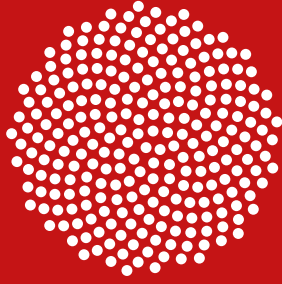




**Prepared
Consumer
Foods**
Ibec

A sector with a lot on its plate

Labour challenges in the
Prepared Consumer Food sector
2019



**Prepared
Consumer
Foods**
ibec

“The ability of the sector to retain, access and attract the best talent to address these skills gaps represents a key challenge towards 2025 and will define the capacity of the sector to realise 2025 growth, development and sustainability targets.”

Food Wise 2025

“With Ireland reaching full employment, the future growth and competitiveness of the PCF sector depends on finding new recruits with the right skillset and mindset to power our businesses.”

Linda Stuart-Trainor, Director of Prepared Consumer Foods, Food Drink Ireland

Introduction

People are at the heart of Ireland's Prepared Consumer Foods (PCF) sector – from food scientists to operatives on the factory floor to top marketing talent. Therefore, changes in the labour market are felt directly by the sector. Ireland's current tight labour market is having an impact on PCF companies in every part of the country. Without policy interventions this situation is likely to worsen.

PCF is a highly diverse sector, encompassing companies producing value-added food and beverages, whether they sell in Ireland or internationally to grocery, convenience retail, food service or other food companies. The sector includes foods from breakfast meats to yoghurts, ingredients, value-added seafood, value-added horticulture and non-alcoholic beverages.

Such a diverse sector employs people in a wide variety of roles. It is a highly inclusive sector, with a range of skill levels, nationalities and areas of expertise. Over 22,000* employees are spread across more than 500 sites, with a presence in every county in Ireland.

Despite this variety and diversity, there is strong consensus among CEOs on Food Drink Ireland's Prepared Consumer Foods Council that the recent surge in employment linked to Ireland's economic recovery is posing real challenges to the sector. Different companies are impacted in different ways, but labour market challenges are high on the agenda of business leaders across the sector.

These challenges come at a time when, more than ever, the right people are needed to drive the sector forward.

Food Wise 2025 contains ambitious growth targets for the agri-food industry, including an 85% increase in exports, a 70% increase in added value and the creation of 23,000 additional jobs compared with 2015. The strategy recognises that skills and talent will be essential to this expansion. Progress to date has been slower than hoped for (exports up 19.9%, value added up 24.1% by 2018), emphasising the need for the right people to be in place to close the gap over the coming years. In fact, the relatively strong performance of the PCF category (exports up 30% since 2012) indicates the potential for the sector to make a substantial contribution to the achievement of the Food Wise targets.

The PCF sector is also facing significant changes in the context of an increased focus on sustainability and packaging, the need for product and market diversification to respond to Brexit, and changing consumer demands on the nutrition and health front.

At this critical juncture, it is vital that access to labour and skills does not become the weak link in the food supply chain. Already, some companies are expressing caution in bidding for contracts or making plans to expand capacity as they are not confident there will be an adequate supply of labour and skills to deliver on these commitments.

There has been excellent work done in recent years to analyse the labour market challenges for the food sector and to map out policy responses. In particular, the Human Capital chapter of Food Wise 2025 and the 2017 Update on Future Skills Needs in the Food and Drink Sector from the Expert Group on Future Skills Needs are robust resources that remain highly relevant.

This document intends to sit alongside the two reports mentioned above, providing complementary analysis and recommendations based on current and emerging issues in 2019 and focusing on the specific concerns of the PCF sector.

Government must take decisive action now to support a sector which is of vital strategic importance to the Irish economy and society. Food Drink Ireland and its PCF Council will continue to engage with Government and beyond to ensure the sector's voice is heard and concerns addressed.

Linda Stuart-Trainor
Director of Prepared Consumer Foods
Food Drink Ireland

***Employment in the PCF sector**

In 2014, when the 10-year vision for Prepared Consumer Foods was drafted, employment in the sector was 20,600. Updated figures are difficult to access, but Enterprise Ireland estimate that employment in their PCF client companies alone was over 22,800 in 2018.

PCF sector

Total direct employment over

22,000



500

manufacturing units

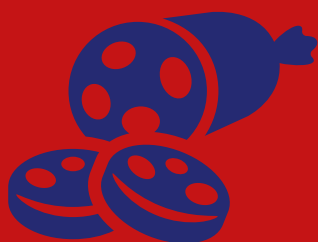
Domestic sales

€2.3bn



Export value

€2.6bn



Largest
export categories:

Meat preparations

Chocolate-based products

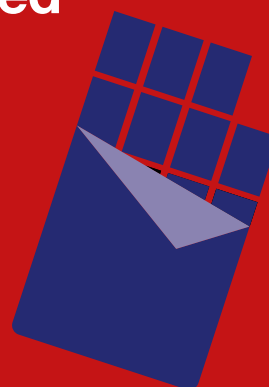
30%

growth since
2012



Imports

€3.6bn



Challenges and policy solutions

This section highlights the most pressing current and emerging challenges and focuses on the specific concerns of the PCF sector. It reflects the reality that the PCF sector faces the dual challenges of labour availability, in particular for low and unskilled roles, and skills shortages in many critical roles.

1. Labour availability

The global search for labour

Gross output in the PCF sector increased from just over €4 billion in 2013 to almost €5 billion five years later. Food manufacturing is labour intensive, so this strong growth has created more jobs and more demand for labour in the sector.

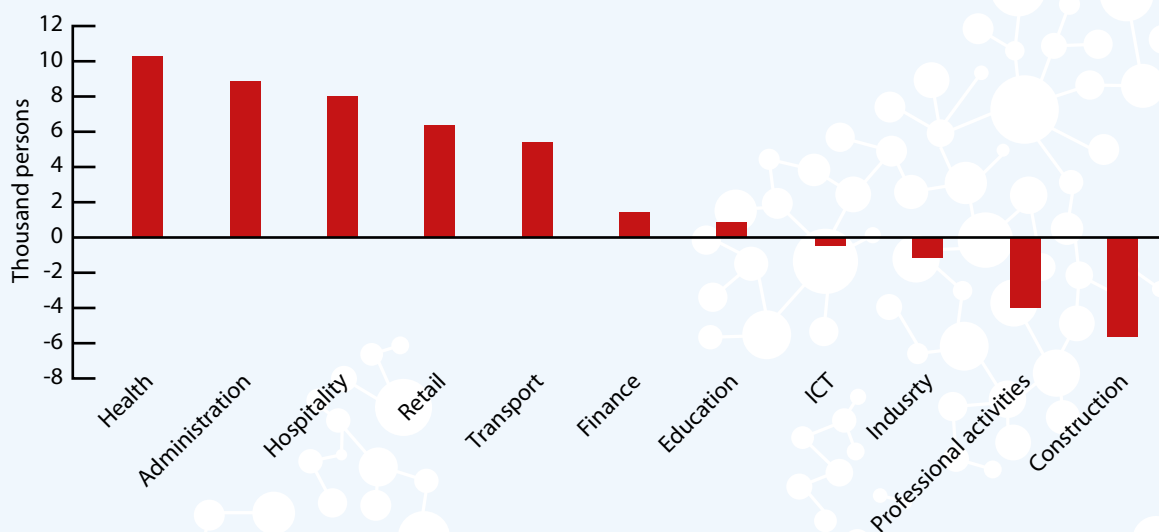
In many cases, the jobs created since the early 2000s were filled by workers from abroad. Food manufacturing is very reliant on foreign workers (see Spotlight 1). Even with the significant upturn in the Irish economy in recent years, the number of immigrants from central and eastern Europe is not returning to the levels experienced in 2007. Ireland will struggle to attract migrants from central and eastern Europe as economic conditions there continue to improve.

Spotlight 1: Reliance on foreign workers

Food manufacturing is very reliant on foreign workers.

In 2018, 57% of new jobs created in Ireland were filled by non-Irish workers. Roles in health, hospitality and administration organisations accounted for the majority of these workers. The number of foreign workers in industry fell last year. The number of foreign workers in construction also fell by 26% despite total employment in the sector increasing by 8%.

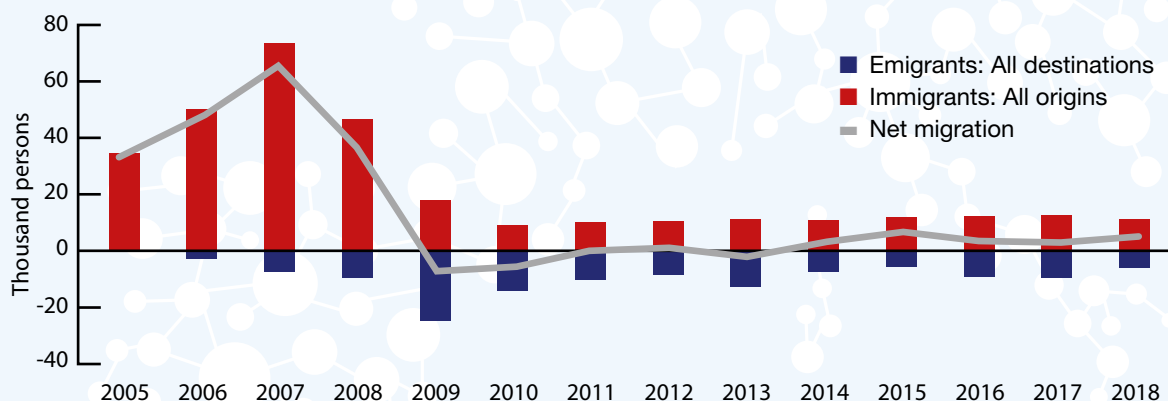
Growth non-Irish workers by sector q4 2018 v q4 2017



Source: CSO

During the boom a significant number of workers came from central and eastern Europe and helped solve the labour shortage. Net migration (number of immigrants minus number of emigrants) from EU accession countries peaked in 2007 at 64,900. During the downturn, many people from central and eastern Europe left Ireland and as a result net migration was negative. With the significant upturn in the Irish economy, it could be expected that the number of immigrants would return to similar levels experienced in 2007 but this is nowhere near the case.

Migration flows to/from post-2004 EU accession states

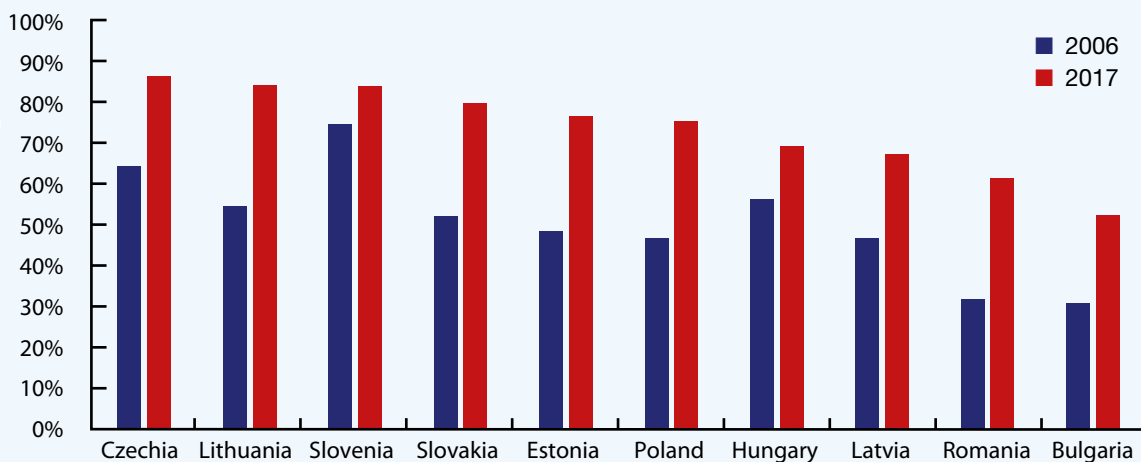


Source: CSO

Despite significant growth in the Irish economy, in 2018 only 11,000 people came into Ireland from central and eastern Europe. Roughly 6,500 people emigrated to central and eastern Europe which meant that net migration was only 4,500.

The main reason for the lower level of immigration from central and eastern Europe is that the economic conditions in each of these countries improved considerably in recent years. They are now enjoying the full benefits of European membership and are converging to western European living standards.

Gross disposable income per capita PPS (% of Ireland)



Source: Eurostat

In 2006, disposable income per worker was significantly lower in these countries compared to Ireland, even after adjusting for differences in the cost of living (PPS). However, since then, there has been significant convergence and there is no longer the same differential. For example, in 2006 disposable income in purchasing power parity (PPP) terms was 53% lower in Poland than in Ireland, now it is only 24% lower. In Lithuania, disposable incomes were 45% lower, now they are only 15% lower.

This growth is expected to continue in each of these countries as they catch up with their counterparts in western Europe. This means that it is unlikely that Ireland will be able to rely on these countries for workers to the same extent that it did in the past.

The skills shortages experienced by the sector are unlikely abate in the foreseeable future. Ireland will struggle to attract migrants from central and eastern Europe as economic conditions continue to improve. Therefore, Ireland will have to look to other sources of labour if it is going find the workers needed for the food and drink sector.

Challenges and policy solutions

As a consequence, many food processors are facing a serious challenge in securing the necessary labour resources at general operative level, which are essential to maintaining current operational activity. The consequences could seriously hinder industry capability and undermine its ability to retain high-end customers and take advantage of much needed market diversification opportunities. The situation has now deteriorated to levels where it is having a real impact at individual factory level and negatively impacting the ability of companies to plan for expansion and indeed to meet day-to-day operational demands to service existing customers.

In the short term, a failure to resolve this issue will reduce processing capacity, limit companies' ability to serve existing customers and take on new business opportunities, which are critical in the context of Brexit, and endanger existing business. In the longer term, it will undermine the potential future expansion of the sector to meet the Food Wise 2025 targets.

As the Irish economy reaches full employment, the ability of the sector to reach its growth potential depends on how labour shortages are addressed. Education and training cannot meet all demands in real time and are ineffective as tools to attract staff to low skilled roles in a full labour market. Given these challenges, foreign workers will again be critical to sustaining the sector. It has been demonstrated in Spotlight 1 that that central and eastern Europe will no longer provide the pool of labour that they have in the past, therefore Ireland will have to look further afield if it is going find the workers needed for the PCF sector.

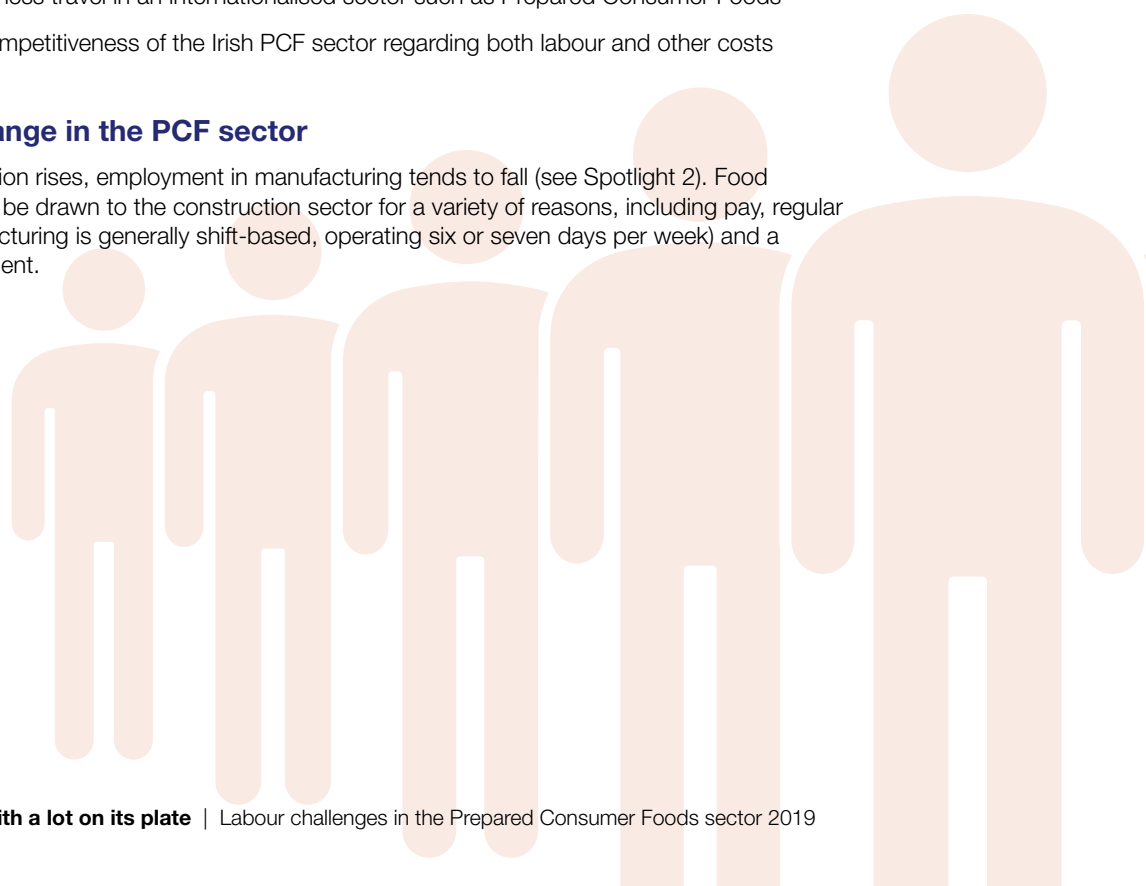
In this context, it is critical to have a fully functioning and responsive employment permit system that can promote Ireland as an attractive destination for the skills we need from outside Ireland and the EEA. There is a need to urgently extend the employment permit schemes across the food processing sector so that labour shortages do not impact on existing business and growth prospects. As food processing facilities are spread across the country, most are not in areas experiencing housing shortages, so this provides an opportunity to boost employment without adding to the difficulties in rent pressure zones.

Policy solutions:

- Remove food process operatives from the list of ineligible occupations for work permits
- Provide an initial allocation of 500 permits
- Introduce a seasonal work permit scheme to assist companies during peak production times, in line with other European countries
- Provide clarity on the requirement for "continuous residence" for citizenship applications, recognising the frequent need for business travel in an internationalised sector such as Prepared Consumer Foods
- Safeguard the cost competitiveness of the Irish PCF sector regarding both labour and other costs

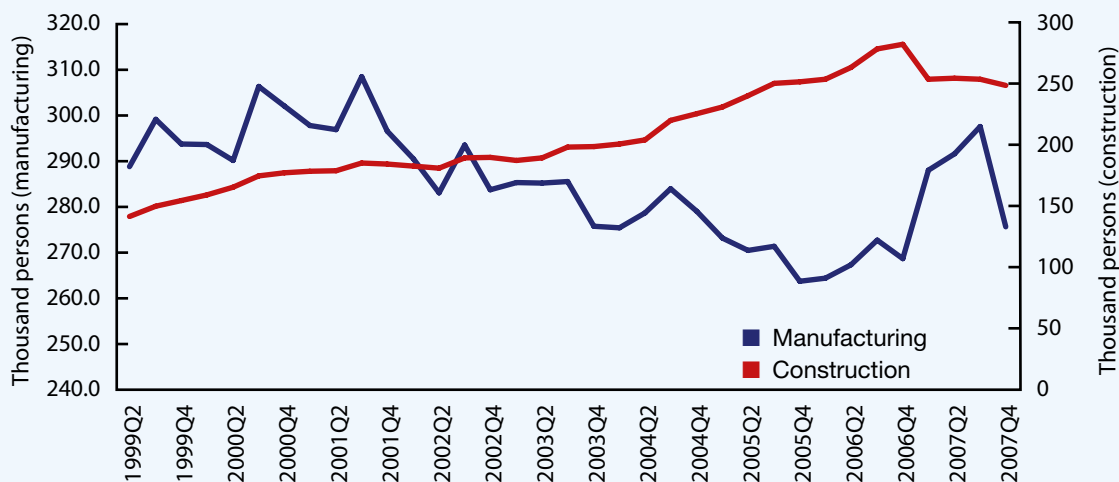
Transformational change in the PCF sector

As employment in construction rises, employment in manufacturing tends to fall (see Spotlight 2). Food manufacturing workers may be drawn to the construction sector for a variety of reasons, including pay, regular working hours (food manufacturing is generally shift-based, operating six or seven days per week) and a change of working environment.



Spotlight 2: A booming construction sector

Employment construction v manufacturing



Source: Eurostat

Manufacturing, and in particular food manufacturing, has always competed with the construction sector for workers.

During the 2000s, employment in construction increased significantly. At the same time the number of people employed in manufacturing fell. Feedback from Ibec members suggests this is due to skills availability. As workers are likely to switch between the two sectors, when the construction sector is growing, as it is currently, manufacturing typically loses workers to construction. All indicators suggest that this will continue, which will put further pressure on the food manufacturing sector in the coming months and years.

During the boom, many manufacturers were “crowded out” as manufacturing workers favoured jobs in construction. This meant that when the downturn came and the construction sector suffered, many of the former indigenous exporting firms were no longer operating. Given that food manufacturing is a very prominent employer in the regions outside Dublin, it is important to keep these jobs in place so that rural areas still have industries when a slowdown in construction transpires.

This volatility in the supply of labour to food manufacturing highlights the need to explore the potential of automation in the sector. Some companies are already quite advanced in this regard, with no human contact with the product throughout the production process. However, the application of automation is still in its infancy across the sector as a whole.

Adopting Industry 4.0, including automation, digitalisation and data, has broader advantages which have the potential to de-risk and future-proof the PCF sector. These include opportunities to boost productivity, competitiveness and innovation, optimise supply chain, plant utilisation and resource efficiency, and accelerate regulatory compliance, traceability and quality control.

Policy solutions:

- Drive research into automation and its application in the PCF sector through all available mechanisms (e.g. FIRM, PCF Centre, Innovation Vouchers and Partnerships, EU Horizon funding)
- Co-ordinate with the Department of Education and Skills and the Department of Business, Enterprise and Innovation to create a working group to map how roles in the PCF sector will change over the next 10/20 years
- Ensure appropriate focus on food and beverage manufacturing in the Government’s Industry 4.0 Strategy, to reflect the specific starting point, opportunities and challenges of the sector
- Provide support to firms to develop Industry 4.0 pilots in-house and boost supports for Industry 4.0 capital investments, including by establishing accelerated capital allowances
- Provide subsidised access to tailored advisory services to assist companies with the strategic and operational dimensions of transforming their businesses

Challenges and policy solutions

2. Skills shortages

A career in food

The Expert Group on Future Skills Needs stated in its 2017 Update on Future Skills Needs in the Food and Drink Sector: “Attracting employees to the sector in the first place is an issue. Short-term and unclear career paths make it difficult for the sector to attract graduates and retain existing staff... The food sector needs better branding to be attractive to potential employees.”

Whereas a job in the food industry was an aspiration for many skilled graduates in the past, competition from the technology, pharmaceutical and financial services industries has intensified in recent years. In many cases, graduates also prioritise short-term pay and/or benefits over the long-term rewards of working in the PCF sector.

There are many advantages to a career in the PCF sector. It is an increasingly internationalised sector at the nexus of evolving consumer demands and science-based innovation, while maintaining a strong connection with family, communities and the land. However, the sector struggles to convey this dynamism, in particular to millennials. In some cases, business-to-business operators face additional struggles due to lack of name recognition with potential employees.

These challenges are recognised in Food Wise 2025, which states that the agri-food sector as a whole should: “Promote itself as a career path of choice among school leavers and university graduates, as a modern sector with exciting opportunities in agri-food sector business expansion, innovation, marketing, consumer insights, research and technological development and nutritional product development.”

The Department of Agriculture, Food and the Marine has worked with Deloitte as well as stakeholders in the agri-food sector to scope out an agri-food careers portal and marketing campaign. This portal would not advertise specific job vacancies, but rather profile various roles and career paths in the sector. The marketing campaign would ensure that this content reaches the target audience, which will include primary, secondary and third level students, guidance counsellors and parents (on a phased basis).

The PCF sector is keen to engage on this project by providing content and access to employees and HR/business leaders. The sector would support part of its contributions to the National Training Fund being used to fund this project.

In the initial phases, the portal should prioritise roles that are the most challenging to fill, such as engineers, technicians (shortages acknowledged in the SOLAS National Skills Bulletin 2018) and roles in new product development and sales.

Policy solutions:

- Provide funding for an agri-food careers portal from the National Training Fund
- Implement remaining Expert Group on Future Skills Needs recommendations for the food and drinks sector (see Spotlight 3), including organising a millennials focus group to better understand how to attract and retain graduates

Spotlight 3:

Key recommendations of the Expert Group on Future Skills Needs

Update on Future Skills Needs in the Food and Drink Sector 2017

Work-based learning

- 01 Increasing accessibility of courses on numeracy, literacy and basic ICT skills
- 02 Examining incentives in other countries to support firms releasing staff for training
- 03 Developing and promoting additional skills and training options for middle management and succession planning



Internships, mentoring and apprenticeships

- 04 Third level sector to ensure work placements are part of all undergraduate and postgraduate degree courses relevant to the sector
- 05 Establishing a two-year mentorship programme focussed on SMEs
- 06 Organise a millennials focus group to better understand how to attract and retain graduates
- 07 Increasing industry participation in food and beverage sector relevant apprenticeships programmes

Language and international selling skills

- 08 Ensuring languages and international selling are part of graduate learning in courses relevant to the sector; languages should be developed from primary through third level
- 09 Examining how best to support and promote language training, including on-site



Coordination

- 10 Convening an annual stakeholder workshop of education and training providers and industry to assess priorities and progress on delivery
- 11 Establishing a one-stop-shop website to provide information about education and training courses of relevance to the sector
- 12 Monitor the implementation of these actions and complete a more detailed assessment of supply and demand needs for the sector and of the potential impacts of Brexit as part of the work of the EGFSN's overall skills assessment work in due course

Challenges and policy solutions

Developing skills for the future

There is a need to ensure the skills base of the agri-food industry reflects not just the current business demands but the challenges of future growth in existing and new markets. However, tight margins and time constraints make it difficult for many companies to identify training needs and invest in training.

In this context, government support through increased funding for enterprise-led training initiatives such as Skillnet and industrial apprenticeships has been a key enabler. Further development of these initiatives to meet skills requirements at operative, middle management and senior leadership levels is required to ensure continued engagement by companies.

Key management skills that should be enhanced within the PCF sector include the ability to develop management teams, implement succession planning, professionalise corporate governance structures and plan for mergers and acquisitions. Additional skills that lag behind other sectors include the capability to access finance through business and financial planning expertise, the capacity to absorb new research and innovation from external research bodies and the ability to accelerate market development and direct market access.

As in every sector, small and micro firms face different challenges from larger companies. In particular, smaller firms need support in thinking about strategic HR issues, as most will not have a separate HR function.

Policy solutions:

- Orient the National Training Fund more towards in-employment training
- Increase funding for enterprise-led initiatives such as Skillnet
- Renew the focus on apprenticeships and address the key challenges:
 - Provide greater resources for promotion and marketing to employers
 - Review funding model to ensure adequate recourses to run the apprenticeship programme and address affordability/value issues for companies due to off-the-job costs
 - Reduce the administrative burden on employers, which is currently prohibitive

Overview of policy recommendations

Labour shortages:

- 01 Remove food process operatives from the list of ineligible occupations for work permits
- 02 Provide an initial allocation of 500 permits
- 03 Introduce a seasonal work permit scheme to assist companies during peak production times, in line with other European countries
- 04 Provide clarity on the requirement for “continuous residence” for citizenship applications, recognising the frequent need for business travel in an internationalised sector such as Prepared Consumer Foods
- 05 Safeguard the cost competitiveness of the Irish PCF sector regarding both labour and other costs
- 06 Drive research into automation and its application in the PCF sector through all available mechanisms (e.g. FIRM, PCF Centre, Innovation Vouchers and Partnerships, EU Horizon funding)
- 07 Co-ordinate with the Department of Education and Skills and the Department of Business, Enterprise and Innovation to create a working group to map how roles in the PCF sector will change over the next 10/20 years
- 08 Ensure appropriate focus on food and beverage manufacturing in the Government’s Industry 4.0 Strategy, to reflect the specific starting point, opportunities and challenges of the sector
- 09 Provide support to firms to develop Industry 4.0 pilots in-house and boost supports for Industry 4.0 capital investments, including by establishing accelerated capital allowances
- 10 Provide subsidised access to tailored advisory services to assist companies with the strategic and operational dimensions of transforming their businesses

Skills shortages:

- 11 Provide funding for an agri-food careers portal from the National Training Fund
- 12 Implement remaining Expert Group on Future Skills Needs recommendations for the food and drinks sector (see Spotlight 3), including organising a millennials focus group to better understand how to attract and retain graduates
- 13 Orient the National Training Fund more towards in-employment training
- 14 Increase funding for enterprise-led initiatives such as Skillnet
- 15 Renew the focus on apprenticeships and address the key challenges:
 - a Provide greater resources for promotion and marketing to employers
 - b Review funding model to ensure adequate recourses to run the apprenticeship programme and address affordability/value issues for companies due to off-the-job costs
 - c Reduce the administrative burden on employers, which is currently prohibitive



“There are many advantages to a career in the PCF sector. It is an increasingly internationalised sector at the nexus of evolving consumer demands and science-based innovation, while maintaining a strong connection with family, communities and the land.”





**Prepared
Consumer
Foods**
Ibec

Prepared Consumer Foods

84/86 Lower Baggot Street
Dublin 2

T: +353 1 605 1690

E: info@fooddrinkireland.ie

W: www.fooddrinkireland.ie

🐦 [@FoodDrink_Irl](https://twitter.com/FoodDrink_Irl)

Ibec Head Office

84/86 Lower Baggot Street
Dublin 2

T: + 353 1 605 1500

E: membership@ibec.ie

W: www.ibec.ie/membership

Galway

Ross House
Victoria Place
Galway

T: + 353 91 561109

E: galway@ibec.ie

W: www.ibec.ie/west

Cork

Knockree House
Douglas Road
Cork

T: + 353 21 4295511

E: cork@ibec.ie

W: www.ibec.ie/cork

Brussels

Avenue de Cortenbergh
89, Box 2

B-1000 Brussels

BELGIUM

T: + 32 (0)2 512.33.33

F: + 32 (0)2 512.13.53

E: europe@ibec.ie

W: www.ibec.ie/europe

Limerick

Gardner House Bank
Place Charlotte Quay Limerick

T: + 353 61 410411

E: midwest@ibec.ie

W: www.ibec.ie/midwest

Donegal

3rd Floor, Pier One Quay Street
Donegal Town Donegal

T: + 353 74 9722474

E: northwest@ibec.ie

W: www.ibec.ie/northwest

Waterford

Waterford Business Park
Cork Road Waterford

T: + 353 51 331260

E: southeast@ibec.ie

W: www.ibec.ie/southeast

Extend Ireland's global reach. Join the conversation.



[@ibec_irl](https://twitter.com/ibec_irl)



www.linkedin.com/company/ibec

www.ibec.ie