Food and Rural Affairs (Defra) reveal that UK farmers' share in the value of a basket of supermarket goods has fallen from 56.8% in 1988 to 41.5% in 2003. This includes reductions of 23% for apples and 28% for potatoes.[43] According to the Commission on Farming and Food, this is partly due to processing and ready prepared meals.[44] These statistics reflect the ability of supermarkets to capture economic rents through upgrading at the high-value consumer end of the food chain. But they also reflect the supermarkets' dominant commercial position, and farmers' lack of influence within the market.

2.4 The fruit and vegetable sector

Fruit and vegetables are an important link in the food chain. UK consumer expenditure on all fruit and vegetable products rose from £12,189 million in 1999 to £13,342 million in 2003,[45] although the growth was in fruit rather than vegetables (see Box 2.4). In 2003 the UK fresh fruit and vegetables market was worth £7,600 million (a 3.9% increase since 1999).[46] Year-round provisioning of the same products, especially of fresh produce, requires worldwide sourcing. Supermarkets are linked into global value chains through which they provide the same product, indistinguishable in terms of colour, shape or size, 52 weeks a year. UK suppliers are unable to

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[39] Tesco, for example, cut its prices by £140 million in April 2004 alone (Key Note, 2004. Market Review: Food Industry p. 26).
[40] IGD, 2003. 'Shopper Insight: Loyalty and Pricing'. Watford. (Ref: http://www.igd.com/cir.asp?cirid=505&search=1)
[41] Key Note, 2004. Market Review: Food Industry. P.4
[42] Report of the Commission on the Future of Farming and Food: A Sustainable Future, January 2002, Cabinet Office, http://www.cabinet-office.gov.uk/farming
[43] Defra, 2004. Agriculture in the UK 2003. Available at: http://statistics.defra.gov.uk/esg/publications/auk/2003/excel.asp
[44] Commission on Farming and Food, ibid, 2002.
[45] This is 'at current' 2004 prices, and accounts for fresh and processed food. Key Note, 2004a. Market Report: Fruit & Vegetables. (Ref: http://www.keynote.co.uk/CnIsapi.dll?fld=X&alias=kn2k1&uni=6341&SetUserType=1&jump=&collapseLevel=0&fromPage=StatAZ&AutoShowFirstRecord=1&search=SY%20=%2010-1420-41675&Browser=MSIE)
[46] Key Note, 2004a. Market Report: Fruit & Vegetables.

meet this demand year-round, or have been unable to compete with imports. Price competition between supermarkets has led to the sourcing of lower cost products from overseas.[47] In 2003 home produced vegetables met 62.3% of UK domestic demand, whereas home produced fruit met only 7.7% of demand by volume.[48] In total, home produced fruit and vegetables comprise 38.5% of the total volume of fruit and vegetables consumed in the UK, with the remaining 61.5% being imported.

Box 2.4: UK fruit and vegetable consumption 1999-2003

- Fruit consumption rose by 3.8%
- Vegetable consumption declined by 2.1%
- Many shoppers are avoiding vegetables because they regard them as too difficult to prepare. Fruit and vegetables sell well when value has been added to make them more convenient for the consumer to use.[49]

2.4.1 Horticultural production

Changes taking place in the food chain and global sourcing have had an important effect on the UK fruit and vegetable sector. Production has contracted dramatically. There has been a 14% decline in UK-grown vegetables and a 21% decline in fruit between 1998/99 and 2002/03. The total number of growers fell from 6,200 in 1996 to 5,100 in 2003. The majority of companies in the sector remain small, with turnovers of under £100,000 per year. But the sector is increasingly 'dominated by large, often multinational, organisations… [as] it is only the larger companies that are able to deliver a reasonable return on capital, with smaller and medium-sized companies barely making any profit'.[50] These large companies are small in number. In 2003, only 80 companies had turnovers of over £5 million per year.

2.4.2 Growers' businesses

Some analysts suggest that market conditions and efficiency drives by supermarkets are leading to growers experiencing a 'do-or-die drive to become the lowest cost producers of agricultural commodities'. This is related to concentration of power among retailers: the greater the market share of the retailer, the lower the prices paid to them.[51] 'Farmers have to expand production and squeeze wage costs just to stand still' (ibid, 73).

Some of the larger UK growers have survived by upgrading and offering year-round supply. They have achieved this by increasing their share of imported produce, and investing in mechanization of packing facilities as well as biotechnology to increase the length of growing seasons. They have attempted to keep pace with demands for increased volume from favoured suppliers,

[47] Key Note, 2004a. Market Report: Fruit & Vegetables.
[48] http://statistics.defra.gov.uk/esg/publications/bhs/2004/summary.pdf
[49] UK Food Consumption 2005, IGD report at http://www.just-food.com/news_detail.asp?art=59680
[50] Key Note, 2004a. Market Report: Fruit & Vegetables. P.34.
[51] Vorley, B., 2004, Food, Inc.: Corporate concentration from farm to consumer', London: UK Food Group, p.23

retailer-defined ‘quality’ standards and year-round reliability of supply. For some of these growers, the sector remains profitable. But in the process many other growers have come under immense pressure.

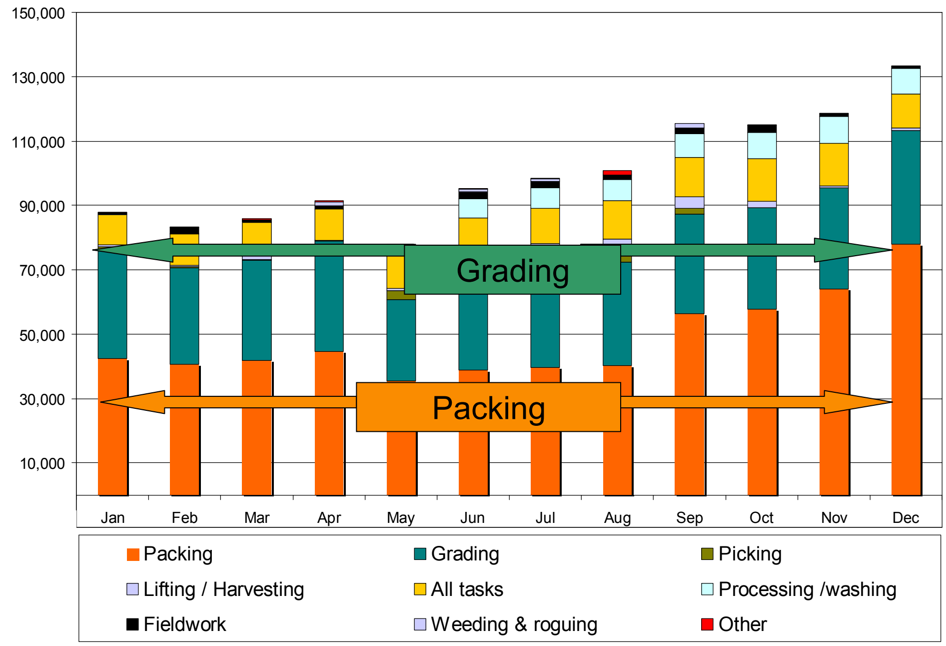
2.5 Labour

Changes within the food chain have impacted on the demand and deployment of temporary workers. In our study, we found 21,603 enterprises in the sector of which 6,594 had supermarkets as a customer. Enterprises with supermarket customers employed 26% of directly recruited temporary workers, and 54% of temporary workers recruited through labour providers (including SAWS). The 15,000 farm enterprises that did not have supermarkets as a customer were responsible for 74% of direct recruitment of temporary workers and 46% of recruitment through labour providers. Yet enterprises supplying supermarkets accounted for a larger amount of permanent employment than those without supermarkets as a customer.

There are a number of possible explanations for this finding. Labour providers generate a more ‘flexible’ source of temporary worker provision than direct temporary recruitment. This helps to meet fluctuations within the ordering system and ‘just in time’ deliveries to supermarkets, particularly in response to promotions and sudden changes in consumer demand. To remain competitive, and in the face of declining prices, growers have had to reduce labour costs, which account for over 50% of production costs. The use of labour providers helps to reduce the ‘ongoing’ costs of retaining directly employed temporary workers. Supermarkets tend to source from larger growers, who have less ability to find alternative work if they retain a large directly employed temporary labour force.

In addition, produce that passes through dedicated supply chains have more value added, and require more handling than goods sold in wholesale markets. Supermarkets in particular now require individual sizing, grading and pre-packing to meet changed retail formats. Indeed, the increase in packing of UK and imported produce has led to a leveling out of seasonal peaks and troughs in overall demand for temporary workers from providers through the year. This is indicated in Figure 2.2, where the lowest month for temporary labour provider use is in May, but the highest months are those towards the end of the year. Here, it is clear that packing and grading play a substantial role in generating the demand for non-SAWS temporary labour sourced through labour providers. At the same time, year-round provision also helps to sustain a permanent labour force, which is particularly important for maintaining quality standards and ensuring continuity of experience amongst a core of workers, when the majority of temporary workers sourced through providers is very fluid.

Figure 2.2: Number of temporary workers by labour providers (excluding SAWS operators) employed by activity and month



Source: Precision Prospecting primary research conducted for Defra, Spring 2004.

2.5.1 The changing nature of the temporary labour market

During the 1980s the introduction of new forms of food supply demanded extended and uncertain hours that drove out traditional women workers. They were replaced in the late 1980s and early 1990s with unemployed men from the coal mining and steel industries. It soon emerged that some unemployed UK workers were using the flexibility of the temporary agricultural, horticultural and primary food processing sector to work, and at the same time be available to sign on as unemployed in order to claim benefits. This situation led to the formation of the Agricultural Compliance Unit (ACU) and Operation Gangmaster, to trace VAT and National Insurance fraud and illegal working and benefit fraud. By the mid 1990s the pressure on illegal working, coupled with an upturn in the economy, led to a dearth of UK nationals willing and available to work in the sector. Importantly, as the evidence produced in this report suggests, there was also a major change in the kind of workers demanded by labour users, faced with increased downward pressure on their margins.

Earlier studies of agricultural workers in Britain had focused on their powerlessness and their low wages.[52] Labour users increasingly needed a source of workers which would retain some of these

[52] Winyard, S. and Danziger, R. 1986, *Poor Farmworkers, Rich Farms*, London: Low Pay Unit, Pamphlet 39; Danziger, R., 1988, *Political Powerlessness: Agricultural Workers in Post-War England*, Manchester: Manchester University Press. The classic study of East Anglian agricultural workers by Eric Newby also served to ensure that 1970s agricultural workers' consciousness, agency and resistance to traditional

features, but the supply of which could be flexible, and who were only on site when required. The use of foreign nationals working temporarily in British horticulture has become much more widespread in the last few years. Initial studies into the nature of employment relations with migrant workers in UK horticulture - including this one - suggest that foreign nationals are sought not just because it may be possible to pay them less, but also because they provide reliability, flexibility and compliance, and above all a "hunger" which is not found among nationals of the 15 EU member countries.[53]

In the following sections we draw on the quantitative and qualitative data to show how the responsibilities for employment practices in the food chain are viewed from the perspectives of the food chain participants: retailers, food service, industry representatives, labour users, labour providers and the workers.

authority was better understood (Newby, E., 1977, *The Deferential Worker: A Study of Farm Workers in East Anglia*, London: Allen Lane).

[53] Trades Union Congress, 2003, 'Overworked, Underpaid and Over Here: Migrant Workers in Britain', London: TUC; Lawrence, F. 2004, *Not on the Label*, Harmondsworth: Penguin; Trades Union Congress, 2004, 'Gone West: Ukrainians at Work in the UK', London: TUC; Taylor, B. and Rogaly, B. 2004, 'Migrant Working in West Norfolk', Norwich: Norfolk County Council http://www.sussex.ac.uk/migration/research/NorfolkReport.pdf; Anderson, B. and Rogaly, B. 2005, 'Forced Labour and Migration to the UK', Oxford: Centre for Migration, Policy and Society in collaboration with the Trades Union Congresshttp://www.compas.ox.ac.uk/publications/Forced%20Labour%20Report.shtml.

3. FOOD DISTRIBUTORS' PERSPECTIVES (RETAILERS, CATEGORY MANAGERS AND FOOD SERVICE FIRMS)

3.1 The modern food chain and temporary worker employment practices

As part of the value chain approach adopted in this project, we interviewed selected actors at the retail end of the food chain in order to examine their perspectives on the factors driving employment practices. These interviews included six professionals working within or otherwise connected to the trade, five supermarkets, two category managers, and one food service firm (see Appendix 1, Survey Methodology, for full details). The aim was to explore their perspectives on the key factors driving employment practices and the use of temporary labour in UK agriculture. The identity of all interviewees has been kept confidential, but where appropriate we indicate their position in relation to the food chain.[54]

The published views of Terry Leahy Chief Executive, Tesco from an address given to the Institute of Grocery Distribution (IGD) illustrate the supermarket perspective on their role in the supply chain

> 'It is time for the food chain to present itself as a single entity and explain its enormous contribution to the economy and to the health and well being of every citizen in this country.
> I believe the food chain in Britain is the best in the world already. It is better integrated than any other is. It is capable of achievement beyond the dreams, yet alone the scope, of our international counterparts. These achievements are not due just to retailers or just to manufacturers or just to agriculture. They are, self evidently, a product of the close collaboration and co-operation of all three. Each of us in this trinity has for too long viewed affairs too much from our own perspective.
>
> We have been too concerned with the problems each caused the other rather than the outstanding achievements we have created together. As a result we have failed to see how much more we can do. And we have been unable to explain to the public at large, the extent of our contribution, at a time when it seems taken for granted or seriously underestimated by some media.' [55]

3.1.1 Food chain actors

The value chain approach used in this report to look at the different perspectives of food chain actors is based on the premise (as described by the supermarket representative above) that the food chain now operates as an integral system. Any change that takes place in one part has a knock-on effect elsewhere. The food chain is made up of multiple actors, as described in the previous section. This is a multi-tiered system, but within each tier there are differences between

[54] Given that resources limited the number of food service companies we were able to interview, we have focused here on supermarkets and related trade professionals.
[55] Leahy, Terry (1993), 'The retailer as supply chain innovator', Grocery Market Bulletin November 1-4.

food retailers, food service providers, category managers and suppliers. These differences depend on a range of factors including size, market niche, and commercial position. Each views the chain from their particular vantage point, and there is not necessarily agreement among actors within a tier, or between tiers.

3.2 Competing perspectives on labour responsibilities

The key informant interviewees identified two key activities at the top of the food chain as impacting on the employment practices of temporary labour; they were open book accounting and the role of buyers and category managers (see section 2.3.2 and box 2.3).

3.2.1 Buyers and category managers

Interviewees described how the role of buyers within supermarkets is changing, with a reduced number of buyers. Some supermarkets have restructured their value chain relations through the introduction of category management where one supplier is given the task of coordinating a whole category from production through to final consumption all year round. Others use a system where buyers work with preferred or key suppliers and marketing agents. Category managers are responsible for organising year-round sourcing in any category. They are also taking increasing responsibility for a wide range of issues within the value chain, such as analysing consumer trends, packaging, promotions and marketing. But their relationships with supermarkets vary. Interviewees argued that some supermarkets have a hands-off approach, and leave their category managers ‘to get on with it’, while others develop close relationships with them. In the latter, examples were given of category managers being ‘embedded’, with personnel spending periods of time working in the headquarters of their supermarket.

3.2.2 Open-book accounting

Some supermarkets have developed ‘open-book’ accounting with their suppliers, under which they have to show their accounts to their main buyers. However, from our interviews, this practice varies widely between supermarkets. Some do not use open-book accounting at all, whereas others are using it fairly extensively with their key suppliers. According to one industry think-tank interviewee, there are two versions of open-book in operation. One is where buyers focus on their margins, and open-book is used to ensure that suppliers maximise these. The other is transparent and aims to reduce costs along the food chain so that everyone gains.

Category management and open-book accounting were presented as part of supermarkets’ drive for greater efficiency gains and cost reduction throughout the food chain – retailing, distribution and production. There were conflicting views among our interviewees as to whether or how further efficiencies could be made. Supermarkets said that there is still room for efficiency gains, depending on supplier. One professional linked to the supermarket sector argued that 30% inefficiencies remain within the system from ‘field to fridge’. Food chain inefficiencies identified as impacting on the use of temporary labour included poor quality control, variability of product, inefficient logistics, uneven production, administrative error and poor forecasting. In contrast interviewees with close ties to producers argued that the system is already at maximum efficiency, and there are no more gains to be made. Two interviewees made the point that at the production end of the chain, labour accounts for 50-60% of costs, and further savings ‘efficiencies’ could only be made at the expense of labour.

Pricing strategies

All interviewees discussed the issue of the price of food in the UK. There were mixed views between actors within the chain, on the complex issue of falling food prices in stores. Two larger supermarkets said that competition internationally and in the UK had driven prices down. One said this was good for consumers, but made it difficult for suppliers. One smaller supermarket argued that their larger competitors are driving down prices, which is making it hard for everyone. One category manager said that purchasing practices have helped to drive down prices, which are at times, below the cost of production, and more attention has to be given to the price paid to suppliers. One smaller supermarket argued suppliers always blame supermarkets, but suppliers undercut each other, and UK prices cannot go up if food can be imported cheaper. Two larger supermarkets and one trade professional focused on a 'cheap food' policy being beneficial for the consumer. Two smaller supermarkets and two trade professionals questioned whether a 'cheap food policy' is sustainable, and whether it is possible to overcome the problems associated with temporary workers while this policy continues. Some supermarket interviewees put forward the view that supermarkets, which succeed have a broad profile of customers based on income. The view put forward here was that everyone should have access to low priced food, but currently if you are poor you are priced out of some supermarkets, and the government should encourage all supermarkets to supply food on the shelves for all ranges of income.

3.2.3 Responsibility for employment practice

All the supermarkets we interviewed had their own labour code of practice, with which compliance is a condition for suppliers. All supermarkets were members of the UK Ethical Trading Initiative (ETI), except one, which had close relations with the ETI. Some were also members of the ETI Temporary Labour Working Group, and were actively engaged in trying to address issues associated with 'gangmasters' in collaboration with other stakeholders. Supermarkets communicate directly with their category managers and top-tier suppliers on their code of labour practice. All had some form of capacity building with their top-level suppliers in relation to labour issues. Engagement usually involved holding supplier conferences, and in one case providing suppliers with a detailed 'workbook' on their code of labour practice. Two of the supermarkets we interviewed had directly involved category managers in developing a policy on 'gangmasters'. Two smaller supermarkets put great emphasis on the importance of long-term supplier relationships in sustaining an environment for good employment practices.

Supermarkets used a combination of self-assessment, second and third party auditing to ensure compliance with their code by higher-tier suppliers. Supermarkets rely on top-tier suppliers to work with suppliers at lower tiers from whom they source, They monitor suppliers further down the chain, usually through a combination of self-assessment and second party audits. Two supermarkets indicated that they have large numbers of producers in the UK, and it would not be possible for them to check them all.

The role of labour providers

On the use of temporary labour, supermarkets argued that labour had always been used seasonally in agriculture. Suppliers' employment practices vary depending on their location, size, and type of product produced. These cannot always be easily predicted, and will vary according to changes in weather, television advertising and other factors. Six respondents (supermarket, industry representatives and professionals linked to the food trade) said that suppliers couldn't carry surplus labour, so the use of overtime and/or labour providers was needed to cope with peaks in demand. A category manager argued that: "Gangmasters are a permanent feature of the labour force, and *should* be a positive feature. They provide a flexible labour force, are able to meet fluctuating demand, and gangmasters substitute for lack of public transport."

3.3 Integrated supply chain for products vs. disintegrated supply chain for labour

Two industry representatives said that there is now an extended season in many crops, and that year-round packing to meet supermarket requirements for year-round supply has increased the demand for labour significantly. They argued that supermarkets should have more involvement in labour issues. Supermarkets and category managers now engage in forecasting of demand and pre-programming of supply. While there are unforeseen variations, these are at the margins. The two industry professionals believed seasonal planning should also look into consolidation and integration of labour provision into the planning and forecasting process, with category managers and buyers playing a role in this.[56] Their view was that better planning of promotions and special offers, and more use of 'every day low price', could help to ensure greater continuity in labour demand, and reduce sudden peaks. Two smaller supermarkets highlighted the negative impact some supermarket auctions are having on fluctuating labour demand, and stressed the importance of stable supply relations. From this perspective, responsibility for labour use does not lie solely with the producer or packhouse, and should be included as an integral link in planning of the food chain. However, none of the supermarkets' representatives or category managers we interviewed considered the level of integration within the food chain made them responsible for the management of labour provision at either the top tier of supply or further along the chain. Some recognised a connection between promotions and labour provision, but currently this is not seen as an issue supermarkets need to address:

> 'You can't ever get rid of volatility… The Met office can have most impact, but it also depends on the product. On some you can fix orders, but not on others. How to keep product on shelves is a key issue. You do a lot of forecasting, and communicating to suppliers, but on certain lines, even clothing, you can't always predict demand. …. No buyer or technical manger will agree a programme without being sure there is capability to meet it. Product integrity managers do ask about labour use, especially amongst high-risk suppliers, so you can and do ask questions. You won't give high volume to people who can't provide labour… But it's up to suppliers how they manage their business.' (Interviewee Supermarket X).

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[56] In the IGD paper previously cited (section 3.1) it was recognised that new technologies utilised in stores have impacted on the organisation of labour in suppliers' businesses: 'We have linked our ordering to our electronic point of sale system. And we've linked our ordering system to our suppliers with electronic data interchange…This is transmitted to the supplier straight into the supplier's production planning system; automatically calculating the raw ingredients required, the amount to be produced on the next shift, the labour needed the line capacities, the dispatch and distribution details and so on. Out go the lorries into the distribution centre depots; deliver straight to stores, back on the shelf, back in the trolley and across the scanner within forty-eight hours'. (Terry Leahy, 1993)

> 'I'm not sure if there are ways in which labour could be better integrated, except getting the forecasting better, getting the promotional decisions better planned. The promotions are normally planned about three weeks in advance, at the shortest. It could be longer. They might promote if the product was available in higher volumes, but we would never consider the availability of labour in a promotion. It would never be specifically labour which would stop a promotion happening, it would be the supplier's capacity….You could integrate labour and capacity into promotions. This is possible, but at the moment we don't. The key issue is capacity, if they [suppliers] could have a higher fixed volume, they could have more regular staff, and less temporary staff. The suppliers don't raise issues of constraint of labour capacity, because they can always got a labour provider for more ad hoc labour.' (Interviewee Supermarket Y).

Overall, supermarkets and category managers saw it as the responsibility of individual supplier and grower businesses to manage their own labour requirements, in compliance with supermarket codes of labour practice. Some of the category managers or key suppliers are marketing agents with little labour use except for pre-packing. Others are themselves producers who also source externally to meet year-round supply, and employ both field and packhouse labour. Lower-tier producers are important users of temporary labour, particularly in field production.

The food chain system described above shows how separate units in the food chain have come together to form an integrated system of production and distribution. Some industry professionals believe integration and planning should include labour provision Supermarkets are removed from labour provision within lower-tier agriculture. None of the supermarkets and category managers interviewed believed that their current systems of pre-programming and open-book accounting should include more detailed planning of labour provision.

Demand fluctuation

Most supermarkets said that growers could manage peaks in production through the use of labour providers. One category manager argued that 'just in time' and the system of supermarket ordering was not a problem for them. They divided additional orders between suppliers, who had a number of ways of coping: (i) overtime; (ii) relocating labour; and (iii) bringing in more workers through a labour provider. However, there were differences as to whether the latter provided an opening for rogue labour providers. One trade professional was sure that rogue labour providers were only found in un-monitored parts of the food chain beyond supermarkets. One supermarket and the other category manager said it was difficult to know when subcontracting by labour providers to smaller 'gangmasters' took place, even though they did not allow it. One supermarket interviewee went further, believing that subcontracting was endemic across the system. One trade professional believed that good 'gangmasters' were few and far between.

Poor labour practice

Supermarket representatives and trade professionals largely put the blame for poor labour practice onto illegal 'gangmasters'. In their view lack of policing and enforcement of existing law had allowed bad practices to develop. Four said that it was the 'bad guys' and competition between labour providers that drove prices down for the 'good guys'. One said that if labour providers were not undercutting each other, the price would have to go up for everyone, and supermarkets would have to pay. Another supermarket was confident that there were no poor labour practices in their supply chain, as their suppliers only used good labour providers and were monitored against their ethical code.[57]

3.4 The Gangmasters (Licensing) Act

A number of interviewees were very positive about the extent to which different members of the industry had come together to work on the issue of temporary labour, and promoting the Gangmasters (Licensing) Act. All thought that a voluntary code alone would be insufficient to address poor employment practices. Both supermarket and trade professionals hope that the Act will level the playing field for legitimate ‘gangmasters’, and undermine ‘bad guys’, or illegal ‘gangmasters’. Some thought that the Act could drive some labour providers out of agriculture, and into other sectors. One category manager was sceptical that the Act would have much effect, as illegal ‘gangmasters’ are already operating outside the law. But a number of interviewees said that the problem was lack of enforcement. The Act could only be effective if it was given teeth, and a proper system of enforcement implemented.

3.5 ‘Professionalising’ labour relations in agriculture

The need to ‘professionalise’ labour relations in agriculture was raised by a number of interviewees. One argued strongly that technical and environmental issues had gained importance, but that human resource issues were still a low priority in the food chain. Human resource managers should be given the same status as financial and technical directors if labour is to be put on a more professional footing. Two trade professionals argued that agriculture needed to offer better pay and conditions in order to compete with other low-skilled sectors in the labour market and therefore attract better workers. A number of interviewees agreed that the Act could lead to increased labour costs (one estimated by 10%). There was disagreement as to whether this would lead to a knock-on increase in food prices. One supermarket thought that the costs of implementing the Act would be borne solely by labour providers (who should have been operating legally anyway). Another thought that financial pressure on the supply chain might mean supermarkets have to cut their margins. Two supermarkets argued that if UK-produced food became more expensive, it would stimulate an increase in food imports, and consumers would not bear higher prices.

Summary

In summary, the main issues emerging from the top-tier interviews with supermarkets, category managers and professionals linked to the trade are:

- Supermarket and top-tier actors in the food chain say they are removed from the practicalities of labour provision, and do not see it as their responsibility
- Category managers and key suppliers now play a key role in managing the flow of the food chain, but are only engaged in labour issues where they themselves are an employer
- The food chain is now highly integrated, yet labour provision, which is a crucial component, has been left out of the process of planning and coordination.

[57] This statement reflects the degree to which supermarkets believe that their auditing processes can regulate supplier labour practices. However, after the interview this company was one of a number of supermarkets cited in press reports as having suppliers engaged with rogue ‘gangmasters’.

- Technical, financial and environmental issues are closely managed throughout the chain, but less so labour, and their needs to be a change of emphasis.
- Labour in line with other supply chain activities needs to be more integrated into supermarket programming and planning – a perspective proposed by some trade professionals. Supermarkets and category managers interviewed did not believe they could be responsible for labour management by external suppliers. The food retailers interviewed do not see the value in connecting more closely with suppliers' labour strategies.
- Professionalisation of agricultural employment has not taken place within the food chain, and needs to if employment practices are to be sustainability improved.
- A number of trade professionals questioned whether a 'cheap food policy' is sustainable, and whether it is possible to overcome the problems associated with temporary workers while this policy continues

4. LABOUR USERS' PERSPECTIVES

4.1 Background

The Agricultural Wages Board (AWB) for England and Wales determines employment practices in agriculture and horticulture and co-located packhouses. The AWB is an independent body, which fixes minimum rates of pay and terms and conditions of employment for agricultural and horticultural workers. We were asked by Defra to collect data from labour users on their view of the impact of the introduction in the Wages Board Order of the Manual Harvest Worker category.[58] The Board cannot fix a minimum rate, which is below the National Minimum Wage. In June 2003 and 2004 the wage for an adult Manual Harvest Worker was set by the Agricultural Wages Order (AWO) at the same rate as the National Minimum Wage.

4.2 Labour users' survey data

The AWB required information on the nature of the work done by 'seasonal and casual' i.e direct and indirectly recruited temporary workers, and permanent workers to inform them on the nature of pay differentials under the regulations. Further the Board required the study, to establish whether the work done by workers classified as Manual Harvest Worker (MHW) under the AWO is in practice different to the work undertaken by workers classified as Standard Workers (i.e. workers that are not classified as MHW). [59]

4.2.1 Survey findings

Labour users' use and awareness of Manual Harvest Worker category

All the farm enterprises in this sample were covered by the AWO. Figure 4.1 shows that in May 2004 less than one year after introduction of the MHW category by the AWO 35% of farm enterprises were aware and, or using the MHW category. Some 65% of farm enterprises were not aware, and were not using the MHW category pay rate in their enterprise and an estimated mis-application of MHW category was occurring with around 29% of users.

[58] The Manual Harvest Worker (MHW) category was introduced in 2003 to replace the Stater Rate. MHW category applies to workers whose employment is wholly and exclusively for the purpose of undertaking the specific task of harvesting (excluding mushrooms), and who are not under such employment employed by the same employer whether under one or more contracts) for more than a total of 30 weeks.

[59] Data on the MHW category was needed by 1st May 2004 prior to the AWB fixing the wage rates for the June 2004 Wages Board Order before the CATI survey was complete. The sample for this part of the study was, therefore, based on 499 labour user respondents.

Figure 4.1 Awareness and use of MHW category in farm enterprises May 2004

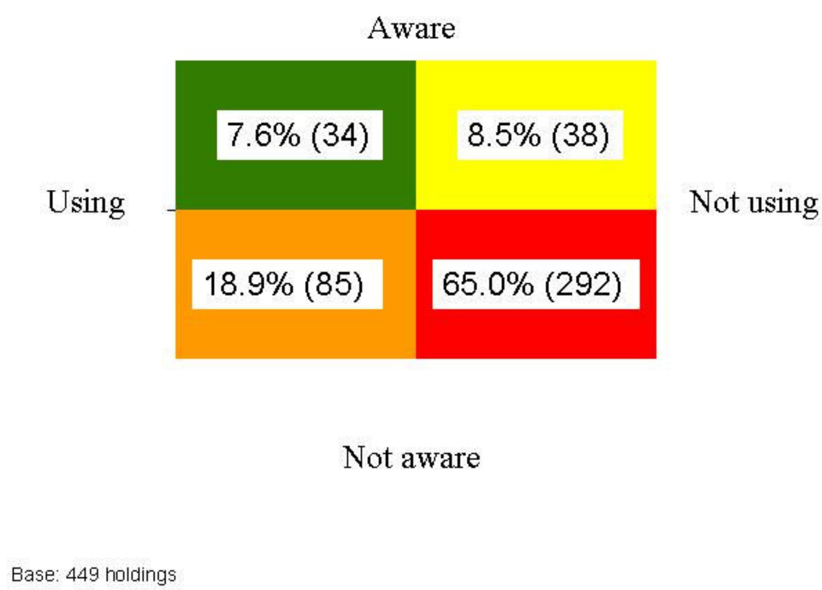
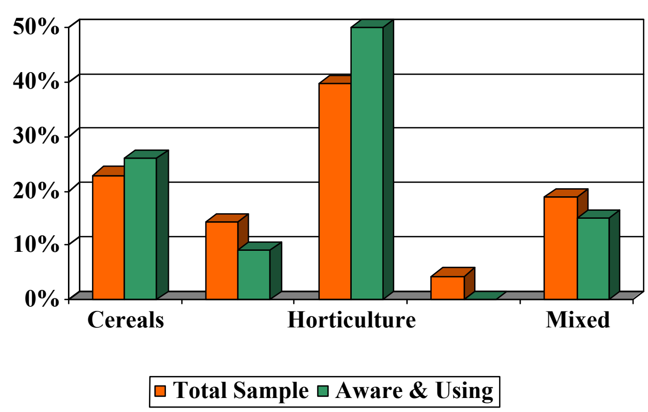


Figure 4.2 Aware and Using MHW category by sector



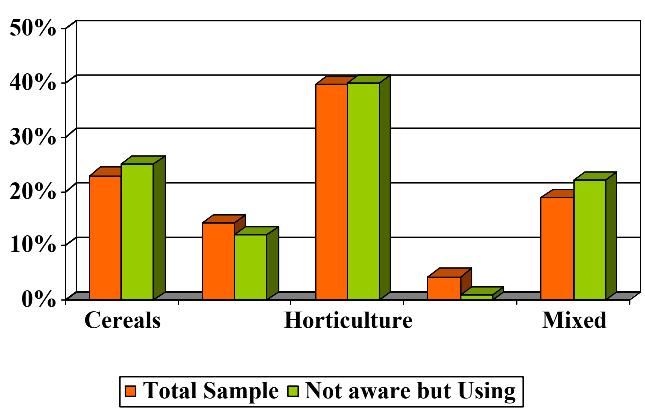
Source precision Prospecting primary research conducted for Defra in Spring 2004

Labour user survey respondents indicated that the Manual Harvest Worker category is used across a wide range of primary agriculture and horticulture, with some variation according to sector and region.

Manual Worker Category by Sector

The survey found that the MHW category pay rate was applied across agricultural and horticultural sectors with approximately 15% of mixed enterprises and 22% cereal enterprises aware and using. Figure 4.2 illustrates that awareness and use off the MHW category is (as expected by the AWB) greatest in horticultural enterprises that are labour intensive and dependent on temporary workers for seasonal harvest work. 40% of the total sample was horticultural enterprises and half of them (50%) were aware and using the MHW category pay rate. Figure 4.4 shows that a further 40% of horticultural enterprises were not aware of the changes to the AWO and the introduction of the MHW category (although the enterprises were coved by the Order). However, these enterprises although not aware of the MHW category applied the statutory pay rate. One possible explanation for this put forward by labour user respondents was that they thought temporary workers were covered by the National Minimum Wage, which at the time of the interview was the same as the MHW rate.

Figure 4.4 Not aware and using MHW category by sector



Source: Precision Prospecting primary research conducted for Defra in Spring 2004

Use of agricultural wage rates

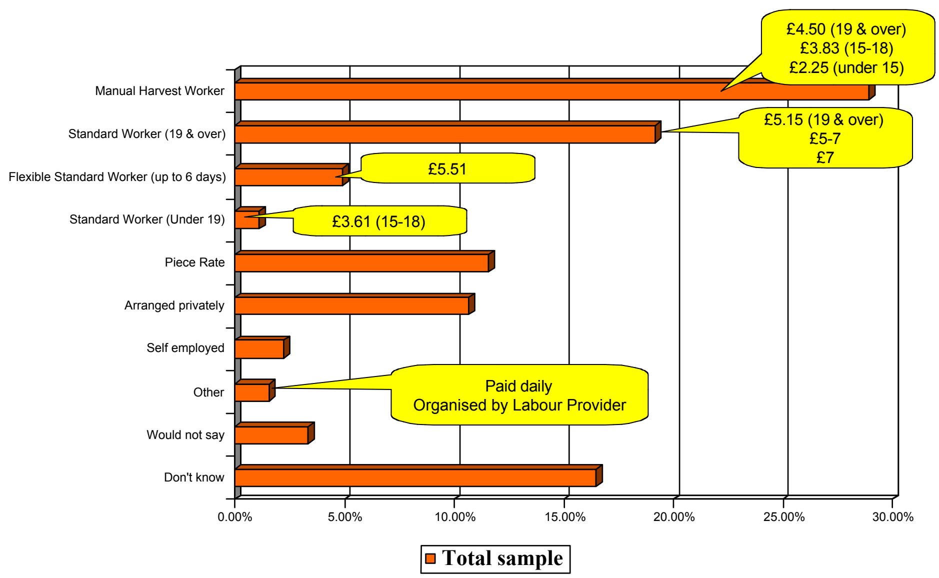
In May 2004 the basic minimum of £5.15 an hour applied to all Stand Grade Workers and £4.50 per hour applied to Manual Harvest Workers. The primary minimum rates of pay set by the Board in June 2003 for Standard Worker and MHW aged over 19 years were as set out in table 4.1.

Table 4.1: Agricultural Wages Order pay rates June 2003

	STANDARD WORKER		MANUAL HARVEST WORKER	
Age	Basic pay	Overtime	Basic pay	Over time
19 years &over	£5.15	£7.73	£4.40	£6.75

Figure 4.4 shows that 30% of respondents to the labour users survey paid temporary workers the MHW rate, around 25% of respondents paid Standard Worker rate (including flexible Standard Worker) and 12% of the labour user respondents said that they paid workers piece rates.

Figure 4.4 Use of agricultural wages rates by labour users



Source: Precision Prospecting primary research conducted for Defra in Spring 2004

4.2.2 Summary of labour users' survey findings

35% of farm enterprise respondents were aware of MHW category
65% of farm enterprise respondents were unaware of MHW category
An estimated 29% of respondents misapplied the MHW category
50% of respondents on horticultural enterprises were aware and using MHW category
30% of respondents paid temporary workers the MHW rate
25% of respondents paid Standard Worker rate (including flexible Standard Worker)
12% of the labour user respondents said that they paid workers piece rates
75% of respondents could not specify in what way the MHW category was different to the Starter Rate category
60% of respondents said their temporary workers came to work from within a 30-mile radius
38% of respondents said temporary workers stayed on site for less than a month
A further 38% of respondents said temporary workers stayed on site for more than a month and less than 3 months
20% of respondents said temporary workers stayed on site up to 30 weeks
13% of respondents said that some percentage of their temporary workers became permanent.

4.3 The sample for in-depth labour user interviews

Labour users in the agriculture and horticulture are spread across the country, and vary widely in terms of business turnover. In selecting a sample of 16 labour users to interview face-to-face, and four for in-depth case studies, we aimed to:

a) focus on businesses which used temporary labour, thus ruling out most of the livestock and arable parts of UK agriculture
b) select businesses within the following sub-sectors – top fruit/ soft fruit, salads, vegetables, mushrooms, ornamentals and primary processors;
c) aim for a spread across the regions and countries of the United Kingdom; and
d) aim for a spread of business size.

The sample selection process is described in Appendix 2. Detailed information was needed to understand labour users' needs. This requirement precluded coverage of every crop, region and business size, but the range of different types of business covered ensures that key differences among labour users have been identified Our findings are set out in Section 4.2.

4.3.1 Regional variation

We sought to interview labour users in as large a variety of UK regions as possible, because region is believed to be an important factor in an era of rapid restructuring of relations between supermarkets and their suppliers. Suppliers in some regions have closer relations with retailers, and this was likely to affect their employment practices. The East Midlands, especially the area around Spalding, is an example of a region where such integration has taken place particularly rapidly. In the West Midlands, packhouses have been relocated onto major transport arteries and away from villages, as the packing activities of businesses have increased in relation to produce growing activities.[60]

Housing shortages in many rural areas continue to be important determinants of employment practices. Two labour users expressed frustration over the difficulty of gaining planning permission for on-site accommodation for temporary workers. For those who had such accommodation available, and rented it out to members of their temporary workforce[61], this provision formed an aspect of the employment relationship. As we shall see in Section 6 on workers' perspectives, housing shortages and tenancy laws meant that recently arrived foreign nationals were either dependent on labour providers, or had to rent property in the unregulated housing market.[62] Accommodation can also be linked to transport availability for work, and while commuting is common for temporary work in the sector across the country, it takes different forms in different regions.[63]

[60] Vale of Evesham Agriculture and Food Distribution Policy Development Panel, 2004, Report, Pershore, Worcestershire: Wychavon District Council.
[61] Often SAWS students and/or the nationals of EU accession states.
[62] In one case study in the East Midlands (CS3), eastern European workers found accommodation in Peterborough through informal agreements with landlords, thus bypassing the need to arrange six-month assured tenancies.
[63] For example, the West Midlands, particularly the Vale of Evesham, has seen much commuting, organised by labour providers of both UK and foreign nationals from Birmingham and surrounding conurbations.

4.3.2 Size and structure of labour user businesses

As business size and structure are significant factors we interviewed businesses ranging from small family concerns to giant multi-site primary processors. Although a rapid process of merger and consolidation of companies is reported nationally, the majority of firms in top fruit/soft fruit and vegetables are comparatively small, with turnovers of less than £100,000 (see Key Note Market Report, 2004). Our sample contained relatively few such businesses and focused on those that were more significant users of labour. However, there is much variation among these too.

4.4 Market relations with retailers and labour providers

As is the case for suppliers to the sector in general (see Section 2), the labour users we interviewed are operating in a market increasingly dominated by a few large retailers. The importance of this increasingly concentrated and buyer-dominated market was emphasised by all the labour users we interviewed. If these UK growers, packers and primary processors were to stay in business, they needed to either obtain or keep a commitment to buy from a large retailer or their chosen main supplier. None that we interviewed sold significant amounts of produce to wholesalers, at farm gates, though at least one was proactively exploring direct sales to consumers, and at least two labour users sold significant amounts to the food service industry. Even the ornamentals producers are increasingly dependent on large retailers.[64]

The speed of change in the structure of retailing over the last five years as discussed in Section 2, and the deepening of the dominant role of retail purchasing in the fresh produce and ornamentals markets, are connected to labour users' orientation towards technological change, especially mechanisation and season-extending varieties. Some labour users have grouped together to market their products; others part-own separate packing and processing businesses. There is a diversity of business types that defy categorisation because of the different kinds of links that exist between labour users, marketing organisations and labour providers.

4.4.1 Relations with labour providers

Three of the labour users in our in-depth case studies had established relations with labour providers that stretched back for over five years. Such relations, in which the interviewed labour user was the dominant or sole client of the labour provider, co-existed alongside relations with newer, larger, less-localised labour providers, who were simultaneously contracted to a number of labour users. One of the in-depth case study companies had invested in a new labour providing company; another had a relationship with a small (one-van) labour provider going back generations.

4.4.2 'Quality' and notice to supply

Labour users emphasised that all products supplied to retailers must now be 'class 1', and must fulfil a pre-specified standard or 'quality' in terms of colour, texture and shape. All products needed to be on supermarket shelves every day of the year. In order to fulfil this criterion of being able to supply year-round, labour users we spoke to fed into consortia, or marketing

[64] One company stood outside this pattern. It was structured to provide services to growers by preparing vegetable products for freezing or handling (sorting and repacking) fruit that had been rejected on quality grounds.

organisations. Alternatively, they bought in goods from other companies to pack in their own packhouse so that they themselves could supply throughout the year.

However, while there was a premium on year-round supply, labour users also told us that there was no guarantee that the retail buyer would buy a fixed amount of produce in a particular month. Depending on the crop, some labour users also had to manage very short-term, even day-to-day, fluctuations in demand. These fluctuations have various causes, for example, weather-induced changes in demand for salads or fresh fruit, and exchange rate variations changing relative prices between UK and international suppliers. The effect on labour users' employment practices, however, is more uniform. It is to require greater flexibility of workers in terms of hours worked each day, and days worked each week.

4.4.3 Prices paid

Labour users have been affected by the increase in the volume and quality of product demanded by retailers, increasingly sourced from non-UK suppliers). Alongside these trends there has been a consistent downward movement in real prices paid to suppliers by retailers over the last five years. In their experience this takes the form both of downward movement in the price itself, increased incidence of lump-sum payments and requirements to supply double the quantity for the same price for 'buy one, get one free' offers. The costs borne by suppliers are also increased by more elaborate packaging requirements to precise specifications. The allowed profit margin is specified by supermarket buyers who require that suppliers open their books to their accountants in return for the custom they provide (see Section 2). Many of these aspects of retailer-supplier relations were detailed in the Competition Commission report of 2000, and, according to our interviews, have intensified subsequently.

For some labour users, growth in the volume of sales has been crucial to the continuity of their businesses. One labour user growing and packing soft fruit and top fruit in the South East reported that he faced a choice between rapid growth and going out of business, and had chosen the latter. For labour users who have agreements with retailers and thus a guarantee of a market for their produce, volume growth has been very welcome.

4.5 Employment practices

All of these trends, as experienced by UK-based growers and packers of fresh produce and ornamentals, have made for rapid changes in employment practices. There has been continuity in the requirement by many for temporary workers – temporary working is nothing new and is connected to the seasonality of horticultural production processes. If anything there has been a decline in seasonality as biotechnology and carefully planned planting programmes have lengthened seasons significantly, for example, in strawberries.

4.5.1 Seeking 'the right kind of worker'

Our interviews revealed much about labour users' thinking with regard to what made for the 'right kind of worker' when the market laid heavy emphasis on quality, volume, reliability, continuity and flexibility of product supply, as well as on price. Two case study companies had brought in younger dynamic managers within the last two to three years to rationalise labour use. One used temporary workers supplied by a labour provider and the other used SAWS workers. Both were charged with raising productivity and lowering cost.

4.5.2 Job design and remuneration

Those involved in the direct management of labour said that much greater attention to detail was required now than a decade ago as a source of cost savings. One junior manager spoke of instructions to monitor and keep down labour costs. To achieve objectives they were set managers had to decide whether to rotate workers among tasks, and whether to use site (e.g. packhouse vs. fieldwork) and task allocation as an incentive or sanction. Cost considerations affected whether to use piece rates or hourly rates; how to set piece rates and whether to provide bonuses or fines for quality of work.

The many questions addressed provided varied answers according to crop and business size. The common finding was that declining unit prices received by growers and packers had led to falling piece rates for workers. It now took much greater effort, and consistency of effort across the working day, to come away with a target amount of money when working on a piece rate. Piece rates vary and two managers explained that they determined the piece rate according to the amount of time an ‘average worker’ working flat out would take to earn the minimum wage. The ‘average worker’ used to set the piece rate would have to be somebody who was able not only to work fast, but also to work accurately, with attention to ‘quality’. This was a trial and error process. But the view was expressed that it was now necessary to work harder to reach a typical target earning level than it had been.

4.5.3 Compliant workers

Labour users sought compliant and reliable workers who could tolerate the working environment and go about the task assigned without question or time wasting, and give their full energy. Labour users have to ensure that workers are able to comply with the demands of the 1991 Food Safety Act alongside product handling requirements as specified by their customers. Ideal workers are loyal, do not question authority and are ready and willing to obey instructions. Reliable’ workers turn up at the correct time for the start of a shift every day they are expected. Some labour users aim for reliability by hiring SAWS workers, who are, typically, housed on site. Others rely on labour providers to sort out who is ‘reliable’

4.5.4 Ideal workers

From the labour users’ perspective the ‘ideal worker’ in current market conditions is also a highly flexible. One who, according to one labour user, will work longer hours on Wednesdays, or according to another, who will stay on after the 6am-2pm shift with no prior notice. A flexible worker will work weekends and hours that to many settled local people would be considered anti-social. He/she will not demand overtime rates. Data from the computer-aided telephone interviews, reported in Appendix 4, illustrate the spread of notice periods which labour users were able to give in relation to their labour requirements. Of those who responded, 35% said that they were able to give notice of two days or less to temporary workers who were no longer required.

4.5.5 Why foreign nationals are crucial to labour users’ business strategies

Almost every company we interviewed spoke of the difficulty of sourcing the ‘right kind of worker’ from among UK nationals, or the reluctance of UK nationals to work at the pace required, and with the consistency of output, given the low rewards that have begun to characterise the sector. There has been an increase across the board in the use of foreign nationals, often employed legally through the SAWS scheme, or since 1 May 2004 as EU citizens with the right to work.[65]

4.5.6 Value of foreign workers to labour-user businesses

When comparing foreign nationals with settled local workers and other British nationals, 12 labour users reported that they could not continue business without foreign workers who accepted lower wages and made it possible to minimise labour costs. This was a survival necessity for many of these businesses, seen as the only way of reducing labour costs and increasing productivity. Foreign nationals working in the sector were relied on to apply the levels of effort now required to achieve the minimum wage through piece rate work over days, weeks and months of work. Foreign nationals were sought who were considered more likely to be compliant, reliable and flexible than UK nationals. According to three labour users, all these attributes would be more likely to be found in foreign workers, including those here with work permits, because in their view these workers were ‘poorer’, more ‘desperate’, and ‘hungry’ enough. Moreover, most of them did not have family responsibilities in the UK.

4.6 Perspectives on future labour supply

Labour users did not see the ‘quality’ of foreign nationals in the workforce as uniform. Several labour users told us that they had appointed, or intended to appoint, a small number of more experienced and skilled accession nationals as team leaders or junior managers. Some expressed the belief that as nationals of EU accession countries became more ‘comfortable’, they would cease to have that ‘hunger’ and no longer be ‘ideal’ workers. Employment of accession nationals outside the SAWS scheme (for which they were no longer eligible if they had arrived after 1 May 2004) continued, though it was expected to phase out in the medium term.[66] In general, accession nationals were thought to be en route (over a period of months or one or two years) to more lucrative jobs, closer to concentrations of populations of their own co-nationals, and therefore might become less compliant and reliable.

4.6.1 Losing gains made from prior knowledge

As labour users assessed the future of their businesses, they reflected about continuing to access the ‘right kind of labour’. In two of the case studies, the care, precision and ‘prior knowledge’ required for pre-packing of a salad product and for despatching ornamentals to independent garden centres depended on British Punjabi men and women in their sixties, who were thought by labour users to have rural backgrounds, and on East Anglian rural women, who were also thought to be good at horticultural work. These groups were nearing retirement and their anticipated departure contributed to plans to change production processes to out of field-based preparation of the salad product and towards further specialisation in supplying large retailers, involving deskilling in these businesses.

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[65] The EU citizens were mainly accession country nationals (referred to as A-8 nationals because they did not usually include people with Maltese or Cypriot nationality). Most of these workers had Polish or Lithuanian nationality. There was very little employment of EU-15 nationals reported by the businesses we spoke with.

[66] One labour user held that many accession country nationals were not yet aware of their rights to work for any UK employer, nor of their legal rights as employees.

4.6.2 Perspectives on government regulation of employment practices

Labour users expressed frustration at cost pressure coming from the Agricultural Wages Order and several questioned whether it was necessary in the era of the minimum wage. Some labour users and labour providers had paid neither holiday pay nor the standard worker rate. There was now a sense expressed by labour users that they were being squeezed by the supermarkets from one direction and the government from the other. Some pointed out that fruit and vegetable production had not, until the changes to the Common Agricultural Policy (CAP) this year, been subsidised, unlike cereals, meat and dairy. Two labour users told us they were able to avoid paying overtime to temporary workers. One maintained a record of average pay per week at below the level required for National Insurance by means of creative accounting. Any labour user who hired accession nationals outside the SAWS scheme had strong criticisms for the new registration system. This was said to cause inconvenience to the workers through passport retention by the Home Office, or the difficulties of raising the £50, or opening a bank account on arrival in order to send a cheque.

Summary

This section drew together labour users' views on their relations with other market players, particularly the large food retailers, and analysed in particular the effect of these changing relationships on their employment practices. The main findings from the detailed case studies were:

- Cost pressures on labour users from large retailers have led to higher productivity and lower piece rates. The view was expressed that field workers on piece rates are required to work more intensively to achieve the minimum wage than was the case five years ago.
- Labour users found it difficult to recruit British nationals who would work at the required level of intensity under current labour conditions.
- The quest for the 'right kind of worker', one who is 'reliable', 'compliant', and 'flexible', has greatly increased demand for foreign nationals in the last five years.
- Labour users predict that many accession state nationals currently working in agriculture are likely to move to more lucrative sectors of the economy.

In the next section, we report on the perspectives of the businesses that provide workers to the agriculture and horticulture and co-located packhouse and primary food-processing sector.

5. LABOUR PROVIDERS' PERSPECTIVES

5.1 Introduction

The labour provider sector is complex and highly differentiated. Historically, it has been extremely difficult to provide a definitive account of how many labour providers there are, the numbers of workers they supply, exactly what role they play in the fresh produce chain, and what their business activities consist of. In this section we look in more detail at the data gathered from the labour providers' survey questionnaire and in-depth interviews with labour provider businesses. The majority of contact names for the sample survey of 85 labour providers were supplied by farm enterprises to Defra. In addition, 54 names were supplied through the labour user interviews as well as Yellow Pages and some associated background deskwork. Further in-depth interviews with five labour providers were selected from the survey sample to reflect size and region as far as possible (see Appendix 5). Our sample of labour providers and data from the survey questionnaire and interviews are derived from 'visible' labour providers, openly operating in the sector.

The primary data collected illustrates the size of business by estimated numbers employed and turnover; business activities; commercial and legislative issues; and relationships with and requirements made of their workers The descriptions given here are from the labour providers' standpoint, and we also draw on some comparative data from the labour user interviews, and on secondary data. At the end of the section we return to the value chain approach to highlight where we see the pressure points in the temporary worker market that can lead to poor employment practices and worker abuse by some labour providers. We begin by looking at the popular concept of gangmaster, compared to the legal definition.

5.2 'Gangmasters' and employment agencies

Until the Gangmasters (Licensing) Act became law in July 2004 there was no agreed legal definition of a 'gangmaster'. The term was in common usage (mainly in East Anglia) to describe a supplier of temporary workers to agriculture, horticulture, primary and secondary food processing. However, the difference between recruitment and employment agencies and 'gangmasters' was indistinct and all labour provider businesses, including gangmasters, were theoretically covered under the Employment Agencies Act 1973. [67]

[67] The historical difference between a labour agency and a 'gangmaster' is set out in Section 1 of the Employment Agencies Act 1973, which says that if in all situations the labour user has control of the workers supplied to them, then the provider must operate as an Employment Agency or Employment Business. Labour providers are subject to the provisions of the Employment Agencies Act 1973, which distinguishes between an employment agency and an employment business. An employment agency introduces work-seekers to client employers for direct employment by those employers. This is usually known in the industry as "permanent recruitment" or employment even though the employment may only be for a fixed period.

Until labour providers decide to be registered under the Gangmasters (Licensing) Act in June 2006 they will remain subject to regulation under the Employment Agencies Act 1973 when they provide workers, which are controlled by the user. In this case they are defined as labour businesses, and are also subject to new regulations made under this Act on 6 April 2004. An employment business engages work-seekers under either contracts for services, or contracts of employment, and supplies work-seekers to labour users

5.2.1 Legal definition of gangmaster

The intention of the Act is to eradicate illegal labour practices by 'gangmasters', rather than 'gangmasters' per se. From July 2004 the legal definition of a 'gangmaster' is a person providing temporary workers to agricultural work, gathering shellfish and processing or packaging any product derived from agricultural work or shellfish, fish or products derived from shellfish.[68] Currently, many recruitment and employment agencies and other suppliers of temporary workers such as farmers, growers, SAWS operators and machinery rings, do not view themselves as 'gangmasters'. When the Act is brought into force in June 2006, businesses currently unaware of their new status under the Act will be identified as 'gangmasters' and will need a licence to operate.[69]

5.3 Overview of labour providers and temporary workers - all sectors

Most sectors of the UK economy use temporary workers. The UK recruitment and staffing industry across all sectors of the economy is estimated to be worth around £24.5 billion. The sector is made up of around 14,500 labour agencies ranging in size from micro and small independent businesses to major PLCs and multinational organisations.[70] The Annual Recruitment Industry Survey 2003/2004 conducted by the Recruitment and Employment Federation and PricewaterhouseCoopers found that demand for temporary workers across all sectors was up by 5.7%; predicted growth for 2004/2005 was 8.0%; turnover would reach £26.4 billion and there would be more than 1.5 million temporary jobs in the UK.

5.3.1 Meeting a need – the role of labour providers in the integrated food chain

In Section 3 we saw that industry professionals working within the trade acknowledge that temporary workers are often overlooked. The Ethical Trading Initiative (ETI)'s Temporary Labour Working Group (a consortium of major retailers, growers, suppliers, labour providers and trade unions) explored the practices of labour providers. The Group concluded that temporary workers were an integral aspect of the food chain, and acknowledged the role of labour providers as an important component of production. In 2004 the ETI ran a pilot audit of employment practices with six labour providers, and found that some key areas of non-compliance were subcontracting, health and safety at the place of work, regularity of employment, working hours,

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for temporary assignments or contracts where they will be under the users' supervision or control. This is usually known in the industry as the "supply of temporary workers". Most labour providers are employment businesses for the purposes of the Employment Agencies Act 1973. A company engaged in both "permanent recruitment" and "the supply of temporary workers" will fall into the definition of both employment agency and employment business, to reflect both sides of the business.

[68] In this Act, "agriculture" includes (a) dairy farming, (b) the production for any purpose or any trade, business or other undertaking (whether carried out for profit or not) of consumable produce, (c) the use of land as grazing, meadow or pasture land, (d) the use of land as an orchard or osier land or woodland, and (e) the use of land for market gardens or nursery grounds. "Consumable produce" means produce grown for sale, consumption or other use after severance from the land on which it is grown. In this report the term "agriculture and fresh produce sector" is used to encapsulate all these inclusions.

[69] As of January 2005, 140 labour providers had registered with the ETI to begin the auditing process, which is the first stage towards gaining a licence.

[70] Market research analysts Plimsoll identified 175 employment and recruitment agencies as market leaders, of which about 40 supply sectors covered by the Gangmasters (Licensing) Act (www.majorcompanies.co.uk).

minimum wages, and employment contracts and terms. [71] These key areas of non-compliance are discussed below.

We turn now to explore the estimated number of labour providers and temporary workers active in the sector.

5.3.2 Estimated number of labour providers and temporary workers to agriculture and horticulture

The Environment, Food and Rural Affairs Committee, Fourteenth report of Session 2002-03, House of Commons, (paragraphs 19-20) commented on the need to obtain a comprehensive view of the sector. Government agencies such as the Department for Work and Pensions (DWP), Home Office, Inland Revenue, Customs and Excise, and the newly formed Gangmasters Licensing Authority are dependent on data on the estimated number of labour providers and temporary workers in the UK economy to inform policy.

The information is also of public interest:

"No one knows how many migrants are caught up in the 'gangmaster' system of casual employment in the UK. …Yet estimating the extent to which our economy is dependent on this form of casual labour is vital to addressing the potential for abuses." (Felicity Lawrence, *The Guardian*, 11 January 2005, p.11)

The reasons why data is currently not available for this sector of the economy are of relevance here.

5.3.3 Legacy data on numbers of 'gangmasters'

The number of businesses classified, as 'gangmasters' was last published by the Inland Revenue in 1994, using data gathered by the Agricultural Compliance Unit. In 1989 the Agricultural Compliance Unit was formed by the Inland Revenue to trace tax avoidance by temporary workers employed by labour provider businesses. The unit introduced four data collection points from labour users and labour providers known as forms ACU1, ACU2, ACU3 and 46ACU(should this not be ACU4-6? Seems odd, following on from the first three). Collectively these forms gathered data on the number of labour providers, including subcontractors, and the number of labour users and their labour providers. The information provided by the ACUs was used to calculate the amount of tax and National Insurance contributions that should be paid by workers supplied by labour providers, as well as the number of labour providers and number of labour users. The data gathered by the unit was compared against the actual amount of tax and National Insurance contributions paid by these groups, including VAT by labour providers. Using this approach, between 1989 and 1994 the Agricultural Compliance Unit claimed to have identified 5,500 'gangmasters' and recovered £537 million in unclaimed tax (*The Guardian*, 26 August 1995, p.37).

Labour providers (and labour users) in this study could not understand why this system had been allowed to decay and in their view was not used to identify labour providers who did not pay

[71] http://www.lpcode.co.uk

VAT. Labour providers interviewed for this study commonly asked the interviewer: "What happens to my ACU forms?"

5.3.4 The estimated numbers of temporary workers in the UK supplied by labour providers

It is important to remember that the figures given here refer to the estimates of numbers of temporary workers or people employed in temporary work, which the sector draws upon in a 12-month period. The estimated numbers employed do not equate to numbers of jobs, either full-time or part-time, as some workers may be employed for a matter of hours, others intensively for several weeks, and some remain for the whole year (see Section 1, The Model, and Section 2 Figure 2.2).

From our survey of 85 labour provider businesses and 945 labour user businesses, we calculated the number of temporary workers in the UK supplied by labour providers to be an annual total range of 300,000 to 450,000 people, and the estimated number of temporary workers directly employed by farm enterprises to be in the range of 120,000 to 160,000 people. (See Section 1 and The Model).

The total estimated number of temporary workers employed in the UK in primary agriculture, horticulture and co-located food processing is an estimated range of 420,000 to 611,000, excluding the SAWS quota for 2004 of 25,000 students. We were asked by Defra to comment on the proportion of temporary workers directly employed in the sector and the proportion recruited through third parties, the labour providers.

Table 5.1: Estimated composition of labour users' temporary workforce compared with labour providers

	Labour users direct	Labour provider	Totals
% UK nationals	71%	34%	43.7%
% EU nationals	9%	29%	23.5%
%Non EU	20%	37%	32.5%
Totals % Total estimated number in 000s	100% 120- 160	100% 300- 450	100% 420- 611

Source: Precision Prospecting primary research conducted for Defra, Spring 2004.

Table 5.1 shows that the estimated composition of the labour users' temporary workforce is 71% UK nationals and 29% foreign nationals. For labour providers, it is estimated that 34% of temporary workers supplied by them to labour users are UK nationals and 66% are foreign nationals

5.3.5 Labour provider businesses – information from survey data

In the following sections the quantitative and qualitative data are brought together to build a picture of the labour provider sector and its employment patterns and practices. The idea that there is a top tier of 500-600 labour providers supported by a base of 1,000 to 2,000 small and micro labour providers is explored in detail.

Subcontracting

According to the ETI Temporary Labour Working Group, subcontracting is endemic throughout the sector, and while they would wish to discourage it "it is unrealistic to presume that labour providers can escape its necessity when sudden variations in demand occur". Data from the labour providers' survey showed that two-thirds of labour providers use subcontractors and one-third also acted as subcontractors.

Table 5.2: Sample labour providers and subcontracting activities n=85

	%Use subcontractors	% Act as subcontractors
Labour providers and subcontracting activities	69	29

Source: Precision Prospecting primary research conducted for Defra, Spring 2004.

Of those respondents in the sample using subcontractors, 29% said that they used them on a routine basis and 20% said that they used them occasionally. From the sample, we see that as only 29% of labour provider businesses say they supply labour to other labour providers, there is a net shortfall of businesses supplying temporary workers versus those requiring them. This gap in all probability is met by a further group of smaller subcontractors.

Looking at the survey sample labour provider businesses by subcontracting activities and turnover showed that subcontracting did not occur in the top 20% of labour providers sample businesses with turnovers of £7 million and over, but only in businesses with turnover of more than £1 million and less than £7 million.

There is further evidence from our sample that 20% of labour provider businesses, mainly concentrated in businesses with below £7 million turnover, experience an annual uplift in the demand for temporary workers in the range of 11% to 171%. In order to handle such fluctuations in demand, temporary workers have to be found, and this supports the idea that a number of smaller labour providers exist who can be subcontracted in to cater for this (see Table 5.3).

Drawing on the desk research, it appears that businesses with turnover in excess of £7 million are more likely to have regional and national offices, and can draw on workers in different branches to cope with peak demand.[72] In interviews, three labour providers described how they drew upon

[72] The Recruitment and Employment Confederation website lists 82 temporary labour providers classified to agriculture. Of the businesses listed, 42 belong to one company having agency offices nationwide. It also lists 400 agencies as providing temporary factory workers many of whom are in primary food processing which may or may not be co-located (http://www.rec.uk.com).

the services of micro and small-scale businesses as subcontractors. The interviewees explained that their subcontracting arrangements were very long-term, and claimed that because of pressure from supermarkets they were not taking on any new subcontractors. In one case the subcontracted gang were said to be self-employed.

Hypothesis for the estimated number of smaller micro labour providers

To achieve a turnover of £1 million, a labour provider must have the equivalent of around 85 workers constantly deployed to labour users, each working a minimum of 2,000 hours for a 12-month period for the minimum wage, plus 35% service charge. Working with the quantitative and qualitative data as set out in the box below, we are able to propose a hypothetical scenario for the labour provider sector serving agriculture and horticulture by turnover and estimated numbers of temporary workers employed (see Table 5.3, Profile of labour providers). Such a scenario would allow for an estimated 20,000 to 30,000 people to be supplied for temporary work by smaller micro labour providers to larger labour providers (of more than £1 million turnover) to cover peaks in demand. From such a scenario we can further deduce that this might require an extra 1,000 to 2,000 micro labour providers.

Box 5.1: Small and micro labour provider businesses

The idea that there exists a group of around 1000 to 2,000 small and micro labour suppliers is based on the following:

- In 1994 the Agricultural Compliance Unit identified 5,500 labour providers.
- Defra estimated the number of labour providers at 4,000.
- The Fresh Produce Consortium estimated the number of labour providers at 3,000.
- The Association of Labour Providers estimated that there might be a maximum of 1,000 labour providers interested in joining the association. (their estimation excludes micro businesses).
- The evidence from the ETI Temporary Working Group on the need for subcontractors to cope with flux in demand for temporary workers.
- The labour user and labour provider survey data on the use of subcontracting.
- The qualitative data lends to the view that there exists another group of labour providers other than the visible top tier of 500-600 estimated on the basis of the survey data alone.

The working hypothesis of 1,000 to 2,000 small and micro businesses in the absence of any other data is, in the authors' view, a reasonable starting point before further quantitative work can be carried out in this area. [73]

[73] Analysis of the legacy data from the ACU has not been possible, which means that information as to the size of the 5,500 labour provider businesses by turnover or numbers of workers has never been made available. Information has not been obtainable on the percentage division of the £537 million recovered in unpaid tax between tax recovered from gangmasters and tax recovered from casual workers. Yet, if we were to say that ALL the unpaid tax had been recovered from gangmasters this would represent on average around £1,000 per business recovered in unpaid tax over a four-year period. This minimal average amount of tax recovered per business suggests to this writer that in 1994 the majority of the 5,500 labour provider businesses were probably small-scale micro businesses.

It must be remembered that any figure which is supplied on a subcontracting basis by micro labour providers will not change our overall estimate of people employed in temporary work because it is already accounted for in the larger labour provider supply figures.

Table 5.3: Profile of estimated numbers of labour providers serving agriculture and horticulture by turnover, and minimum, maximum and average numbers of temporary workers employed in an average month

Estimated numbers of labour providers	**Estimated turnover range**	**Estimated numbers temporary minimum and maximum in a month**	**Estimated numbers of temporary workers average per month**
%Estimated micro and small labour provider businesses *			
60%	£88k - £174k	0 -12	8
17.5%	£175k - £499k	0 - 50	25
22.5%	£500k –999k	10 – 300	85
Total nos 1000 to 2000			
%Estimated top tier labour providers* *	**Labour user survey data**	**Labour user survey data**	**Labour user survey data**
50%	£1m- £2.9m	10 – 500	148
25%	£3m - £6.9m	10 – 600	177
17%	£7m – £9.9m	266 – 1000	727
7%	£10m - £150m	266 – 1000+	727
Total 100% Total nos. of 500 – 600			

* Working hypothesis based on qualitative data and desk research
** Source: Precision Prospecting primary research conducted for Defra, Spring 2004.[74]

Our suggested distribution of the top tier of 500-600 labour providers with turnover in excess of £1 million is extrapolated from the distribution sequence for labour providers by turnover in the survey data. Table 5.3 above represents the estimated numbers and distribution of labour

[74] The Gangmasters Licensing Bill Regulatory Impact Assessment (paragraph 7) published in May 2004 defined a small firm as one with fewer than 50 employees and with less than £4.44 million annual turnover or less than £3.18 million annual balance sheet. Using this measure, none of the top-tier labour providers qualify for small business status based on the number of employees and 40% had turnover of £4 million.

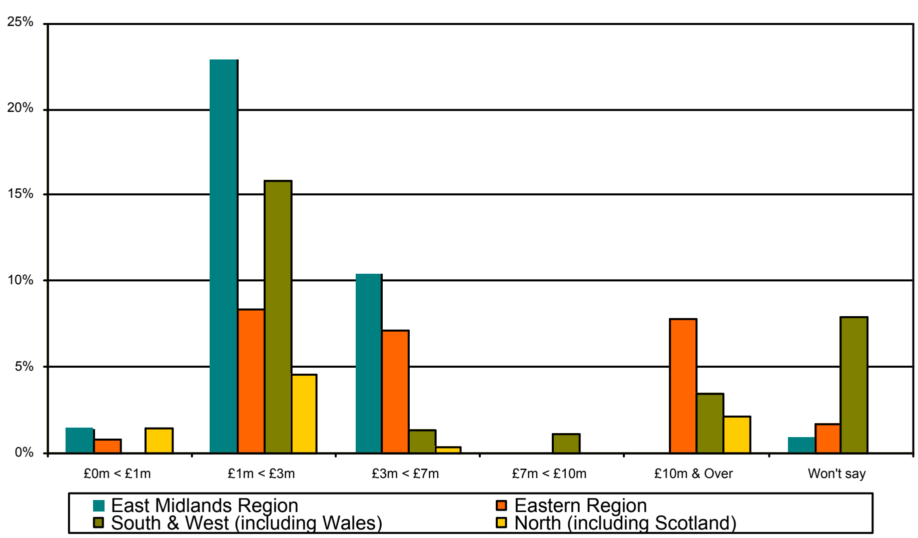
providers active in the sector. It illustrates labour provider business by turnover, estimated maximum and minimum numbers of temporary workers in a month to cope with the peaks and troughs in demand, and the estimated average number of workers in a month.

The suggestion that there may exist a group of small and micro labour provider businesses has been explored above. Table 5.3 suggests how this part of the labour provider sector might be structured. One point of interest is that micro businesses with on average six people produce turnover in the region of £88,000 to £174,000. This level of turnover would make micro labour provider businesses subject to VAT. VAT is charged when business turnover exceeds £58,000. Labour providers in interviews complained that illegal operators who defrauded their VAT returns undercut them. The presence of a section of fraudulent labour providers that can supply temporary workers below the market rate is a driver of poor employment practices.

Regional presence of labour providers

In the sample survey, labour providers were interviewed from the North, South, East and West regions of the UK. Figure 5.1 shows that businesses with turnover of £10 million or more are found in the eastern region and smaller businesses with turnover in the range of £1-3 million are found in the East Midlands region.

Figure 5.1: Estimated number of labour providers by turnover (£ millions) and region



Source : Precision Prospecting primary research conducted for Defra in Spring 2004

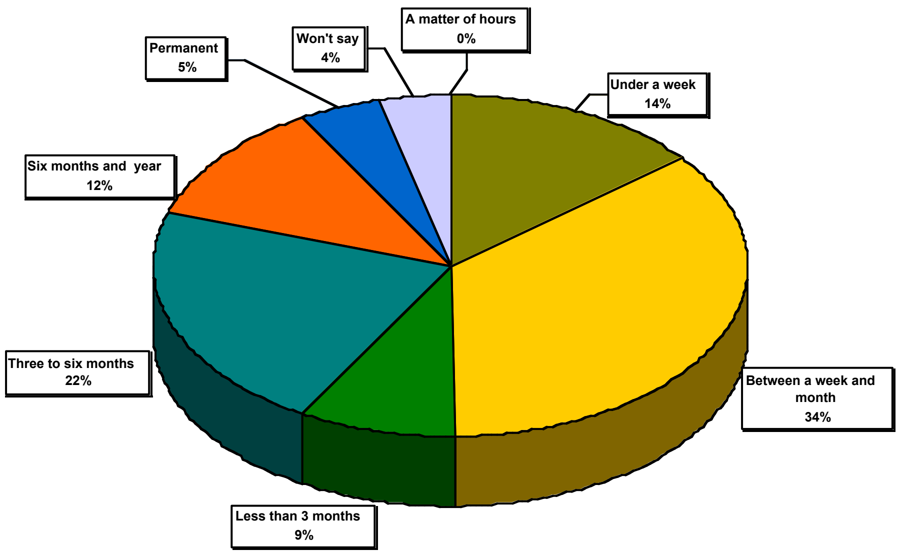
NB: South & West includes West Midlands, South West, South East and Wales; North includes Scotland, North East, North West, Yorks and Humberside

How long temporary workers remain in the sector

One of the specific objectives of the study was to establish how long individuals worked in the agricultural and horticultural sector and what alternative opportunities exist in other sectors. The sample data showed that nearly half (48%) of temporary workers stay for less than one month at a time with the same labour provider (see Figure 5.2 below). A core of workers (5%) stay with their employer on a permanent basis, and 12% stay for between six to 12 months.

It is a legal requirement for all workers employed for at least one month to have a written contract or statement of terms and conditions. Given that nearly half of the sample stays for less than one month, this possibly indicates that many temporary workers may not have a statement of terms and conditions.

Figure 5.2: Duration of employment for temporary workers with labour providers

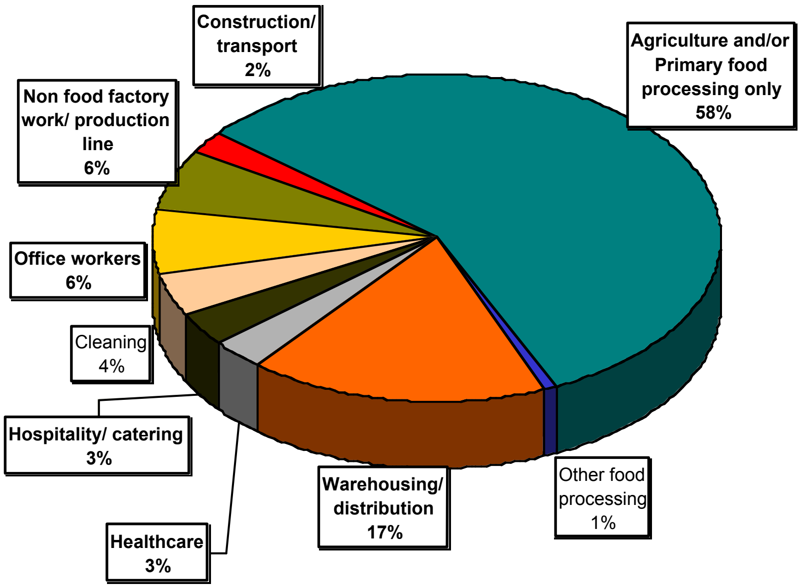


Source : Precision Prospecting primary research conducted for Defra in Spring 2004

Employment opportunities in other sectors

All interviewees in our labour provider sample had to be supplying agriculture and horticulture. The sample data show that 40% also provided workers to other sectors of the economy.

Figure 5.3: Other sectors supplied by labour providers



Source : Precision Prospecting primary research conducted for Defra in Spring 2004

Figure 5.3 shows that 58 % of the total business of labour providers interviewed was within agriculture and primary food processing. 40% of labour providers in the sample supplied temporary workers to other sectors of the economy, including warehousing, cleaning, hospitality and catering, healthcare, office workers, factory work, and transport. Only 2% of labour providers provided to both agriculture and horticulture and construction. This might be an indication that in general labour providers in the food sector do not cross over into construction.[75]

The reason why 60% of labour providers supply solely to agriculture and horticulture may be found in the evidence given by one labour provider -

"The fresh produce sector pay their bills within 7 to 10 days. In other sectors it takes 6 to 12 weeks. That's why there is a difference in labour providers. Some are stuck with serving the fresh produce sector. We built up our businesses by taking on one new customer at a time from outside the fresh produce sector. The first time we did it we were owed £594,000 in wages until we were paid – that's a lot of money for a small business."

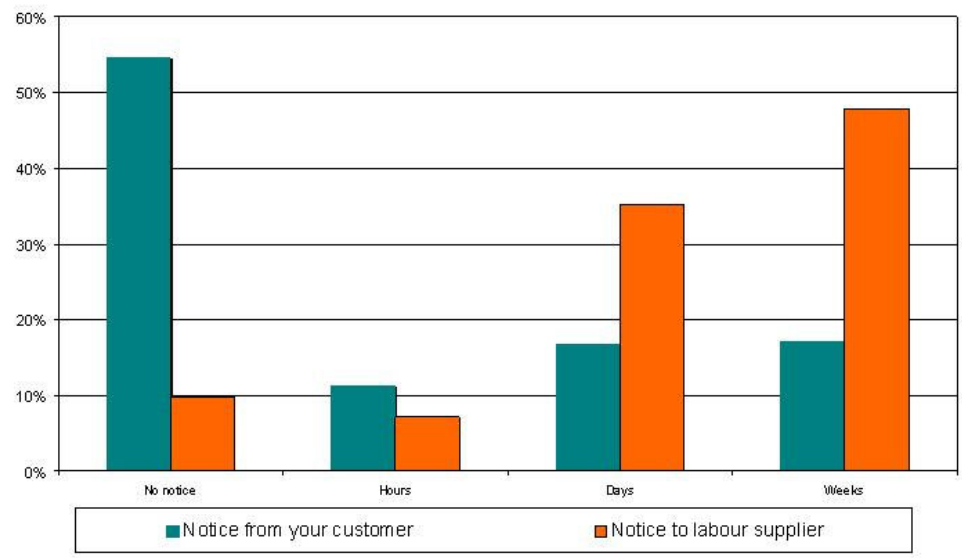
Previously, we looked at subcontracting as a way to manage fluctuation in demand when little or no notice for services is given by labour users (see Figure 5.4). Another way labour providers manage peaks and troughs in demand for services is by having a portfolio of contracts in sectors of the economy other than agriculture and horticulture. In this way, when demand is low for one sector supply is high for another. One labour provider with turnover in the region of £3 million, balanced contracts for packhouse work, which has peak demand in November and December with

[75] Although the data indicate the two sectors are almost mutually exclusive, desk research showed that one of the top 100 employment and recruitment agencies in the UK began as a micro labour provider to agriculture and horticulture, and now largely serves the construction sector.

a contract for temporary workers on a production line where the autumn months were those with lowest demand.

The amount of notice offered by customers to labour providers ranged from no notice, a matter of hours, days, and weeks. Figure 5.4 shows that labour respondents said 55% of their customers (labour users) gave no prior notice of their temporary worker requirements. Nearly 50% of labour provider respondents said they give notice in weeks to their temporary workers. The data gathered here supports the evidence from labour users (Section 4.3.4) that the workers are required to stay on after a shift with no prior notice.

Figure 5.4: Labour users amount of notice offered by customers versus notice they are able to offer temporary workers



Labour user interviewees also commented on the amount of notice given to labour providers for temporary workers. In one case, 24 hours' notice is usually given to staff but there was no need to give notice when temporary workers were no longer required. We were told that the labour provider sometimes gets staff in for one hour if necessary: "I don't know where she keeps them", commented a labour user. [76]

[76] The Regulatory Impact Assessment made clear that employers have responsibilities in these areas. Paragraphs 4.13 and 4.14 state (bearing in mind that the figures are before the increase in the minimum wage) -

> "4.13 As a result of this trend [labour users giving virtually no notice of changes in their requirements for labour] labour providers find it difficult to meet demand for a flexible workforce whilst guaranteeing the minimum terms and conditions required by a growing body of employment legislation. The service that labour providers provide to the food industry is essentially one of surrogate employer. As employers, labour providers have to bear the costs of the improved employment rights just referred to. But labour users have not been prepared to pay the increased costs associated with these statutory benefits." (See Appendix 6, Detailed calculation of add-on costs.)

Training

Labour providers search, recruit, vet and process temporary workers before they can offer them to labour users. 70% of labour providers interviewed said they offered some form of training. Table 5.4 shows that 68% of the labour provider respondents trained temporary workers in health and safety.

Table 5.4: Training provided for temporary workers by labour providers n=53

Training	% Respondents	Training	% Respondents
Health & Safety	68%	Training isn't offered as standard	6%
Depends on Customer requirements	19%	Other office/location supplies training	4%
Food Hygiene	13%	Tractor work	4%
Fork lift training	13%	Directly by the customer	2%
Manual Hygiene/ handling	13%	Employees must ask	2%
On the job/ on site training	11%	Harvest training	2%
English language programme	8%	LANTRA	2%
First aid	6%	Machinery training	2%
Induction program	6%	NVQ	2%
		Offer training	53

Source: Precision Prospecting primary research conducted for Defra, Spring 2004

Extrapolating from the sample, it is estimated that over half of the top tier of labour providers offer some form of training for temporary workers. This connects with the qualitative labour user interviews, which reported that: “we only take agency staff that have had health and safety training by the agency”. Another said: “The most important thing is trained and motivated staff, in the correct numbers with all the paperwork sorted out.” And another: “The agency do train them on certain things, but the farmer trains on the use of their machinery.” In contrast, 36% of labour users said they provided induction for temporary workers and 74% said they did not provide any training for temporary workers. From our understanding of how the Food Safety Act 1991 is applied in labour user businesses, it is impossible for workers to be on site in co-located packhouses and primary food processing without the required level of induction into basic food safety. The data suggests that this role has now become part of the ‘visible’ labour providers’ service to labour users (see Section 4, where the case studies suggest that training varies by type of labour user business and kind of labour provider).

“4.14 This phenomenon is driving illegal working and exploitation. The problems are unlikely to be significantly reduced unless the price paid for supplied labour is increased. This means that customers for such labour must be prepared to pay a price, which allows labour providers to meet legal obligations towards their employees (e.g. at least the National Minimum Wage without bogus deductions, employers’ National Insurance contributions, statutory sick pay and holiday pay) and their legal obligations to the Exchequer, and make a profit. Any packhouse paying less than £5.85 (or farmer paying less than £6.70) an hour for supplied labour is knowingly condoning illegal working.”

Worker skills

Drawing on the labour users' survey of 945 businesses, respondents said there are few tasks that can be considered to be exclusive to permanent or temporary workers; only 4% of respondents talked about exclusive tasks for permanent workers and 13% mentioned exclusive tasks for temporary workers. Indeed, 27% of respondents openly stated there was no difference. The qualitative data supports this. For example, in an interview one large-scale farm enterprise reported that: "temps are used as production supervisors, QA supervisors, (in the) print room, forklift drivers, Health and Safety, and QA training as well as the normal work".

Labour providers should have employers' liability insurance for the workers whenever they have any part in supervising workers (and, given that 70% of the labour provider respondents offered training, this indicates that they do). Whoever controls the activities at least in part is responsible, and must be insured.

5.3.6 Labour providers' businesses – interview data

The survey data was supported by five in-depth interviews with labour providers. The turnover for the businesses ranged from just under £1 million to over £7 million, and their core numbers of temporary workers ranged from 35 to 450. The interviewees' businesses were located in the North, South and East of the UK; all supplied agriculture and horticulture and two supplied other sectors of the economy as well. The interviewees were selected from the sample survey to reflect size and region as far as possible, given the size of the sample. The next section draws on the qualitative data to look at recruitment, contracts with workers, hours worked, pay, accommodation, transport and training issues specifically from the labour providers' perspectives.

Business logic

The labour providers' business logic is the provision of flexible workers available and willing to work split shifts, (working five days out of seven), weekends, night shifts and extended day shifts with no notice. The workers have to accept that the hours of employment and minimum earnings cannot be guaranteed, because they will work only as and when required to by the labour user.

"This working pattern is unattractive to local people as they don't want to work weekends and want regular shift patterns and family-friendly working hours. If English people are made to work at weekends they go off sick." (Labour provider, eastern region)

We were told that absenteeism within some large companies is as high as 35%, and the need to reduce absenteeism is one of the key reasons for using labour providers. Labour provider businesses are organised to ensure that the right numbers of people are always available to work. The difficulty of ensuring that there are always sufficient compliant workers available at any time may be one of the factors that lead to worker abuse. In attempting to keep a ready pool of temporary workers, some labour providers have withheld workers' documents and used accommodation as a tie. (Evidence to Efra Committee, Gangmaster, Fourteenth Report of Session 2002-03, paragraph 12)

Box 5.2:
A packhouse with high absenteeism decided to outsource 40 full-time jobs to a labour provider. In order to make sure that 40 people would always be available to work in the packhouse to cover the seven-day working requirement, the labour provider had to train and rotate a team of 55 workers.
Labour user businesses cannot take the risk of high absenteeism, as that could lead to failure to supply. Failure to fulfil orders on time leads to delisting as a supermarket supplier. The eradication of wholesale markets, as discussed in Section 2, and other food retail outlets means that suppliers who are delisted have no alternative market in which to sell their products. This in part accounts for labour users not giving labour providers any prior notice of their requirements (see Figure 5.4).

In Section 4, labour users described their need for the 'right kind of workers' (4.3.1). Labour providers spoke of the crucial importance of finding the 'right workers' in the right numbers, at the right times, and being able to transport them to the right places. Not only do temporary workers need to accept flexible working hours with little or no notice, they must also accept flexibility within the workplace, so as to be easily moved from job to job, sometimes within the space of one working day.

Recruitment

In all cases the labour providers interviewed did not need to advertise for workers in the UK or abroad they recruited by word of mouth. All the interviewees said that UK nationals refuse to work in this sector of the economy and labour providers found it futile to advertise in the local press, drop leaflets or use the employment services,[77] 'We used to advertise which cost £500 a week, but not any more.' Where labour providers were heavily dependent on Portuguese workers they said they used to visit Portugal to recruit, but now no longer needed to, as workers recommended them to friends and family members. Labour providers commented on how they preferred working with foreign nationals. In their view temporary foreign nationals do the same job as permanent UK workers, but the customer is getting better value because, "They are highly motivated, don't miss a day, do exactly what's asked and don't complain." Labour providers did not regret the change in composition of the workforce, "It is so good to work with people who don't complain. There is none of the constant moaning that you get from local people". The descriptions given here of temporary workers mirror those accounts provided by labour users in Section 4.

Verifying foreign nationals' right to work

It is a criminal offence to employ someone not entitled to work in the UK. Employers have a defence if they check and copy and keep records of the necessary documents of new employees. Labour providers emphasised the problems associated with putting in place systems of verification for a constantly changing workforce. In their view, this has imposed a costly regulatory burden on their businesses. Labour providers report that support from government agencies on how to identify false papers is dependent on 'personalities' rather than the system. Getting workers issued with National Insurance numbers was cited as a key difficulty, as workers had to take a whole day off to be interviewed at DWP offices, and we were told that appointment times were not given. In two other cases, we were told that DWP officers came to the labour providers' premises to see workers.

[77] 34% of temporary workers supplied by labour providers are UK nationals.

This 'visible' group of labour providers also complained that government agencies are both unwilling and unable to inform them on how to effectively manage the induction of migrant workers into the labour market and the tax system. In their view, they now have to deal with a more vulnerable workforce and resources have to be given to employing translators and ensuring that workers are aware of their rights, as well as having to induct workers in areas that are not required for UK nationals.

Accession state workers to have to register with the Accession States Worker Registration Scheme (WRS). Labour users view the role of labour providers in vetting temporary workers' right to work as important. One labour user supplying the major supermarkets and using 60-140 temporary workers for 52 weeks of the year explained how: "The labour provider sorts out visas, passports and all the running around to check legitimacy for being here so I can guarantee that all temps are not only legal but 'trained' to be here." In this case, the labour user needed to be able to 'guarantee' the supermarket customer that all the labour on site had the right to work.

Contracts with workers

It is a legal requirement for all workers employed for at least a month to have a written contract or statement of terms and conditions. Some larger labour providers employ administrative staff that speak several languages, and some have translated contracts and induction materials. The survey data showed that 20% of workers stay less than a month and there is interview evidence that some are choosing to do this to avoid signing up for the Worker Registration Scheme and thereby avoid paying the £50 fee.[78] The average turnover of workers registering with labour providers as available for temporary work in a 12-month period is three and a half fold (see the Model). In one case a small labour provider with a core workforce of 35 and turnover of £1 million registered over 450 people in a year, many of whom worked with him for only one or two days. "Even if they only work a day you have to provide holiday pay and the paperwork puts a lot of strain on us. I have in my office 160 unclaimed P60s." Another labour provider with a turnover of £6 million and an administrative staff of 17 reported having 600 people registered in order to supply 450 workers a week.

Looking at the evidence from both labour user and labour provider interviews, it may be the case that labour users seek to offload the resource-intensive activities of constant recruitment and

[78] On 10 November 2004 the Home Office published the first comprehensive report on applications made under the Worker Registration Scheme. It covers the five months from 1 May to 30 September. The key points are –

- 80,730 applications were accepted. The number peaked in June at 20,050; the number in September was 9,790.
- The largest nationalities represented are Poles (56%), Lithuanians (17%) and Slovaks (10%).
- At least one third of applicants were already in the UK on 1 May, most working illegally.
- 13,520 of the applicants (17%) worked in agriculture and 3,865 (5%) in food processing. The sectors with the largest numbers of workers were hospitality and catering – 24,170 (30%) and administration, business and management – 15,920 (20%).
- The highest proportions of workers are in London (24%) and Anglia (19%). Of the total workers in Anglia 4,750 were in agriculture and 550 in food processing.

A more detailed breakdown of the figures suggests that just 1,500 workers from accession states were employed in packing and processing fruit and vegetables. This seems implausibly low.
30,000 National Insurance numbers have been issued to workers from the accession states even though 80,000 workers have registered.

processing of workers when they use the services of a labour provider. In Section 3, the supermarkets expressed the view that there is still room for some efficiency gains, depending on supplier. One professional linked to the supermarket sector argued that 30% of inefficiencies remain within the system from field to fridge. The labour users' rationale is therefore to extrapolate from the business any activity that does not create value to the bottom line.

Hours worked

In common with the labour user interviews in Section 4, the view expressed by all labour providers interviewed was that foreign national temporary workers want to work extended shifts. From the labour providers' perspective, this was because they were keen to earn money and then take periods of time off. "They would work seven days a week if you would let them, their aim is to get some money and return home."

The industry peak in December creates demand, which is in part met by people working for four weeks on 12-hour days for seven days a week. Labour providers took the view that employing foreign nationals had advantages to this way of working as it allowed people to work irregular days, to work either part of the week or a whole week, or to work extra days. The labour providers thought this flexibility was attractive to workers, and they pointed out that the flexible hours they offered would not be available if they were full-time direct employees of the labour user. Three labour providers in interviews claimed that being direct employees would inhibit their workers' ability to organise childcare, and for foreign nationals to take extended home visits.

An unquestioning acceptance that the sector is typified by irregular shift patterns and long working hours came through in both labour provider and labour user interviews. Some workers' perspectives are given in the next chapter. All labour providers were critical of how their customers managed temporary people working long and extended shifts with no notice.

"In the fresh produce sector breaks are unpaid and on a 12-hour shift the worker gets one half hour break and two quarter hour breaks. Their (the labour users') excuse is that the margins are small and controlled by the customer. We charge fresh produce customers 36% service charge and we make 2.5%, we do a lot better than other sectors."

In one case the labour provider had also taken steps to prevent his customers from laying off temporary workers without notice.

'We've stopped our customers turning labour 'on and off' by making them guarantee four hours' minimum pay. We've put this in the agreement and it stops them ordering staff just for the sake of it. Now all employees are guaranteed half a day's pay."

Pay

All labour providers explained that in order to pay a worker the national minimum wage of £4.85 per hour, the labour provider must charge the labour user a minimum of £6.30 to allow legal requirements to be met (see Appendix 6, Detailed calculation of add-on costs). The agricultural, horticultural and primary food-processing sector is a low pay sector. Even when workers are paid at the AWB rate of £5.40 per hour, take-home pay after tax and National Insurance deductions is in the region of £3.65 per hour. Labour providers that serve other sectors of the economy told us that the rates in the food chain are very low; in comparison, cleaners were charged out at £8 per hour.

"We charged the packhouse £7 per hour for each worker and paid £4.20 (minimum wage at the time) to the workers and £5.50 to the supervisors. You really need a 55% margin to make any money. In landscaping and building, the hourly rate charged by the labour provider is between £13 and £15 and the worker gets £6 or £7 an hour."

Where workers were on piece rates (which applies more to fieldwork than packhouses), we were told that earnings were in the region of £400-£500 a week compared to around £200 a week for a worker on the minimum wage before deductions. (Earnings at this level for piecework were not found in the case studies; see Section 4 and Section 6). All the labour providers interviewed felt that the AWBO did little to help keep up pay rates and only added to the general confusion about rates of pay.

Three of the labour providers we spoke to said they had special arrangements with a bank to help UK and foreign nationals open an account so that their wages could paid be in automatically. All the labour providers we spoke with were scathing of the Worker Registration Scheme, which charged foreign nationals £50 when they registered to work and required that their passports be sent in the post with the registration forms.

Accommodation

In the labour providers' survey sample, 18% of respondents said they provided accommodation. Under minimum wage legislation (both agricultural and national), employers are not generally able to count benefits as part of the minimum wage. For example, an employer cannot deduct say 30p an hour for meals, transport and insurance. The only exception is for accommodation. Here, however, there is a very strict maximum related to the number of hours worked with an overall maximum of £26.25 a week. That is, if an employer requires his staff to live in accommodation provided by him and assuming say a 50-hour week, then 52.5p an hour can be deducted from the wage actually paid as payment for the accommodation.

The view expressed by the labour providers was that a constantly shifting migrant workforce is in need of easily available and affordable accommodation that is up to standard. The problem for all migrant workers is that letting agencies and landlords require proof of identity and ability to pay, including a deposit. Proof required is usually in the form of a utility bill and a bank account. Workers in this sector of the economy, both UK nationals and foreign nationals, have difficulty meeting these criteria. It has been shown that accommodation is a key source of profits for criminal labour providers through charging excessive rents and taking advantage of workers' lack of choice. (Labour users expressed the same difficulties in providing accommodation in Section 4). Of the five labour providers interviewed, all had at some time provided accommodation. In one case a labour provider owned residential properties to house new arrivals let through a letting agency - not the business. New workers can rent the property without a deposit for a maximum of three months. If, at the end of this period, they have regularly paid their rent and utility bills and been good tenants, the letting agency will take them on and they move into permanent accommodation not owned by the labour provider. In general, labour providers saw providing accommodation as 'more trouble than it was worth'.

Transport [79]

In the survey sample of labour providers, 50% of respondents said they provided transport. Labour provider and labour user interviews revealed how workers in the agricultural and horticultural sector work in remote locations, and need access to transport to take them to and from work. Labour providers said they had to provide this service, and labour users told us this was why temporary workers remained with labour providers even when they offered direct employment. One labour provider with a core of 30 to 35 workers ran four mini-buses and three company cars. The company cars were needed to get workers to customers who wanted extra labour literally at a moment's notice. Large-scale labour providers need fleets of mini-buses often in excess of 50 vehicles. Transport poses a major problem for labour providers as the legislative provisions are designed to deal with commercial transport providers. Labour providers have had difficulty in insuring their vehicles as 'labour providers'. It is simpler and less costly to insure as a transport business. Some labour providers have taken the view that transport is so complex they have outsourced the operation to a specialist transport provider, or have set up their own separate specialist transport business. To meet all the regulations plus the cost of mileage to work, one labour provider had calculated that transport cost £4.04 per person per day.

5.4 Conclusion

This section has presented a profile of labour provider businesses in the UK based on the labour provider survey and in-depth interviews. The examination of employment patterns and practices for temporary workers explored here was from the perspective of the labour providers.

[79] Any labour provider who makes a charge, such as a weekly administration charge, to workers, and who transports them to and from their places of work, must have a public service vehicle (PSV) operator's licence and the driver must have a passenger carrying vehicle entitlement (PCV) licence. Provided a vehicle has fewer than nine passenger seats, there are no additional regulatory requirements that have to be met. Where a vehicle has nine or more passenger seats, then a PSV operator's licence is required if the vehicle is used for hire or reward. Where a vehicle has 17 or more seats, a large bus permit is also required. Where only one or two vehicles are operated, then a restricted licence can be applied for rather than a full licence.

Where deductions from pay are made to cover transport or any other administrative costs, then the prior written consent of the worker is required. This is a legal requirement. If the worker has no choice but to pay the charge, then it must not take the worker below the minimum wage.

Summary

- Labour providers must charge the users a 35% minimum service charge to meet all legal requirements for running their businesses.
- The sector is characterised by long working hours, unsocial shift patterns and low pay. UK nationals increasingly refuse to participate in this sector of the economy.
- Farmer and grower enterprises are outsourcing their labour as an efficiency measure to reduce costs and avoid high rates of absenteeism.
- Foreign nationals meet the shortfall in demand for temporary workers in the sector where UK nationals no longer take part.
- Some temporary workers are unable to become direct employees of the labour user [even if offered] because they do not provide transport as do labour providers.
- An estimated 50% of temporary workers stay less than one month with labour providers. Foreign nationals have one month from joining an employer to register with the Worker Registration Scheme.
- Labour providers were critical of the notice given by their customers for temporary labour and the management of temporary workers while on site.
- Labour providers provide health and safety training to their workers.
- There is little difference in the work performed by direct employees and that performed by temporary staff. Temporary workers **are** employed in supervisory roles.
- An unquestioned acceptance that the sector is typified by irregular shift patterns and long working hours came through in both labour provider and labour user interviews.

6. TEMPORARY WORKERS' PERSPECTIVES

Thirty-six workers were interviewed across four case study companies.[80] Unlike the survey questionnaire method used for collecting data from labour users and labour providers the case study interview does *not* aim to be representative but seeks to understand how the subjects of the study experience and make sense of their working lives. Section 6.1 uses these interviews (triangulated with contextual information from the interviews with labour users and the quantitative data) to summarise common aspects of employment practices across the four companies. Sections 6.2 to 6.5 provide more details on employment practices specific to each company. The section concludes with a brief summary.

6.1 Common aspects of employment practices across the four companies

6.1.1 Complex processes - both hourly and piece rates

All the companies studied had complex production processes involving a range of tasks and roles. In three cases there was outdoor fieldwork as well as indoor packing and/or processing work. All four companies used a range of payment regimes, including, in all cases, both hourly and piece rates. There was a tendency for the packhouse and processing work to be paid hourly and for the fieldwork to be paid at piece rates. However, this did not always apply – for example, workers at one site reported receiving piece rates for labelling and a worker at another site said they had been paid a piece rate for re-packing fruit and for preparing fruit for processing. Each of the companies also mixed the nationalities working there, and had various types of employment contracts.

6.1.2 Labour providers vs. the Seasonal Agricultural Workers Scheme (SAWS)

All four companies hired labour provider/agency workers. One company used a SAWS operator that acted as a labour provider – retaining the role of employer and charging a fixed mark-up on top of the gross wage paid to the worker. The SAWS workers used by this company were brought to work in vans each day, like the members of the other gangs that also supplied labour there. The company told us they had a deliberate strategy of using several different gangs, in order not to be beholden to any one. Another company used SAWS workers to harvest the soft fruit it sold on the 'fresh' market, while using caravanners alongside SAWS workers to harvest the soft fruit it used for processing. This company used a combination of SAWS workers, gang workers and directly recruited local residents in its processing factory.

We asked workers for their perspectives on the employment practices of the companies they worked for, and, if they had worked there for a number of years or returned after a break, what changes they considered to have taken place. We also asked workers how and why they came to work in their present jobs, and about their plans for the future.

[80] Appendix 7 gives details of the products supplied by the companies, their regions of operation and the rationale for selection of the sample of workers, including the range of reported nationalities and immigration status. The appendix also lists the breakdown of the sample depending on whether workers were employed by labour providers, were working on SAWS permits, or directly employed.

6.2 Case study one: Salad product and leeks (West Midlands)

6.2.1 Work and its organisation

Workers were divided between the packhouse, where the salad product and leeks were packed for onward sale, and the field, where depending on the final retailer, some preparation of the product was undertaken, as well as harvesting. In general, the more upmarket the retailer, the greater the amount of preparatory work undertaken in the field. Both the packhouse and the fieldwork were organised in lines, corresponding to the different retail destinations. Field-based preparatory work for the pre-packed version of the salad product was considered more skilled than simply harvesting and cleaning the product. Piece rates varied between these tasks in order to allow for the greater length of time it took to prepare one box of the product, if it was destined for the pre-packed line at the packhouse.

6.2.2 Field and packhouse workers - where they came from

Both British and foreign nationals worked in the packhouse and the field. However, very few lived locally. Most fieldworkers were driven from Birmingham in vans, some of which belonged to subcontractors of the main labour provider. Packhouse workers, some of whom had become direct employees of the company, also tended to be Birmingham-based and were mostly working on a longer-term basis. The use of agency labour for fieldwork was required between the beginning of April and the end of October for 30 weeks. The agency continued to provide labour for packhouse work in the 22-week winter season when the company relied on imports of the salad product and leeks.

6.2.3 Conditions of work

During this case study we spoke with packhouse workers in private, in offices above the packhouse. It was much more difficult to interview fieldworkers because we were accompanied throughout the visit to the field by either the company's supervisor, or the labour provider's supervisor, or both. It was clear that both packhouse and fieldworkers were expected to work flexible hours. The day would end when the orders had been completed and this was not known in advance. At the start of the day fieldworkers were told how many boxes they needed to aim for from their line but there was regular communication during the day between the supervisors and the packhouse regarding the exact number of boxes to be sent for each retailer that day. A standard day lasted from 7am to 5pm or 6pm, according to one experienced fieldworker. While packhouse workers started work at 8am six days per week, they did not know whether the day would end at 5pm, 6pm or 7pm.

Fieldworkers were paid per box of the product harvested to the required 'quality'. The rate per box was set each day and did not vary with the number of hours. Effectively this meant no overtime payment. Packhouse workers were paid by the hour. One directly employed worker reported starting to receive overtime rates only after they moved from being a gang worker to being directly employed. The same worker reported that when they had been a gang worker the labour provider had withheld two hours' worth of pay each week, insisted they work a seven-day week, and paid them in cash. This worker now has a car and travels to and from Birmingham each day, sharing the petrol costs with four other workers.

Two male workers interviewed were British residents of South Asian origin. One had migrated to Britain from Pakistan in 1977, the other from India in 1979. One was in his forties, the other in his fifties. Both had lost their jobs in factories in the West Midlands and had come to work in the packhouse. Both were supervisors, employed by the labour provider. One reported that he was paid £4.50 per hour (the national minimum wage at the time of interview). These workers are picked up from and dropped back in Birmingham by the labour provider. The same hourly rate of pay was reported by one of the labour provider's fieldwork supervisors. This worker, who commutes from Coventry, says that he received petrol money as well.

6.2.4 Supermarket pressure and the hiring of foreign nationals

An experienced fieldwork supervisor told us that it was about 12 years since the pressure had come from the supermarkets "imposing certain sizes and weights". This view was shared by a packhouse worker, who said that growers were under pressure from supermarkets regarding compliance with product standards. The fieldwork supervisor remembered that foreign national workers, often without the right to work in the UK, started working at around that time, as did benefit claimants. People working illegally, this supervisor told us, would accept lower rates of pay and were easier to control. Moreover, their work was of higher quality than that of the travellers, who had made up the bulk of the field-based workforce earlier.

6.2.5 Workers' backgrounds and aspirations

The background and aspirations of the workers we interviewed at this company defy generalisation. One Polish woman in her early twenties had entered on a tourist visa in March 2004, in anticipation of the new status she would have as an accession national from 1 May. She told us she was an accountancy student, had suspended her studies, and eventually would like to start a business in Poland. She said she sent her earnings home to her parents. The worker of Indian origin mentioned earlier had a Bachelor of Arts degree and a Master of Arts degree from Indian universities, but had never been able to use them in the UK. He told us that he had always had a supervisory position in his employment in the UK because of his good English. The field-based supervisor of Pakistani origin has six children and a mortgage in Birmingham. He said: "the future is struggling".

One Iraqi Kurd interviewed as part of a group in the field narrated his clandestine journey to the UK seven years ago, which included having to hide in a lorry. He hoped to return in two months' time. One young Polish fieldworker said he was in England to save money to fund his tertiary electrician's training in Poland. He did not like the current work because of the long hours (picked up by the labour provider at 5am in Birmingham and dropped back as late as 7pm) and the low pay. He hoped to find factory work.

Summary

- Workers were employed on a temporary basis both year-round in the packhouse and seasonally in the fields, harvesting and preparing salad products and leeks for large retail customers.
- The workers were made up of a combination of directly employed people and people provided by agencies subcontracted to a single main labour provider. Workers included British residents of South Asian origin, accession country and other foreign nationals. Most of the workers were Birmingham-based.
- Piece rates paid for fieldwork did not include any overtime element, nor did hourly rates paid to agency-provided packhouse workers. The length of the working day was uncertain at both sites.

6.3 Case study two: Hardy shrubs (ornamentals) (East)

6.3.1 Work and its organisation

At this hardy shrubs supplier, workers are hired to work in the propagation of new plants (including potting and pruning), to uproot plants and clear greenhouses, to select plants to be sent for dispatch, and to prepare them for dispatch via two distinct processes: rapid, routinised preparation in large batches for sending to a large retail outlet, and preparation of customised small batches for smaller, independent outlets, such as garden centres. These two dispatch processes are located at different sites, so that an individual worker is likely to be involved either in one or the other.

6.3.2 Rationalisation and continuity of employment practices

There is a new management regime in operation at the company, in the person of a general manager appointed in spring 2003 to rationalise the way the company uses its labour. Nevertheless, there is much continuity with previous employment practices. Importantly, the company continues to use a range of labour providers to source its labour. This enables it to manage seasonal variation in demand, which peaks in May and troughs in December. One of the gangs used in fact consists of SAWS workers who live on the site of their particular operator.[81] The directly employed workers at the company have a covered and enclosed room to eat their lunch in, which the gang workers do not have access to. Some of the gang workers have been working at the same site for over four decades, and have never had access to this facility. When it is raining the only options for shelter during breaks are the greenhouses, and, for some gang workers their cars, if they are working close enough to the centre of the site. Other aspects of continuity included labour provision by a small-scale labour provider, whose father had supplied

[81] It was more common among the nine SAWS operators in 2004 for workers to be housed on purpose-built premises close to the worksite.

labour to one of the company directors' fathers, and a directly-employed supervisor in his early forties, whose father had been a manager here and had "spoke [n] to the director" and got him a job here when he left school.

6.3.3 More foreign nationals, alongside continued employment of white British workers from local towns

This region of the country, far from any major urban centre, has long been reliant on workers from nearby villages, and those who commute from surrounding regional towns. Many of those who are now brought in to work by labour providers, or, belonging to small gangs, drive themselves to work, fall into the latter category. The major change in the last five years has been the increase in foreign nationals employed. According to one Polish man who had been working here five years ago, there had been no other foreign workers then. "Now there are many." This ties in with what we were told by the company director: that until five years ago, all the gang workers provided were British nationals. The first foreign nationals were SAWS permit holders, and now there are a growing proportion of non-SAWS workers coming through labour providers. In the last year the company has also started to do business with a large-scale national labour provider.

6.3.4 Getting better worksites - the influence of nationality, immigration status and English language ability

Workers emphasised the importance of the micro-worksite. Being outside was arduous when it was raining, and working in the greenhouse far too hot and stuffy, when the weather outside was hot. Here, it was not a matter of being privileged to be permanently assigned to work in a particular micro-site, but rather to be able to negotiate the least uncomfortable worksite at any particular time. Distance from the toilets, all located at the central site, was also an important issue. One white British woman worker was told she had been refused permission to go to the toilet because it was alleged it would take her half an hour to return.

One Lithuanian worker told us that the ability to speak English helped. It meant that supervisors would speak to you less roughly. "[I]f workers don't understand English, they keep you very small." This worker suggested that treatment was related to immigration status. "Before 1 May [when she became a legal worker as an accession country national], supervisors were talking more roughly." Moreover, labour providers were taking 10% of the wages of those working illegally in the UK. Treatment is still related to nationality: "Only foreigners have to put up with this. When it's raining, it's foreigners who are out and the English undercover. If you complain, they tell you that if you don't like it, go home." On one occasion it was 32 degrees centigrade in the glasshouse. This worker felt like she was "nearly dead" and asked to move three times. "Only foreigners have to put up with this."

This view is not shared by the white British gang worker, who came into the company on the recommendation of his father (see above). He believes that "foreign workers get better work and overtime" than British workers. Another British gang worker, a woman, also expressed some resentment towards the foreign nationals used at the site: "When we hear 'em talking we tell 'em to talk English." Another white British worker, directly employed by the company, seemed to treat foreign nationals at the site with more respect: "Most of them are clever people, university people." However, this worker did express the view in relation to the settling of foreign nationals in a nearby town that "they do as they please" [giving the example of allegedly not paying car tax] and "we have to pay a price".

6.3.5 Differentiated hourly rates of pay

The interviews with workers shed light on differentiated rates of pay among those on hourly rates. The gang workers, both British and foreign nationals, reported receiving £5.15 per hour.[82] One man in his late fifties was not sure whether he received overtime, whereas two other gang workers, both accession nationals, said they received £7.15 per hour outside their standard working week of 8am-4pm Monday to Friday. Two workers reliant on their labour providers for transport said they had £10 per week deducted for it.

Two directly employed interviewees reported higher rates of pay. One, a man in his early thirties and a general nursery worker, was paid £6.23 per hour. The other, a supervisor, received £6.90 basic and £9.20 per hour overtime. For them, and some of the older gang workers, the issue was one of whether you had the choice of doing overtime, and how it was distributed over the year. The younger of these two workers said that overtime was offered, "when they want you... They like to starve you in the winter and in summer hope you will do all the hours you can." He would prefer to have steady overtime spread across the year. The other, older worker seemed to have less objection to the way overtime was distributed. It was, he said "part of the job"..."at the end of the day you need it". One older, longer-serving gang worker in her sixties said she simply refused to work overtime and was able to get away with this because she had her own shared transport and was not reliant on the labour provider to get to and from work.

6.3.6 Flexible hours and the letter of the law on breaks

It should be emphasised, nevertheless, that regardless of who received overtime rates, and whether overtime was offered at times which suited workers, there was an expectation on the part of the company of flexible end-times, especially for workers involved in dispatch. The day began at 8am but one did not know in advance whether it would end at 4pm, 5pm or 6pm, according to one Lithuanian gang worker. The influence of the new management regime in intensifying labour was evident in the reports of the female gang worker in her sixties quoted earlier: whereas there used to be a tea break in the afternoon, the new manager had let it be known that the company did not legally have to give workers a break between 12.30 and 5pm, and would only do so if and when they were asked to work until 6pm. The lunch break from 12.00 to 12.30 is unpaid. A further measure taken by the new regime in relation to directly employed workers was, according to one interviewee, to "knock winter overtime [based on Saturday morning working] on the head". Two interviewees could remember when the company was also involved in fruit and vegetable production and a larger proportion of the workforce was made up of local women. One, a male supervisor, said that at that time, all- women gangs would pick strawberries, starting at 8.30am and finishing at 2.30pm. Now, as gangs were being pushed to work longer hours, there were more men than women. Another, a female gang worker, said that the minimum hours used to be 8am to 3pm, rather than 8am to 4pm.

[82] The Agricultural Wages Order minimum for standard workers at the time.

6.3.7 Workers' backgrounds and aspirations

Workers' backgrounds and aspirations varied. One Lithuanian woman, who works for the national labour-providing agency recently taken on by the company, said that she would like to move outside agriculture. However, she is reliant on her partner to drive, and he on her for English. She would also like to move away from the agency as it makes unexplained deductions from pay packets and there are discrepancies between workers who have done the same work. This worker sends money home to her family, from whom she borrowed to get to the UK initially. A Polish worker, who could by now have been employed as an accession national, remained a SAWS worker because he had arrived in April. He had not had to pay an intermediary, as he had applied to the SAWS operator via the Internet. He plans to take the money home with him, and is also studying English at weekly classes. One white British man, a gang worker for many years, plans to apply to be directly employed by the company next year. Another, a locally resident worker, aims to leave the company because of the new management regime and the increasing effort by the company to "shave off costs" where they can.

Summary

- Workers at this hardy shrubs grower and packer undertook a range of indoor and outdoor tasks.
- There was a new management regime seeking every opportunity to "shave" costs through micro-management of how workers were deployed, continuity in the use of several small labour-providers, and a new relationship with a national-level labour provider.
- The last five years have seen a rapid growth in the number of foreign nationals working for the company and there were divergent views on this development among white British workers.
- There was a clear division of employment practices between directly employed workers and gang workers.
- Many of the latter were British nationals. Nationality, immigration status, and English language ability were alleged to affect working conditions.
- The timing of the end of the day was uncertain and there had been a move away from hours that could be combined with school drop-offs and pick-ups.

6.4 Case study three: Fruit handling, sorting, labelling; floreting brassicas for freezing (East Midlands)

6.4.1 Work and its organisation

Most of the work at this company took place indoors. There were two main tasks undertaken. The first was sorting fruit; the second, floreting brassicas for freezing. The sorting of fruit was organised in lines with boxes being unpacked, fruit cleaned up, bad fruit thrown out, and 'class 1' fruit repacked and often relabelled. This was charged as a service to suppliers and in one case a retailer, for example if fruit had been rejected, or risked being rejected, by a retailer. The company director calls it "hospitalisation of fruit". The work with brassicas involved the purchase of broccoli or cauliflower from farmers, using a machine to take out the floret, and selling it on under contract to a major frozen food supplier. This company was unusual in relation to the other labour users interviewed, in that because of its mechanism for charging, it did not suffer from the price pressure that other companies came under from the big retailers. The director had been made insolvent by the risks involved in large-scale vegetable supply in the past, and did not want to repeat the experience. He had, he explained, a niche market, because the town where this company has its site is core to a major region of UK fruit and vegetable supply, and there are many commercial customers that call on this company's services.

The two worksites for fruit hospitalisation and floreting were in adjacent rooms of the same building. A supervisor could move in between them as necessary. Workers were moved between tasks, the floreting involving a more routinised machine-led process than the fruit hospitalisation.

6.4.2 Hours and earnings

There were three categories of worker interviewed: white British female office workers on regular contracts; white British ex-colliery men and women who commuted in a single gang from Yorkshire; and foreign national gang workers, many of them commuting from Peterborough. As in case studies two and three, workers often do not know what time their day will end when they come to work in the morning. One Polish man, a gang worker, told us: "You have to be flexible to work here." He said he earns an average of £200-£250 per week for days of between eight and ten hours. "We know the length of the working day one hour before we finish." Another accession national, a Lithuanian woman in her twenties, estimated that she takes home £200-£220 each week but, like the other gang workers here, does not know how it is calculated. An ex-miner in his fifties said that he takes home approximately £200 after tax - "You're never sure what time you'll finish, only what time you start." Gang workers told us they did not receive holiday pay and there is no evidence of overtime rates, except among the British nationals who work as direct employees. One, a woman in her mid-twenties, said that she works from 8am-6pm and every other Saturday, and receives overtime pay. But she would like an earlier finish as she has children aged two and four.

There is evidence of very low pay, according to one accession national. She related this in part to immigration status, but it has worsened rather than improved as her status has become regularised. Before she was regularised she would get £170-£190 per week net. Now, because tax and National Insurance are being deducted, she receives £130 per week. She is confused by the payment system operated by the labour provider - "He says we get £4.50 per hour [the then minimum wage], but it says piecework on the slip." The same worker says that the hours can be extremely long, once working13 hours on a Saturday and 14 hours on a Sunday, and sometimes 70 hours per week. Ex-miners commuting from Yorkshire also experienced long hours. One told us that he had to go to the labour provider's house at 5am to get the lift to work. The journey is two hours each way. "It's a bit tiring if you're home at 11[pm] and up at 4[am]."

6.4.3 Relying more on foreign workers

The young directly-employed woman referred to above, who joined the company in 1996, was asked about the changes she had observed in that time. Her first response was that there were a lot more "foreign people" working now. When she had started the workers were all ex-miners commuting down the A1 from Yorkshire. She added that the company had grown and that there were more gang workers in total now. Another white British woman, who has been with the company and its predecessor companies since the 1980s, comes from the nearby village where the company started (and where the current director grew up). She started off doing the "twilight shift" with many other women and their children. The hours were 4.30pm-8pm. Now, the hours are unpredictable - "If it's quiet I go early; if it's busy I stay." On the foreign workers who have been employed in latter years, she added that: "If they weren't here, the company wouldn't be running... There are a lot of people around here who don't want the work and don't want the hours."

6.4.4 Two types of gang

Both the remaining gang of ex-miners, and the gang organised by a company with headquarters in a village between the worksite and Peterborough, have business links with the director of the labour-using company. This was emphasised in the interview with the director. However, the two companies are very different in nature, with the regional one advertising in Poland and sourcing workers in accession countries as well as from Bolivia, and probably other countries. The ex-miners gang is more like a group of neighbours, some of whom are related to each other. The "labour provider's " mother supervises the work of the gang. The regional labour provider has gangers to organise different groups of workers at this site, receives payment on their behalf and distributes it. One accession national worker, who said he had arrived in the UK after 1 May 2004, had already adopted this role. An ex-soldier, he had served in Bosnia and learned English from British and American troops there. He believes his language skills got him the role of gang leader. This worker says that he does not get extra money for his role and takes home between £210-£240 per week, depending on the work.

6.4.5 Social networks, housing and language schools

There is evidence of the importance of supportive social networks among the accession country nationals, just as there is among the ex-miners. They heard about the labour provider they work for through friends, and have found their way into the unregulated accommodation in Peterborough through friends or partners. The workers we interviewed said that this market was run by resident homeowners of Pakistani origin, who would rent out houses for cash without demanding a deposit and with no legally binding paperwork, such as an assured shorthold tenancy. Most of the accession national workers in this company lived in a house in Peterborough on this kind of arrangement. One worker, who is planning to move to Peterborough, is currently living in a house owned by the labour provider in Boston and paying £45 per week, sharing three to a room.

One foreign national worker (from outside the EU-25), who was here on a student visa and seemed to know the terms, claimed he was not working more than 20 hours per week. His accommodation had been found for him by a language school, to which he had to pay £600 for fees and £40 per week for the room. There was no way of knowing whether this was a genuine language school, but the worker did not speak any English and was interviewed in his own language.

6.4.6 Workers' backgrounds and aspirations

One female worker, an accession national in her twenties, said that she aimed to save cash here, to travel, then buy a house and have children in Lithuania. At the moment she says "[She is] interested to know [her] rights. [She] read[s] the Internet and books, like the ones the Home Office sent". A male worker from Poland said he dreamt of having a regular job, better pay, a house of his own and a family. At the moment he was sending money to his parents. Another man, also Polish, explained that one week's wages here were equivalent to one month's in Poland. He saved £100 per week and plans to stay. He currently lives on the same street in Peterborough as the rest of his gang. However, he says he does not talk to the Pakistanis in the area, as they have a "different culture". The "student" we interviewed plans to go back to his country and study tourism. He says he came, as he has gone to other countries - including Spain, Mexico and Switzerland - because he wanted to see the world.

Summar*y*

- This company 'hospitalises' fruit and florets brassicas. It hires workers via two gangs (one made up of ex-miners and the other of eastern Europeans) for indoor work and has a small directly employed workforce.

- There has been an increase in the number of foreign nationals, many of whom are housed in Peterborough, renting privately on the unregulated market. Their labour provider provided some housing.

- Workers were aware of their net weekly earnings, but not of their precise rates of pay, or whether their pay had been worked out on a piece rate or hourly-paid basis. Gang workers did not receive overtime rates.

- Workers did not know what time their working day would end, which sometimes meant very long hours for the ex-miners who commuted two hours each way daily.

6.5 Case study four: Soft fruit growing and preparation markets (South)

6.5.1 Work and its organisation

This worksite includes both fieldwork, growing soft fruit and stone fruit, and preparation of fruit (farm-grown and bought in). The case study focused mainly on the fieldwork required for the production of strawberries. This is the major purpose for which temporary workers are used, outside the fruit preparation site. Male and female fieldworkers pick strawberries intensively from the end of May until the end of September. Men are employed to move polytunnels between fields before and during the season. Other jobs include picking stone fruit, and weeding. In the harvest of strawberries for the fresh market, runners carry the boxes of filled strawberry punnets to be examined and recorded.

There are three main arrangements for hiring temporary workers for fieldwork. The largest single group are foreign (non-EU) nationals recruited under the SAWS scheme and housed on site. Another group is made up of working holidaymakers, almost all of them British nationals and over 50 years old, who are given a free space to park their caravan in a field, and are asked in return to harvest strawberries for at least eight hours over two to three weeks in June. The third category, smaller than the other two, is locally resident British nationals and travellers, hired casually and paid in cash at the end of the day. The fruit preparation site's main sources of labour are local and agency workers, including some drawn from communities in east London's of Sri Lankan origin. Occasionally SAWS students are use there too.

Picking strawberries is the major task, and it is paid at a piece rate. According to the manager, in previous years this had been varied according to the yield on the plant and the 'quality' requirement of retailer customers so as to try to even up the workers' earnings each week. In 2004, there was a flat rate payment for both 'fresh' and 'preparation' fruit, which meant that daily earnings fluctuated more widely over the season. Other tasks in the field, such as erecting and dismantling polytunnels, and being a runner, tended to be paid at the AWB minimum hourly rate. Work at the preparation site, which involved removing stones or seeds from fruit, was paid at both piece rates and hourly rates.

6.5.2 Caravanners' working arrangements

The caravanners were under no obligation to spend any particular period of time harvesting the 'for preparation' fruit, as long as they picked for a minimum of eight hours over the season. Earnings were worked out according to a piece rate - £2 per kg - and thus depended on their stamina, picking skills and inclinations. One caravanner said that she had earned between £7 and £24 per day and between £2.45 and £4.90 per hour. She earned a total of £268.76 picking in the 2004 season - this worker keeps a notebook with her exact picking earnings for each day. A pair of caravanners, who picked as a couple, could manage no more than £15 between them on a typical day, even though they tried to work through from 7am until 1pm. This workforce has come to the worksite over a long period. Indeed many of the same people return each year. While it is not clear how their work is measured in relation to minimum wage laws this is far from an exploitative arrangement. For some of the caravanners, the period spent on the site is an important social experience. David, a British man in his fifties, is a financial advisor. His first experience of this kind of work was during childhood holidays in Yorkshire when he remembers having picked beans. He says he waits all year for picking time to come round: "The set-up is why people come back. Ad hoc picking suits the people. You can work when you want, stop when you want to stop, because it's not regimented. Those types of breaks...you just don't get in your working life."

6.5.3 Rationalisation and the management and accommodation of SAWS workers

The manager, who joined the company in 2001, just three years before the case study took place, came in during what he referred to as a "dramatic rationalisation" of the strawberry farm. This is when strawberries for the fresh market were introduced. The number of directly employed staff on the farm changed from fourteen to four. Some workers were reallocated in the business. The manager said that he had learned much from his previous job with an owner operator he described as "ruthless". The company deliberately seeks to "avoid cliques" by hiring workers from a range of countries under the SAWS scheme. They have considerable experience of working with the scheme, which predates the introduction of strawberries for the fresh market. The largest single national group is made up of Bulgarians.

The SAWS workers live in 32-bed dormitories, which one described as very cold. There are a few smaller rooms, which sleep just four and are warmer. In 2004, for the first time, the accommodation was self-catering - previously the arrangement had involved full board. Two workers said they now managed to keep their spending on food down to £10 per week. One said that it was important to her that they had "many fridges". However, in general the accommodation, which was charged at £25 per week per head, was considered to be poor by the workers.[83] One described it as a "joke". Work is allocated each evening, and piece rate earnings from the previous day are also made known - via the automated system that reads the bar codes on each tray picked. Most SAWS workers (on this site) are paid into their bank accounts, though some have had problems getting banks to allow them to open an account.

6.5.4 Long hours, variable earnings, and hard work

Strawberry picking meant long hours of hard work. In June, work would begin at 4.45am and continue until 3pm. As the season progressed these times would fluctuate, and in 2004, because of the enlargement of the European Union, and some double booking of workers following the two-month closure of the British embassies in Bulgaria and Romania, one student felt that there were insufficient hours, and that they would not be able to earn as much as they expected. One student said that she had picked between five and 25 trays per day. Given the flat rate of £2 per tray (for the fresh produce), this meant earnings of between £10 and £50 per day. One 21-year-old female worker from Bulgaria told us: "It is hard to pick strawberries; no one wants to do it." You "get pains". Another woman, also in her early twenties, said that "strawberry picking is not good for the back"; and another that "the first time they come all students have problems with their backs".

The manager said that they could be more "regimented" with the SAWS workers than with the caravanners and local workers. One worker, a woman in her early twenties, said: "It's not pleasant when a supervisor shouts your number." This, she says, happens when the tray is underweight or there is a lot of bruising. The manager does not hire workers from labour providers for fieldwork because of the threat of bad publicity and because "they charge us a fortune". The SAWS workers said that they preferred the preparation work to strawberry picking.

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[83] The charge for full board in 2003 had been £65 per week. The company has pointed out that it is in the process of building new accommodation.

It involved a better work environment, and it was better to work on an hourly rate - though some of the work there was on a piece-rate basis.

6.5.5 Workers' aspirations and backgrounds

One Bulgarian man, a former SAWS worker on the site, has become a field manager now employed on a five year Work permit. He told us he received a salary of £20,000 per year. In between seasons he had stayed in the UK and worked on a self-employment visa. His wife is studying for a Masters degree in the UK. He would like to study for a Masters in Business Administration. Other SAWS workers told us about the amount of money they saved and what they planned to do with it. One said that after rent and food, she would have saved £2,000 to take home and she intended to send it back from her UK bank account. Another worker, a PhD student, is not satisfied with the £1,600 she has earned so far. There are no overtime rates on this farm, she said. One day she earned just £6 for three to four hours' work. Usually the pay was better, between £45 and £50 per day. She had spent 800 euros on coming to Britain. She had been to the UK as a SAWS worker before, in Dorset. Although she had had to work 15-hour days sometimes, she had preferred it because there was more variety and she had been able to save £6,000. A worker from the Ukraine said he had saved £1,800 of his £2,500 earnings and planned to take it back to spend on his girlfriend. He is also saving up to go to the United States, where he would like to continue his pharmacy studies. He is currently an MA student. This worker speaks good English and told us he had a good rapport with the white British workers in the processing factory.

Summary

- Work at this company involved strawberry production and fruit preparation work. This is seasonal work and SAWS workers predominated among the temporary labour force.

- There was a deliberate attempt to hire SAWS workers from a wide range of nationalities to avoid cliques. However, Bulgarian nationals made up the largest single group of foreign workers.

- The company also used caravanners (British nationals) and a few local residents.

- There had been a rationalisation of employment practices, which was associated with an intensified work regime for the SAWS workers, who worked mainly on strawberries for the fresh market. These workers aimed to save lump sums of money to carry or send home.

- The caravanners worked at low piece rates and did not expect to make the minimum wage. They saw the provision of a free site as part of their remuneration and were engaged mainly for picking fruit for preparation. The number of caravanners and directly employed farm workers has declined and foreign nationals are, therefore, in increasing demand.

6.6 A summary of workers' perspectives on employment practices in the sector[84]

- Male and female workers from a wide range of backgrounds were interviewed. They ranged in age from 19 to over 60, including both British nationals, and foreign nationals with varying immigration status. Almost all the workers interviewed were not working outside the conditions of their immigration status, nor had they entered the country illegally.

- Workers with different employment arrangements - supervisors, gang workers and those directly employed by labour users - were interviewed.

- Where temporary workers were used both for fieldwork and packing, workers from both kinds of worksite were included in the sample.

- All the companies visited for worker interviews had a range of employment practices, e.g. both gang workers and directly recruited workers, or a combination of gang workers, SAWS workers and directly recruited workers.

- An across the board increase in the use of foreign nationals, particularly in the last five to ten years, was reported by workers with several years of experience at the same worksite.

- Workers had experienced an intensification of work in terms of speed and 'quality' control. Where piecework arrangements were used to incentivise effort, the work necessary to achieve the equivalent of the hourly minimum wage had been increased.

- Workers on piece rates did not receive overtime pay and some gang workers did not know the rate they were being paid at, or even in one case whether they were working on an hourly or piece-rate basis.

- Workers reported that they did not know the end time of each day's work at the start of the day.

- In some cases workers reported that their experiences at work were related to English language ability, immigration status, and/or nationality.

[84] The work for this chapter was commissioned from Ben Rogaly, University of Sussex.

7. DEMAND FOR SEASONAL AGRICULTURAL SCHEME WORKERS

The information given here is based on labour users' perspectives from 20 labour users in-depth interviews (and in one case detailed written comments) and draws on the quantitative data from the 945 labour users' CATI survey, and in-depth interviews with five labour providers, six (sole and multiple) Seasonal Agricultural Workers Scheme (SAWS) operators, and seven users of SAWS. [85]

7.1 Seasonal Agricultural Workers Scheme

Migration of temporary workers to assist farmers in planting and harvesting is a feature of UK agriculture. In the first half of the twentieth century, UK nationals migrated to assist farmers and growers, East Enders went from London to Kent to assist with hop picking, and Irish workers came to the UK to help pick fruit and potatoes. Over time, work patterns changed for UK workers, which reduced their availability for harvest work; local labour, migrants and schoolchildren withdrew from the labour market. In response, the government in the 1940s developed a system to help organise seasonal agricultural workers to ensure that farmers and growers had sufficient quotas of temporary workers to meet their harvesting needs. This system evolved into the current Seasonal Agricultural Workers Scheme. All SAWS students are given a copy of the A.W.O.; they are also given a contact number for DEFRA. The multiple SAWS operators all have field officers who visit sites during the season, and respond to concerns that the students may have. Until 2004 SAWS operators were student facing in so far as it was the students who financed the multiple SAWS operators. Due to changes in EU and Home Office rules multiple SAWS operators now charge the growers for the recruitment services, leaving the SAWS students to pay for documentation and insurance. This has lead to some change in emphasis but scheme users see the overall ethos of the multiple operators as student/worker facing. Systems are in place, which penalise firms for inappropriate employment practices and growers regard SAWS as a good example of best practice in employment of temporary workers.

7.1.1 SAWS current era

Historically the scheme was open to any national outside the European Union (EU). Over time, the quota for the maximum number of SAWS permits rose. Between 1994 and 2004 the quota rose from 4,500 to 25,000. SAWS operators have always recruited from within the EU to supplement the restricted number of work permits available. Over the last decade the operators have experienced a decline in demand for seasonal agricultural work by EU nationals from countries such as Spain, France and Portugal, which led to the increase in SAWS permits.

Table 7.1: SAWS quotas of workers for decade 1994 to 2004

Year	Annual quota of SAWS workers

[85] The perspectives of SAWS workers are set out in Section 6.

1994	4,500
1996	5,500
1997	10,000
1998	10,000
1999	10,000
2000	10,000
2001	15,200
2002	18,700
2003	25,000
2004	25,000

The increase to 25,000 workers in 2003 was in the context of the Policy Commission on the Future of Farming, 2002, which argued for 50,000 work permits to be issued under SAWS to meet the needs of the modern food chain for temporary labour. In 2003 half of the workers in the scheme came from EU accession states. Since 1 May 2004 there has been no limit to the number of EU accession state nationals who can work in the UK, and the SAWS quota for 2005 has been reduced to 16,250 to reflect the potential availability of this new pool of labour.

7.1.2 Scheme participants

It is understood that workers on the scheme are supplied to between 700 and 800 farm and grower enterprises. A review of the scheme in 2002 concluded that SAWS was more explicitly a source of labour supply for UK agriculture and horticulture than a cultural working holiday experience.[86] SAWS workers can now be sourced all year – previously their availability was May to November – reflecting changes in industry demand for temporary workers. However, the maximum length of stay remains six months.

In 2005 nine operators (see Appendix 9 list of SAWS operators) will act as labour providers for 16,250 SAWS workers. Four of the nine are multiple operators, of which two recruit workers for farmers only in the areas where they operate; the remaining two, both charities, recruit for farmers throughout the UK. Five farms are sole operators and recruit directly for scheme workers and deploy them within their own businesses. The two operators that recruit for farmers throughout the UK do not provide accommodation; this is the responsibility of the farmer or grower that employs the labour.

[86] Report on the Review of the Seasonal Agricultural Workers Scheme 2002 Work Permits (UK) para 5.2.1.

Table 7.2: Estimated break down of SAWS quota by type of operators for 2004

Type of SAWS Operators	Name	Estimated SAWS quota 2004
Multiple Operators	Concordia Ltd.	9,500
	Harvesting Opportunity Permit Scheme (GB) HOPS (GB)	9,000
	Friday Bridge International Farm Camp	300
	SASTAK Ltd.	150
	Sub TOTAL	**18,950**
Sole Operators	S&A Produce (UK) ltd.	
	G's marketing Ltd.	
	Haygrove Ltd.	
	R & JM Place Ltd.	
	Wilkin and Son Ltd	
	Sub TOTAL	**6,050**
Multiple and Sole Operators	**TOTAL SAWS QUOTA**	**25,000**

Annually, the nine operators bid via Work Permits UK, the scheme administrators at the Home Office, for their part of the quota based on next year's expected demand. To qualify for the scheme, workers must live outside the European Economic Area and be in full-time education. If they are English or agricultural students, they do not have to pay National Insurance under the scheme regulations. Students on other courses have to pay. Applications come from agricultural students and recruitment for SAWS is mostly done through universities. In interview eight out of the nine operators said they also directly recruit temporary workers that are not eligible for SAWS and those applicants apply to them directly. Workers cannot change employment without the agreement of the operator.

One long-term user of the SAWS scheme reported:

> "Multiple operators and sole operators broadly have a similar system in terms of accommodation; pay structure, pastoral care etc. Students working on farms on the above two systems would typically not recognise the difference. The advantage that students recruited by Hops and Concordia would have is that they have more opportunity to move about and they also have a more defined complaints procedure, should they need to use it. It must always be remembered that the students are from a limited number of Universities and so do compare notes. Certainly in the case of Concordia, where they are given the choice of farms, they do select the better farms, which may cause problems for under-performing employers. In the case of multiple operators there is a good system of checks and balances that works for both employers and employees."

7.2 The role of SAWS – sole and multiple operators

SAWS operators are labour providers, and under the new Gangmasters (Licensing) Act multiple SAWS operators will require a licence to operate. In this section we look at the rationale for sole and multiple operators.

7.2.1 Sole operators' rationale

Sole operators are large-scale farm and grower businesses that have moved away from total reliance on direct employees and/or labour providers to supply their needs. In interview, one sole operator explained the main reason why it is worth the effort and expense of being a SAWS operator is that:

"The amount of effort which goes into making sure the gang and agency workers are legitimate is bigger than the effort of bringing in students. Also, we like the consistency that the student workers give us; we can see that workers are being treated fairly on issues like payment; and we are sure that they are legal. We wanted to do something that was a bit more professional."
In this operator's view, the ability to monitor whether workers are treated fairly on issues like pay and legal status brings a 'professionalism' to their business which their customers, the food retailers, demand. Sole operators manage their own recruitment for seasonal workers. They organise and or provide their own hostel accommodation, some of which is new build. Some operators experienced difficulty in getting planning permission to provide accommodation for SAWS workers. Difficulty in getting planning permission to provided accommodation for temporary workers was also reported in three labour users' interviews in Scotland, the North West and the Eastern region.

Recruitment process

Recruitment for SAWS workers is done mainly through the agricultural universities in the students' country of origin though some students apply direct to the operator. One interviewee needed 2,500 people per year. The figure included 800 SAWS workers at any one time from Poland and Lithuania, the rest were sourced from Commonwealth students with Working Holiday maker visas and UK temporary workers. The sole operators we spoke to do not recruit globally[87] but focused on countries where they had relationships and could visit to recruit workers face to face. One operator, which targeted Poland, Lithuania, Bulgaria, Moldova, and the Ukraine told us,

'We also have to ensure health and safety standards are met so we ensure that all our documents are translated into the five languages. If we recruited from all over the world there would be too much translation to do.'

Interviewees said that once on the scheme, the university arranged transport to the UK. The students travel as a group and are collected from the airport when they arrive by the operator. The operator gives a brief induction to the scheme and their job.

Fee structure – sole operators

[87] SAWS operators can and do recruit globally but a combination of visa restrictions and the cost of travel makes many parts of the world inaccessible. An example given to us was that growers used to recruit SAWS students from North Africa but that stopped due to the first Gulf War and visa restrictions from the Home Office. Permits are also not offered where the Home Office considers leakage into the wider economy could become a problem.

We were advised that in some cases SAWS workers have paid a fee to the university.[88] One sole operator's attempt to make the application process transparent included publishing university charges on their website.

> "For example, Polish students will pay around £150 each to get here, including their travel ticket. We have had people turning up and asking for work who have paid £1,000 to get here, and then found there is no work. We don't want our workers to pay unnecessary charges."

The interviews indicate that sole (and multiple) operators feel they have invested resources in forging relationships with the foreign universities and developed expertise in how to legitimately source student workers from abroad.

7.2.2 Multiple operators' rationale

Multiple SAWS operators' business logic is to meet farmers' and growers' needs. Finding temporary workers to match demand is challenging as customers range from small farmers who want one worker for one day in a whole season to large operations, which require hundreds of workers every day throughout the scheme's season. The concept of cultural exchange and shared learning was put forward as a key part of the multiple operators' rational. The understanding of a long-term user of the scheme is noted below.

> "Multiple SAWS operators (Hops/Concordia) were set up to meet student needs first and growers second. Friday Bridge is set up as an international camp that supplies workers to farms on an indirect basis but they do not have large numbers of SAWS. Concordia/Hops are far and away the biggest and spend a lot of effort in matching SAWS students with workforce requirements. If SAWS students complain of not enough work then their complaints are investigated. If the grower is requesting too many workers then their allocation is adjusted. Growers pay a fee to the multiple operators, typically £40 per head. Fees charged to students by the operator are for insurance and certain administration associated with visas. Students then typically pay their agent (usually their University) for travel tickets, visas, Schengen visas and document translations. We as farms are encouraged to report any excessive charging by agents and report to the SAWS operator, who have the sanction of not using that agent in the future".

Recruitment

The multiple operators' rationale for cultural exchange was reflected in their keenness to recruit from around the world in contrast to sole operators. One international farm camp commented: "We try to get a wide spread of students from Africa, Europe, Asia – different cultures must work and play and earn some money together. For people not on SAWS the motivation is just economic – economic take."

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[88] The contracts between the Home Office and the Operators does not permit them to pay fees, in line with the Employment Agencies Act 1973, and this is monitored by regular checks. The Home Office is aware that some third party agents/Universities employed by the Operators will seek to make charges for their administration. The contracts with the Operators prohibit this and Operators are required to periodically audit any charges made by the third parties, and to ensure transparency detail third party charges on their websites. Operators have excluded some third parties from the scheme for sharp practice, and in line with the contracts between the Home Office and themselves, it is a difficult area to police and one, which the Home Office is monitoring.

Table 7.3: Multiple SAWS Operator fee structure and services to farmers and growers

Name of Operator	Fee structure	Additional Information
Concordia (YSV) Ltd	£117.50 annual registration and assessment fee (includes VAT)	Concordia (YSV) Ltd
Harvesting Opportunity Permit Scheme (GB)/ HOPS (GB)	£105.75 annual registration fee (includes VAT)	Harvesting Opportunity Permit Scheme (GB)/ HOPS (GB)
Friday Bridge International Farm Camp	15% of participants wages charged as an administrative fee	Friday Bridge take responsibility for paying the SAWS workers direct and on behalf of the farmers they represent. Farmers using the services of Friday Bridge are invoiced for the wages due to the SAWS workers they have employed and add a 15% administrative charge. Further details of the administrative charge can be obtained by contacting Friday Bridge direct.
SASTAK	Members of SASTAK are charged: £50 registration fee £40 per participant provided Non-SASTAK members are charged: £200 registration fees £40 per participant provided	SASTAK Ltd. Is an Industrial and Provident Society and is an agricultural co-operative. SASTAK provides an optional payroll service to farmers and growers, at a cost of 5% plus VAT, plus the gross employers wages costs for the SAWS workers they employ.

The international farm camp scheme is listed in all UK embassies around the world and in many universities and colleges, as well as key publications such as 'Work your way around the world' and 'Working holiday in Britain'.

One SAWS operator stressed the importance of cultural exchange offered to students by the scheme: "Culturally it is a fantastic experience and they learn skills to take back home with them." Users of the scheme also mentioned in interviews the role of cultural activities for scheme workers.

Fee structure – multiple operators

Table 7.3: Multiple SAWS Operator fee structure and services to farmers and growers outlines the charges made to users of the schemes services. It is illegal for any labour provider to charge a worker for finding employment. However, in interview labour users of SAWS students provided through multiple SAWS operators told us that was that some students had bought their place on the SAWS scheme. Sums in the region of £600 to £1,000 were mentioned.

7.3 Survey data on the role of SAWS in the temporary labour market

Data from the labour users' CATI indicated that 663 labour users require SAWS workers, which represents some 3% of all the businesses in the UK using temporary workers in agriculture, horticulture and co-located food processing. The SAWS 2004 quota of 25,000 workers represents some 4% of the total estimated number of people employed as temporary workers in the UK.[89] On this basis it would not be unreasonable to suggest that the estimated total number of businesses using SAWS represents 4% of the total of 21,603 businesses in the sector which employ temporary workers, that is, around 800 businesses. However, the averaging out of the numbers hides the situation that SAWS workers are more commonly found in some sectors than others e.g. fruit, and field crops. This is a sector of the food chain that 'visible' labour providers are not keen to work in, as it is difficult to match the right kind of worker to the right task. (Micro labour providers made up of self-organised gangs may still take on seasonal work).

In contrast SAWS workers remain with the same employers over their chosen work period whereas labour from labour providers is very transient. SAWS are not allowed to work in food processing and pack-houses which pack third party produce only, so they become more concentrated in harvest work. Furthermore, we were told "almost all farms use SAWS as their core workforce and labour providers as the balance".

7.3.1 Demand for SAWS

Overall the number of SAWS permits issued has risen year on year by an average of 2,050 students for the decade 1994 to 2004 (25,000 – 4,500 =20,500 /10 = 2,050 (see Table 7.1 above). Labour users gave two key reasons for the popularity of the scheme and SAWS students. One, their ability and eagerness to work hard, for long hours over a continuous period of time; and two, their assured legal status. One SAWS user taking around 100 temporary workers said that the business would continue to use SAWS workers rather than EU accession nationals because 'they don't have the option of being able to leave'.

SAWS workers like all UK employees are subject to the Working Time Directive of a maximum of 48 hours. One interviewee said that even with the opt-out, 60 hours is the absolute maximum allowed and SAWS students are aware of this. Moreover, this interviewee claimed that, "with the increases in AWB rates over the last few years there has been a marked reduction on farms of available overtime, so as 10-12 hours harvesting was common 10 years ago, 7-8 is now the industry norm".

Another reason given by three SAWS labour users was that paying tax and insurance for direct temporary workers puts a 'severe financial pressure ' on farm businesses: "One of the assets of SAWS is that if they are studying English or agriculture, then they do not pay National Insurance or tax until they reach the threshold of £4,000. Lots of students don't reach that."

One interviewee discussed the demand for temporary workers in non co-located packhouses and primary food processing operations, and how SAWS students are not allowed to work in these enterprises. In this case the business using SAWS workers complained that they could not be used in a packhouse, packing imported fruit and vegetables.

Sole operators' demand for SAWS

Sole operators have invested heavily in the scheme through their recruitment processes and on-site accommodation. Sole operators probably will continue to demand SAWS students. Any

[89] Total estimated numbers of temporary workers in UK 611,000 + 2004 SAWS quota of 25,000 = 636,000 total estimated number of temporary workers including SAWS. 2004 SAWS quota expressed as a percentage of estimated total numbers of temporary workers in UK including SAWS 2004 quota = 3.93%

increase or decrease in demand by sole operators will best be assessed by an analysis of their bids for workers made each year to Work Permits UK. In interview sole operators identified that the scheme has five key advantages over using a labour provider or sourcing the labour directly from EU accession states:

- SAWS workers are less transient and more cost more effective than other sources of temporary workers such as workers from labour providers
- Transport is not an issue as workers are housed in near the place of work
- Legality is assured
- SAWS workers want to work extended hours and this gives enterprises the flexibility to cope with fluctuations in demand
- There is a marked preference for SAWS workers; from the labour users' view, they produce better quality work than other temporary workers

Multiple operators' demand for SAWS

Matching farmer/grower demand and supply for SAWS students is complex. One SAWS labour user said: "It is difficult for the SAWS (multiple) operator, there are growers on the phone saying that crops are in the field rotting." When this interviewee needed SAWS workers, 'by the time they came through in July we didn't have work for them'. On another occasion: "We were meant to have 100 SAWS students but we got 30-40 at first."

However, one interviewee commented in:

> "2004, you must understand that the Government closed the Embassies to visa applications for the whole of the Spring in Turkey, China, Bulgaria, Romania and Moldova, and the Embassy in the Ukraine was very slow, so creating the worst delays in visa approvals we have ever experienced and causing students to arrive up to a month late. This was a situation completely out of the SAWS operator control and, under the circumstances, they did everything possible to cope with it, including sourcing non-visa nationals."

International farm camps see their primary rationale as providing a 'cultural experience'. Access to work is not the key issue. For example, one multiple operator said that they charged £77 a week for food and accommodation and the students sign an agreement saying that they are not obliged to take employment. Where students are on farm premises for the single reason to earn money, then access to work is of paramount importance. There is a problem when farmers with whom SAWS workers are placed cannot guarantee employment. SAWS workers are permitted to work for farm enterprises within the scheme, but are not permitted to work outside the scheme.

> "Predicting the start and end of harvest can be a problem for growers and so work may end a week or so early. Some students also often decide that they would like to work longer than the work period that they initially selected. This means that they will apply for a transfer and in most cases this is accommodated within SAWS. Sometimes this is more difficult, particularly in the autumn, so some students may elect to try to find work themselves. This is not at all common and, if caught, they will be sent home. All SAWS users work very hard to help students who wish to stay longer than their chosen work period, up to their 6-month maximum stay, but it may not always be possible."

Both sole and multiple operator interviewees reported the ways in which they took seriously the need of the SAWS worker to be supplied with sufficient work. They also commented on the need to prevent some students trying to work seven days a week to maximise their income.

"They are generally working a five and a half day week. They have an idea of how much they want to earn when they arrive in the UK, and it is very difficult to restrict them to an acceptable working week. We have made great inroads with the Working Time Directive, but they can opt out, and it is hard to know where to draw the line. We do have some people who work 7 days, but we tell them to slow down."

One of the labour providers interviewed for this study had illegally taken on SAWS workers who claimed that work on their placement had fizzled out. The labour user recognised that the workers had been taken on illegally and the labour provider lost the contract with the labour user. Another labour provider interviewed for this study had come here on the SAWS scheme (seven years ago) and left the scheme to illegally start up business as a labour provider.

7.3.2 The role of accession country nationals

EU accession nationals made up 35 % of the 2004 SAWS quota. We were asked by Defra to consider the role accession country nationals are playing in meeting the sector's needs for workers. They wanted to know if EU accession state workers will remain in agriculture and horticulture, or if they will tend to look for work in other sectors.

In 2002 a report on the Review of the Seasonal Agricultural Workers Scheme 2002 by Work Permits (UK) expressed the view that:

"5.1.6 The impact of EU accession on the SAWS and the demand for seasonal labour within UK agriculture in general is difficult to predict. It is expected that as countries accede, nationals from those states will seek work in other, better-paid industries, and farmers and growers may need to look to other parts of the world to meet their demand for seasonal labour. An implication of this is that additional travel costs may be incurred in recruiting SAWS participants."

Our study took place around the period of accession and we were unable to form a coherent view or meaningfully progress or challenge the views expressed in the 2002 Review of the SAWS. Our data recorded that there are competing views on the impact of EU accession on the SAWS and the degree to which EU accession state workers will seek opportunities elsewhere.

SAWS operators recognised that an advantage had been eroded now that EU nationals had to pay National Insurance.

"Now that Poland and Lithuania are part of the EU those workers have to pay National Insurance, the others don't pay National Insurance because they are agricultural students. English and agricultural students don't have to pay National Insurance under the SAWS scheme, but the rules are getting much tighter and now English must be a mandatory part of the student's studies for it to count. We don't have all agricultural students, but we do have some Bulgarian economics students, they have to pay NI. Because we are so large National Insurance is a consideration but it doesn't override our recruitment. For smaller farmers it can be really important."

It was explained to us by a labour user that SAWS students, like all students, are allowed to apply for a P38S, which lets them use their full income entitlement before paying tax. We were told by an experience user of the scheme that:

> "Most SAWS students do not reach the threshold. The reasons for this is that, as students, most are only working for their summer holidays of 8-12 weeks, and so may not quite reach the threshold. Some students have either taken a year out of studies or are on a 6-month work experience in which circumstances they will of course reach the tax threshold. NI exemptions only apply to students from countries with a none-reciprocal agreement e.g. Russia. These nationals will have not free access to the normal NI benefits e.g. free health care (hence the need for insurance) but, in common with other types of workers from these countries, will have certain exemptions to NI."

The point was made that by another labour user that the SAWS is not the only access farmers and growers have to student workers. One labour user participated in a scheme of short work placements with students from France, Spain and Poland arranged through their local agricultural college. One scenario, which emerged from labour user interviews, was of EU accession nationals directly contacting business enterprises where they had formerly worked as SAWS students and being taken on as direct employees. Those with English language skills are employed as supervisors and translators for their co-nationals.

The view of one operator pulled together several factors, which may determine future demand for SAWS:

> "I don't think that temporary labour will grow in the UK. This is because of measures like the FPC code of practice, and the Gangmaster Licensing Act. The smaller growers will be put out of business, because they won't be able to stand the cost. It is getting easier for people to recruit from the EU, there has been a short supply of staff, but now we get 20 or 30 phone calls a day from accession country workers looking for jobs.
>
> I don't know how the accession countries will affect the job market – we'll just have to sit back and see."

The comment this author would make is that in the past, EU accession state SAWS students have been recruited from among university students and SAWS students have in many cases made repeat visits during the course of their studies to work in the UK. Over the next five years former SAWS students may seek to maximise their educational investment and experience of working in the UK and return for a period. A clear indication as to which sectors they may work in is not possible at this time. However, in the case of former SAWS students, their education and degrees are in agriculture and opportunities may arise for advancement within the food sector, which currently has difficulty in recruiting graduates.

7.4 Conclusion

One user summed up the popularity of the SAWS with growers:

> "SAWS users that I know will take their responsibility very seriously in looking after their workforce. We will deal with all their needs while with us sorting out Doctors, Dentists, travel arrangements, visa issues and we will organise transport to shops, trips out, entertainment on the farm, bank accounts, transfer of money home, English lessons, sports facilities and of cause accommodation. The list goes on and on. All this for a very modest facility fee, typically about £25 per week. It is without doubt that SAWS students and students from new accession states employed in this way get to keep a higher percentage of their net pay than in almost any other type of employment. The SAWS scheme is extremely over subscribed from both the employer and employee's perspective, which speaks volumes in itself."

In the case of multiple operators providing nationally direct to farms it is thought that SAWS students will probably continue to be an attractive option as a source of temporary workers, particularly for small farmers and growers because do not have to pay National Insurance and tax and legality is assured.

Workers from EU accession states are no longer eligible for the SAWS and will have to pay tax and National Insurance, the sector's demand for a source of legal, cost efficient workers may increase the demand for SAWS students. This may result in SAWS workers being sourced from further a field, which multiple operators are willing to do. However, interviews suggested that farmers and growers valued retention of accession nationals post-enlargement and that expertise had been developed by operators to source students from abroad without the support of SAWS.

In the past, farmers and growers have valued the assurance that SAWS workers are legitimate. With the passing of the Gangmasters (Licensing) Act, confidence may develop in licensed labour providers' legitimacy. However, the continued demand for SAWS workers via multiple operators rather than the use of legitimate open-market providers may be based on the following.

- SAWS acts as a cost efficient source of workers
- The preference for SAWS workers as they are 'hungry' for work (see labour user interviews) and that they provide flexibility.
- Farmer and grower enterprises may want to keep the opportunity SAWS provides for access to a pool of 'just in case' workers.

Further, it is anticipated that the dearth of UK workers willing to work in the sector may sustain the current levels of demand for foreign nationals in agriculture, horticulture and co-located primary food processors. The sector is anticipated to experience 8% growth (REC/PricewaterhouseCoopers report see section 5) in common with other sectors requiring temporary labour. Factors that may influence demand for migrant workers over the next five years are employment and inflation trends in the UK economy. If unemployment and/or inflation rise then local people may be prepared to return to low-waged temporary work in agriculture and horticulture but this will only apply to non-seasonal work. There is a marked consensus throughout this report from interviewees that it is impossible to get UK nationals into the sector and into short-term seasonal work. There is a need especially by UK growers with short season crops, such as strawberries, asparagus, salad etc. to look for workers with a requirement for short-term employment. This tends to be students, back-packers and the like, not people looking for full time regular employment.

If this is not the case then farmers and growers will continue to seek 'hungry' workers from outside the UK willing to accept the employment patterns. However, the difficulty in finding housing for workers and or gaining planning permission for on-site accommodation may also impact on the numbers workers in the sector. We conclude with the experience of one SAWS user:

> "Our main concerns at the moment are that SAWS is discontinued for political reasons and shortsightedness. Once the huge skills that multiple operators have in sourcing selecting and managing students are lost, they may never be regained. You only have to look at the problems that other sector-based schemes have experienced recently to understand the value of the skill associated with SAWS operators.
>
> I was in Poland only last week and their economy is flying, as is that of other central European accession states. Their economies are moving much faster than those of Spain and Portugal were when they joined the EU and so one would expect to have difficulty in recruiting from those counties in only a few years. I personally hope to be in business for another 20 years and so would expect to be using SAWS again."

It is extremely problematic to come to any conclusion about future demand for SAWS workers while the arrangements with the new accession countries are bedding down. Further, during the writing of this research the Government announced its intention to review SAWS with a view to phasing the scheme out as part of a new five-year immigration strategy.

Summary

- The SAWS 2004 quota represents 4% of the total estimated number of temporary workers in the sector.
- The existence of SAWS, with its different National Insurance regime, acts as another layer of confusion in the market place for temporary labour.
- There was evidence of some poor employment practices by users of the scheme. Confusion exists in the sector about the scheme's regulations.
- Lack of sufficient continuous work for SAWS students was seen by some as problematic.
- Working long hours may be a source of poor employment practices.
- The speed at which SAWS students can change employers within the scheme may present an opportunity for poor employment practices.
- Accommodation tied to work may present employment issues coupled with restricted choice of employment under the scheme's regulations.

8. DISCUSSION AND CONCLUSIONS

The aim of the study was to explore with players in the food chain the key factors driving employment practices in UK agriculture and horticulture and co-located packhouses and primary food processing operations. Drawing on a value chain approach, we have examined this sector at different tiers of the food chain, food retailers and food service companies, buyers and category managers, suppliers (labour users) and labour providers and workers. In this section we pull the disparate perspectives together and look for a more coherent analysis and way forward.

8.1 Discussion

Temporary workers are an overlooked but integral element of the food chain. Consumer trends have changed, with a greater demand for cheap and quick convenience food. Supermarket and food service companies fuel this demand through ‘24/7’ provision. (cf. The discussion in Chapter 2: Figure 2.2 which shows that temporary workers are required year round to wash, grade and pack food for the table). The food sector is now ‘buyer-led’ with a high concentration of supermarkets and food processing companies. Their governance and control of the chain has led to a tiered system of category management, key suppliers and farm enterprises. Farm enterprises have to meet quality standards and ‘just in time’ delivery at increasingly competitive prices.

8.1.1 Planning and coordination

The food chain is now highly integrated, yet temporary worker provision, which is a crucial component to the function of the chain, has been left out of the process of planning and coordination. Supermarkets, food service and category managers do not consider themselves responsible for workers used in other tiers of the food chain. Labour issues are seen as the responsibility of the direct labour user alone, in compliance with retailers’ codes of labour practice. The supermarkets’ view is that farm enterprises can manage peaks and troughs in production through the use of labour providers. Supermarket purchasing requirements have led to extended seasons in many crops, and year-round packing of fruit and vegetables. This has increased the year-round demand for workers significantly. The issues raised in this report about temporary worker provision is not a debate about who is legally responsible for workers employed in the food chain since that clearly rests with individual employers. The key issue exposed by the evidence presented in this report centres on the connectedness and integration of the modern food chain, and the food retailing and food service system in the UK and the ways in which this integrated food system impacts on the demand for and use of temporary workers.

The evidence produced in this report suggests that over the last five years there has been a major change in the kind of workers and numbers of workers demanded by farm enterprises, which supply the food retailers and food service sectors. This study found that the temporary labour force of between 450,000 and 611,000 workers is the bedrock of the UK food supply system, and provides the last buffer in a lean and highly integrated value chain.

8.1.2 Flexible labour

Temporary workers represent the sector’s ‘ideal worker’. In current market conditions, employers want highly flexible labour that will, without question, work long hours and split shift patterns, stay on after a shift with no prior notice, work weekends, and will not demand a higher

hourly rate of pay for overtime when not covered by the AWO. Work intensification in terms of speed and 'quality' control has occurred. Where piecework arrangements were used to incentivise effort, the work necessary to achieve the equivalent of the hourly minimum wage had been increased. UK nationals are refusing to work the irregular and unsocial hours at this intense pace for the low rewards that characterise the sector. The withdrawal of UK workers from the sector has led to an across the board increase in the use of foreign nationals, often employed legally through labour providers and the SAWS scheme, or since 1 May 2004 as EU citizens with the right to work.
Farm enterprises are operating in a competitive market dominated by supermarkets and large food service companies. In the face of declining prices, there is evidence of increased downward pressure on their margins. Labour represents at least 50% of supplier production costs, and many companies have focused on ways to reduce labour costs to remain competitive. Prices paid by supermarkets and food service companies to suppliers are crucial because they determine whether the suppliers have enough to pay workers and labour providers the legal minimum.

Some farm enterprises and some labour providers are more efficient in their management of temporary workers than others. However, in the UK there is a baseline cost for employees below which no employer can go, no matter how much downward price pressure is exerted by some buyers and category managers. This means that an economy of scale argument applied to the supply of temporary workers by labour providers does not altogether stand up here.

The ability of some farm enterprises to rationalise worker use, reduce costs and gain efficiencies does not entirely depend on their own organisational abilities. Rather, their ability to drive down internal costs is closely connected to the activities of their customers. In the highly integrated and efficient UK food chain, activity in one part of the chain can have consequences for utilisation of workers in another part of the chain.

8.1.3 'Just in time' delivery programmes

The key change that has impacted most on suppliers' ability to control labour costs is the frequency of fluctuations within the ordering systems to meet 'just in time' delivery programmes. Working in real time has meant that businesses have to rely on the availability of a highly flexible pool of not only 'just in time' but also 'just in case' temporary workers. The industry view is that temporary labour and labour providers have always been a permanent feature of the agricultural and horticultural sector in the UK. They provide a flexible labour force, and are able to meet fluctuating demand. They believe their services substitute for lack of affordable housing and public transport, and so they should be regarded positively. The blame for poor employment practices is attributed to the illegal labour providers, and lack of law enforcement. The view is that competition from illegal labour providers has driven down the price for legitimate labour providers, and in some cases both labour users and labour providers have profited from worker abuse and VAT fraud.

8.1.4 Response of labour users to changing trends in the sector

Labour users do not see outsourcing of temporary workers as the only solution to the crisis in the supply of UK temporary workers in the sector. The response of some labour users to the speed of change in the structure of retailing over the last five years has been to embrace technological change, especially mechanisation in grading and packing and season-extending varieties. Some labour users have grouped together to market their products; others part-own separate packing and processing businesses in an attempt to manage fluctuation in demand.

Reliable workers that arrive on time and in the correct numbers, on the right day, are key to the process. Some labour users have focused on directly sourcing their own temporary workers, but face the difficulty of gaining planning permission for on-site accommodation. Where accommodation was available, its provision formed an aspect of the employment relationship. Some aim for reliability and legality by hiring SAWS workers who are, typically, housed on site; others rely on labour providers and outsource 'reliability' of temporary workers - including legal status, transport, accommodation, payroll, health and safety, and food hygiene training - to them.

However, meeting 'just in time' deliveries while maintaining quality standards at low prices puts labour users under considerable pressure. Sudden changes in orders due to new promotions, or fluctuations in demand, have to be met with a surge in the number of temporary workers, which even regular labour providers are unable to meet. No-notice unplanned surges in demand put pressure on the whole chain, from the retailer through to the supplier to the labour provider and the workers. When extended hours cannot meet the surge, other workers have to be found from any available source, legal or illegal. The consequences for suppliers who fail to deliver to retailers on time are the loss of orders and possible delisting. When a supplier is delisted in this sector of the economy, they have a very limited alternative market in which to sell their produce.

This study has shown that temporary workers supplied by labour providers underpin the system that gets food into stores and food service points 'just in time' and ready prepared for the table. Downward price pressures in the chain have led to a dependence on temporary workers. Where UK nationals have refused to accept the poor employment conditions on offer in the sector, migrant workers have replaced them. Subcontracting dilutes the employment relationship and may help facilitate criminal activity such as VAT fraud and worker abuse. The whole supply chain is so integrated, intense, and intent on 'serving the customer' at the lowest possible price that labour users and labour providers are prepared to tolerate poor employment practices, and in some cases, participate in illegal activities to ensure supply.

8.2 Conclusions

The value chain approach, adopted in this report explored the linkages between production, distribution, retailing and consumption. The evidence presented illustrates that temporary worker' employment patterns and employment practices in the sector are connected to all players in the food chain. We learned from trade professionals, food retailers, the food service sector, buyers and category managers and some suppliers that it is possible to benefit both the food firm and supplier by optimising performance of activities jointly (open book accounting, programming supply, eliminating waste) and by improving supply chain co-ordination. However, the evidence from other players in the food chain illustrated that, activities within a highly integrated and efficient network, such as the UK food chain, has pressure points which impact on the utilisation of workers in the chain and can lead to poor and illegal employment practices.

Table 8.1: Value chain pressure points leading to poor and illegal employment practices by labour providers

Food retailers and food service	• Buying strategy 'Market minus price – not supplier cost price' • Open book accounting which can be used to apply downward price pressure and a 'take it or leave it' relationship with suppliers
Technical managers and buyers	• Exclude labour costs from planning process with suppliers • Constant change of buyers – in some cases every 5 months with targets and rewards based on bringing down costs
Suppliers/labour users	• Suppliers as 'price takers' with no access to alternative markets. • Downward price pressure leaves no margin for developing good people management skills for direct or outsourced workers • Suppliers look for cheapest source of labour
Legitimate labour providers	• Have expertise in recruitment, managing people and all aspects of employment regulation. Where suppliers pay the full cost of the service charge, labour provider businesses are able to meet all legal requirements. • **Poor practice** occurs where labour providers do not have appropriate business systems in place and have little management training and/or poor access to government agencies
Illegal labour providers Type 1	• Type 1 labour providers understand that low or negative margins drive suppliers to collude with them when they charge below the market rate for labour services. • Type 1 labour providers make their margin by defrauding on VAT payments.
Illegal labour providers Type 2	• Type 2 labour providers find workers willing to collude over non-payment of tax and National Insurance and defraud the Inland Revenue. Workers are willing because of low pay in the sector and see this a way to increase their take-home pay.
Illegal labour providers Type 3	• Type 3 labour providers take the opportunity to defraud VAT and Inland Revenue and abuse vulnerable workers that are dependent on them for work, transport and housing. Labour providers do this because the financial gain is worthwhile compared to the risk of prosecution. Even when the numbers of people involved are small, i.e., being a labour provider of 6 people, profit can be made from VAT fraud and worker abuse. • Type 3 labour providers make their margin through fraud and worker abuse.

Table 8.1 highlights the pressure points in the value chain that can lead to poor and illegal employment practices by labour providers. The different ways in which negative practices occur at different levels suggests that responses need to be made by actors at each relevant tier in the supply chain in collaboration with other actors. In summary the evidence gathered for this report from the food chain actors suggested good employment practices occur within the temporary labour sector when the following actions take place:

- Active integration into supermarket schedules of the effects of demand surges (such as promotions and special offers) on temporary worker provision by labour providers.

- Estimates for, and costs of, direct and temporary workers included at the start of the planning and pre-programming process, which may be up to a year in advance. Estimates are based on the full cost of legally employed workers.

- Supermarkets, food service and category managers and buyers engage in the forecasting of demand and pre-programming of supply, fully incorporate suppliers' labour costs, including the cost of legally employing temporary labour provided by labour suppliers.

- Stable supply relations promote good employment practices.

- Suppliers' employment practices are valued and integrated by customers in equal measure to technical, financial and environmental food chain issues.

- Open-book accounting based on margins available after the legal costs of labour has been included.

- Where consumers and food retailers do not pay prices below production costs for food.

8.3 Further work

The estimated range of numbers of temporary workers 450,000 to 611,000 employed in the sector given in this report did not equate to numbers of jobs, either full-time or part-time. Further work is required in order to clarify the movement of workers within the sector, and the extent to which they participate in other sectors.

This report has highlighted the need for temporary workers in the sector. Further work should question the dependence of the sector on temporary workers and labour providers, and the implications of this for all actors in the food chain.

LIST OF ACRONYMS

ACU	Agricultural Compliance Unit
AWB	Agricultural Wages Board for England and Wales
AWO	Agricultural Wages Order
CATI	Computer-Aided Telephone Interviews
DEFRA	Department for Environment, Food and Rural Affairs
EFRA	House of Commons Environment, Food and Rural Affairs Committee
ETI	Ethical Trading Initiative
EU	European Union
MHW	Manual Harvest Worker
NGO	Non-Governmental Organisation
NFRU	National Farm Research Unit
OFT	Office of Fair Trading
RDA	Regional Development Authority
RFID	Radio Frequency Identification
SAWS	Seasonal Agricultural Workers Scheme
SBS	Sectors Based Scheme

GLOSSARY OF KEY TERMS

'Gangmaster'

Until the Gangmasters (Licensing) Act became law in July 2004 there was no agreed legal definition of a 'gangmaster'. The term was in common usage (mainly in East Anglia) to describe a supplier of temporary workers to agriculture, horticulture, primary and secondary food processing. The difference between recruitment and employment agencies and 'gangmasters' was indistinct and all labour provider businesses, including gangmasters, were theoretically covered under the Employment Agencies Act 1973.

Agricultural Wages Board Order (AWBO)

An independent statutory body established under the provisions of the Agricultural Wages Act 1948. It is required to fix minimum rates of pay and other terms and conditions of employment for agricultural and horticultural workers.

Category management

Where one supermarket supplier is given the task of co-ordinating a whole category (such as fresh salad) from production through to final consumption all year round. Category managers deal with other suppliers.

Common Agricultural Policy (CAP)

A subsidy that has been available to agriculture (farmers), but not to horticulture (growers). In 2005 both groups become eligible but the subsidy has been 'decoupled' from production. Qualification for subsidies is based on care of the environment. The change in regulation is aimed to stop EU over-production of food.

Efficient Consumer Response (ECR)

Efficient Consumer Response was introduced in 1992 to minimise the interaction costs between actors in the food chain. The two key features of ECR are its responsiveness to consumer preferences measured by current purchasing patterns, and that it shifts the onus for timely stocking of retail shelves to suppliers. Category management was partly in response to ECR.

Electronic Data Interchange (EDI)

In the early 1990s the food retailers ordering system (EPoS) was linked to the ordering system of their suppliers through EDI, a computer to computer proprietary software system. Since 2000 Internet EDI (I-EDI) has provided an inexpensive infrastructure for data transmission in real time. I-EDI has led to very short lead times for products and impacts on labour scheduling for suppliers.

Electronic Point of Sales (EPoS)

Refers to the food retailers ordering system where price scanners at checkouts transmit information for stock replenishment. EPoS impacts on demand for temporary workers because when the customer makes a choice between the purchase of one bunch of spring onions or two, so sensitive is the stock replenishment information system that a job for the day may be at stake.

Every Day Low Price (EDLP)

A supermarket strategy aimed at providing the consumer with a consistent pricing policy, rather than a 'hi-lo' pricing strategy of high discount rolling promotions such as 'buy one, get one free'. The aim is to avoid excessive and inefficient demand surges that cause flux throughout the system.

Open-Book Accounting

A system where suppliers show their accounts to their main supermarket buyers with the aim of working together to reduce costs along the food chain so that everyone gains.

Operation Gangmaster

Operation Gangmaster is an inter-agency initiative to tackle illegal working in the hidden economy in agriculture and horticulture.

Radio Frequency Identification (RFID)

Technology used to read the information on a label known as a smart tag, which is being introduced into the food chain to replace bar codes. Currently bar codes only identify classes of products, not individual items, which tags can do. RFID technology is aimed at achieving accurate stock control in real time and in smaller quantities.

Appendix 1: Survey Methodology

Labour Users

Precision Prospecting Ltd designed a questionnaire in conjunction with Defra that would quantify as many of the objectives as possible in a telephone interview.
The National Farm Research Unit in Suffolk conducted all telephone interviews using a computer-assisted interviewing technique (CATI).

Contacts were supplied from a number of different sources, the majority of which were from Precision Prospecting's in-house database of 80,000 farmers in the UK. Additional databases were purchased to ensure representation of particular sectors:

- Poultry (120)
- Livestock farmers (680)
- Food processors (195)
- Mushrooms (102)
- Top 150 fresh produce companies (121)

Sample

Overall, 945 interviews were conducted with labour users for the survey across a range of agricultural and horticultural business types. The distribution of interviews is illustrated in the table below:

Main enterprise	Actual completed interviews	Confidence limit
Cereals	99	+/-9.7%
Field vegetables	87	+/-10.3%
General cropping	195	+/-6.7%
Horticulture	190	+/-6.81%
Mixed	130	+/-8.4%
Mushrooms	31	+/-16.0%
Livestock	66	+/-11.9%
Potatoes	95	+/-9.8%
Food Processor	42	+/-15.2%
Other	10	NA
Total	**945**	**+/-3.2%**

The confidence levels quoted are based on a confidence level of 95%, a market research standard, and at the maximum level of error of 50%. This means that we are 95% confident that responses are correct within the margins in the table above. For example, for a response of 35% from horticultural enterprises, which has a confidence limit of +/-6.81%, we are 95% confident that the true figure lies between 28.19% and 41.81%.

Analyses have been run by region, main enterprise, crop (whether main or additional enterprise), route of employment for temporary labour (including SAWS), business size (where available), as well as by number of temporary workers required.

Labour Providers

A slightly different interview was set up for those providing labour to ensure that the questioning remained relevant. The Precision Prospecting National Farm Research Unit also conducted interviews. All labour provider interviewees were asked some initial questions in order to be sure they were providing temporary labour into agriculture and/or primary food processing businesses.

In all, 85 interviews were completed, which equates to a margin of error of +/-10.48%. This is below the expected response rate of 200 interviews with labour providers, as finding labour providers who were willing to talk was fairly difficult.

Reasons for refusal (just 26% completed)

Unable to speak to right person during fieldwork period	17.7%
Disconnected phone	5.8%
Refused to participate	5.3%
Permanent answerphone	5.3%
Wrong number	3.1%
Other (incoming calls barred, foreign required, in hospital)	3.1%
Didn’t supply to the sector	2.7%
Duplicate recorded/number	2.2%
No longer trading	1.8%
No answer	1.8%

The majority of labour provider contact names were supplied by farm enterprises to Defra. In addition, 54 names were supplied through the labour user interviews as well as Yellow Pages and some associated background deskwork.

Appendix 2: Labour User by Crop Type, Region and Business Size

Table 1: In-depth Interviews and Case Studies - Labour User by Crop Type

	Salad products	Vegetables	Mushrooms	Top/stone Fruit	Soft Fruit	Ornamentals	Primary processing
CS1	*	*					
CS2						*	
CS3							*
CS4				*	*		
LU1				*			
LU2						*	
LU3		*					
LU4	*	*					
LU5	*						
LU6				*		*	
LU7				*			
LU8		*					
LU9				*	*		
LU10	*	*					
LU11			*				
LU12							*
LU13					*		
LU14	*	*			*		
LU15		*				*	
LU16	*						*
TOTAL	6	7	1	5	4	4	3

Table 2: In-depth Interviews and Case Studies: Labour User by Region

	East Midlands	West Midlands	South East	South	North-West	North-East	South-West	Scotland
CS1		*						
CS2				*				
CS3	*							
CS4				*				
LU1	*							
LU2				*				
LU3				*				
LU4						*		
LU5					*			
LU6				*				
LU7				*				
LU8					*			
LU9			*					
LU10		*						
LU11					*			
LU12	*							
LU13								*
LU14								*
LU15							*	
LU16	*							
TOTAL	4	2	1	6	3	1	1	2

Table 3: In-depth Interviews and Case Studies: Labour User by Business Size (Turnover or other Indicator)

	< 200,000	200,001-1,000,000	1,000,001-10,000,000	10,000,001-100m	> 100m	Notes
CS1			*			
CS2			*			
CS3			*			Estimation based on profit figures
CS4		*				Production only (not incl sales of processed products)
LU1		?				
LU2	*					
LU3				?		
LU4				?		
LU5	*					
LU6		*				
LU7		*				
LU8			?			
LU9			*			
LU10				*		
LU11			*			
LU12			?			
LU13		?				
LU14		?				
LU15			?			
LU16					*	
TOTAL	2	5?	6?	3?	1	

Notes:

1. The data on business size based on turnover are incomplete and the ballpark range has been estimated for some of the companies. The case study companies were all medium-sized businesses, three of them in the £1-10 million turnover range.

2. We have tended to interview larger businesses than the typical very small enterprise that still makes up the majority of the sector (Key Note Market Report). The CATI is more representative of this large group of very small producers.

Appendix 3: Regional Variation in Use of Non-Local Temporary Workers

Region of the UK	% of non-local workers in temporary workforce	Number of labour users interviewed
East Midlands	45	125
East	49	210
South East	49	134
West Midlands	48	89
Northern Ireland	70	9
North East	14	11
North West	27	45
Scotland	33	75
South West	29	125
Wales	14	27
Yorkshire and Humberside	27	92
Total	40	942

1.1. Source: Computer-Assisted Telephone Interviews (CATI), June to August 2004

Note 1: Temporary workers are those who normally agree to work for the same company for periods of less than one year, and often for substantially shorter periods.

Note 2: Non-local workers are those whose usual place of residence is more than 30 miles from the firm's worksite. These figures are approximations (by interviewees) – some enterprises have worksites spread over large areas of a region and the actual place of work varies day to day at harvest time.

Appendix 4: "Turning us on and off like a tap" – Notice Periods Labour Users Are Able To Give When No Longer Requiring Temporary Workers

Number of Days	Percentage of Labour Users	Number of Labour Users
0	2	18
1	19	182
2	14	134
3	3	33
4	1	7
5	2	17
7	32	307
8	0	1
10	0	1
12	0	2
14	10	94
21	1	9
Total		805
Invalid	16	

1.2. Source: Computer-Assisted Telephone Interviews (CATI), June to August 2004

Appendix 5: Sample of labour providers by region, turnover and sectors supplied

Labour providers	East	South	North	West	<£1m	£1-£3m	£3-£7m	£7+m	Farm enterprises	Other sectors
LP1	*							*	*	*
LP 2	*					*			*	*
LP3			*			*			*	
LP4		*			*				*	
LP5			*		*				*	

Appendix 6: Detailed calculation of add-on costs

Illustration of typical minimum costs incurred by labour providers in supplying labour in accordance with employment law and other legal requirements

NB: The figures used in this illustration are drawn from a number of different sources. The result is not intended to be a realistic description of the costs of any particular labour provider business (e.g. it makes no attempt to allow for the costs of rent/interest charges on office accommodation, which may vary widely from one business to another). It also makes no allowance for any management cost or business profit. Rather this is intended to be an illustration of the minimum unavoidable costs that flow from observing the law on basic employment matters such as the minimum wage, national insurance, employers' liability insurance, and maintaining and insuring roadworthy vehicles.

Working Hours

Assumption: Workers supplied work on average 45 hours per week

Hours available (45 x 52)	-	2,340
Less 2 weeks sick (45 x 2)	-	-90

Average annual working hours: 2, 250		

Wage Costs

Wage costs per worker (2,250 x £4.50)	-	£10,125
2 weeks SSP	-	£ 129

Average annual wage costs per worker	-	£10,254
Employers NIC	-	£ 682

Total average annual wage costs	-	£10,936

Additional wage costs of drivers

Assumption: drivers are also part of the team of supplied workers but are paid at a higher rate for the hours spent driving (and have longer rest breaks during the worked shift to keep within Working Time Regulations)

Additional cost: (15% x 2,340 hours @ £1.25/hour)		
351 hours x £1.25	-	£ 439
Additional ERNIC	-	£ 29

Total additional wage cost per driver	-	£ 468

Transport costs per vehicle

Assumption: vehicles used are 17-seater minibuses (NB: illustration based on situation where workers are not charged for transport – where workers are charged for transport the cost of PSV licences would need to be added but would be offset by additional revenue from transport charge)

Depreciation	-	£ 5,000
Road tax	-	£ 165

Repairs/servicing	-	£ 750
Fuel (£120/week x 52)	-	£ 6,240
Insurance	-	£ 2,000
Annual costs per vehicle	-	£14,155

Administration/Overhead Costs

Payroll clerk wage costs	-	£13,500
ERNIC	-	£ 1,052
Employers' Liability Insurance	-	£ 3,500
Accountancy	-	£ 4,000
Recruitment costs (advertising)	-	£ 4,000
Other (telephone, computer, etc)	-	£ 4,000

		£30,052

<u>Costs for a supplied workforce of on average 50 workers</u>

Wage costs:

50 workers x £10,254	-	£ 512,700
3 drivers x £10,693	-	£ 32,079

		£ 544,779

ERNIC:

50 workers x £682	-	£ 34,100
3 drivers x £711	-	£ 2,133

		£ 36,233

Transport:

3 x £14,155	-	£ 42,465

Summary costs:

Wages	-	£ 544,779
ERNIC	-	£ 36,233
Transport	-	£ 42,465
Overheads	-	£ 30,052

		£ 653,529

Available Hours

Total average hours	-	2,340
Less 2 weeks sick	-	-90*
Less 4 weeks holiday	-	-144*

Available hours	-	2,106

(**Assumes time off sick is spread throughout the year and represents an average week but holidays are taken at off-peak times – assumed to be a 36 hour week*)

Total available hours:
(2,106 x 53 workers) - 111,618

Average hourly cost to be recovered per worker

£653,529 ÷ 111,618 = £5.85
NB: Average cost of £5.85/hour represents 30% on top of the £4.50/hour National Minimum Wage, but as noted above, this is an attempt to illustrate the basic minimum costs and is likely to understate the actual costs of almost all businesses (see introductory note), as well as making no allowance for management costs or profit.

Appendix 7: Workers' perspectives

Background and methodology

Between August and September 2004, 36 workers were interviewed across four companies selected for in-depth case studies. The companies' activities are summarised below:

CS1: salad product and leeks (West Midlands)
CS2: hardy shrubs (ornamentals) (East)
CS3: fruit handling, sorting, labelling; floreting brassicas for freezing (East Midlands)
CS4: soft fruit for fresh and processed market (South)

Interviews lasted between half an hour and 45 minutes, took place face-to-face, without the presences of a labour user or provider, and usually on a one-to-one basis. The labour user and/or labour provider selected the workers for interview, after the researchers had explained that they wanted to interview as broad as possible a cross-section of the workforce. We wanted to be able to talk with men and women workers, of different ages, nationalities, and immigration statuses, doing different kinds of work at different locations (e.g. field and packhouse workers). We are very grateful for the help of labour users and labour providers in selecting which workers to invite for interview. However, we also recognise that this selection was filtered through the informal relations between labour user/labour provider and worker, which raises issues of potential bias, as well as ethical issues. Regarding the latter, we took care to ask whether the worker would lose money by talking to us during work time. We were always reassured that this would not be the case. Nevertheless, we have no way of telling how much choice they were given by labour users and labour providers, or whether the workers were paid for the time they spent being interviewed. Indeed when workers were on piece rates, it was not clear how such payments would be calculated. These issues should be taken account of in any future studies.

Who we interviewed

In total we interviewed 16 women and 19 men, ranging in age from 20 to 63. Two of the interviews were with groups of workers in a field. The reported nationalities of those interviewed were Afghan (1), Bolivian (1), Bulgarian (4), British (13), Iraqi (1), Lithuanian (3), Mauritian (1), Polish (4), Russian (1), Rwandan (1), Ukrainian (1). Immigration statuses reported included British citizen, naturalised British subject, EU accession country national, student and SAWS permit holder. Of the workers interviewed, 17 worked for 'gangmasters', seven were SAWS permit holders, and the labour user directly employed eight. Four of the workers interviewed in case study four were caravanners.

Appendix 8: Trade Union perspective on temporary workers in UK agriculture and horticulture

Trade unionists commented that farmers traditionally employed workers directly, and only used gang labour as a secondary source. Gangmasters were regarded as a necessary source of extra labour to help meet seasonal and irregular demands common to that industry. But increasingly, unscrupulous employers have been using gang labour, including migrant labour, to depress wages and conditions of work. As a result of poor conditions, local workers no longer want or can afford to work in the agricultural sector.

The role of supermarkets is central, yet their stance is contradictory. Their support for the licensing legislation was critical but this honourable position is compromised by the dominating commercial ethic of driving down prices. This is now a critical issue, as supermarket prices are often below the cost of production. As a result, packhouses and growers cannot meet existing pay agreements. Supermarkets should abide by the ETI code but this is still voluntary. The problem is they are unregulated and their stranglehold over the supply chain is tightening. The Competition Commission should look at ways of appraising their influence and controlling it where it has become detrimental.

There is a core of labour providers who are engaged in serious criminal activity, people-trafficking rather than the provision of labour. Good labour providers are a minority and are finding it increasingly difficult to stay in business.

The Gangmasters (Licensing) Act will redefine the term ‘worker’. It is the union view that even if they are irregular, workers will have recourse under law and can go to an industrial tribunal, which the union welcomes. But this is an interpretation that the government does not necessarily accept. The union is pressing the government to ensure sufficient resources will be available for rigorous enforcement of the Act – enforcement, and the prosecution of those in breach of the law, will be key to the success of the legislation.

Trade union interviewees believed the Act would help union organisation among temporary workers. Indeed, an organised workforce is seen as one of the best defences against exploitation and one of the best means of enforcing the law. But at present there are many difficulties organising gang workers, largely related to workers’ irregular status. They fear that if they join a union they won’t be re-employed by a gangmaster. Union membership is the best means of enforcing the Act, and improving workers’ rights, pay and conditions, but the unions will need support to reach and organise a dispersed, fearful workforce.

The government wants a cheap flexible labour force and the food industry wants a structure that delivers cheap food on a low-cost, ‘just in time’ basis. Can we continue a cheap food policy in the UK, predicated on supermarket power, and treat people decently (both growers and workers)? This will require a change in public understanding as well as in policy.

Appendix 9: Names of Multiple and Sole SAWS Operators

Name of SAWS Operator
Concordia (YSV) Ltd (Multiple operator) **RECRUITS ON BEHALF OF FARMERS THROUGHOUT THE UK**
Harvesting Opportunity Permit Scheme (GB)/ HOPS (GB) (Multiple operator) **RECRUITS ON BEHALF OF FARMERS THROUGHOUT THE UK**
Friday Bridge International Farm Camp (Multiple operator) **RECRUITS ON BEHALF OF FARMERS IN THE NORTH CAMBRIDGESHIRE AREA ONLY**
Sastak Ltd (Multiple operator) **RECRUITS ON BEHALF OF FARMERS IN THE SHROPSHIRE & STAFFORDSHIRE AREAS ONLY**
G's Marketing Ltd (Sole operator) **RECRUITS TO MEET THEIR OWN DEMAND FOR SEASONAL LABOUR ONLY**
Haygrove Ltd (Sole operator) **RECRUITS TO MEET THEIR OWN DEMAND FOR SEASONAL LABOUR ONLY**
R & J M Place Ltd (International Farm Camp) (Sole operator) **RECRUITS TO MEET THEIR OWN DEMAND FOR SEASONAL LABOUR ONLY**
S & A Produce (UK) Ltd (Sole operator) **RECRUITS TO MEET THEIR OWN DEMAND FOR SEASONAL LABOUR ONLY**
Wilkin & Son Ltd (International Farm Camp) (Sole operator) **RECRUITS TO MEET THEIR OWN DEMAND FOR SEASONAL LABOUR ONLY**