

THE FOOD AND DRINK SECTOR

A SECTOR WITH ITS OWN SOLUTIONS

The food and drink sector employs 380,000 people in the UK. It is at the core of adding value in the UK food chain, where its innovative new products and marketing expertise drive output in the important agriculture and retail sectors. Nestlé UK is proud to be part of this success story.

Productivity performance of food and drink since 2009 is impressive - an 11% increase in five years compares with a 0.6% increase in the economy as a whole. Its sheer scale and geographical spread mean that further gains are likely to contribute to the overall productivity of the UK economy.

External factors have been part of this. Since the financial crisis, rising raw material costs, pressure in the retail sector and competition for the UK's limited pool of engineering

talent have made improving productivity even more vital for businesses to gain competitive advantage. The workforce has embraced new working practices and the high expectations of quality and continuous skills development. The tradeable nature of much of what the UK food and drink sector produces has been an important incentive to keep raising standards and has encouraged managers across the sector to understand better how to create efficiencies and recognise the interdependence between people and technology.

The sector has also set an important example in taking responsibility for its own talent pipeline. The National Centre of Excellence for Food Engineering in Sheffield is an example of industry and academia working in

collaboration with government to bridge the research gap and develop the next generation of engineers.

Behind these headline numbers are many individual success stories of UK and multinational companies investing to increase capacity in the UK – including for export markets – to reformulate popular brands to reduce salt, sugar and fat content, and to reduce food waste. Nestlé itself has been a significant investor in the UK since the 1860s, introducing new technology to its operations for regular transformational improvements in productivity, alongside ongoing incremental improvements driven by its own workforce. These are backed by training and modern management practices focused on the long term.

A STRONG PRODUCTIVITY PERFORMANCE UNDERPINNED BY INVESTMENT

Key indicators	2011	2012	2013	% change 2011-13
Gross Value Added (£m)	20,391	20,181	21,543	+5.6
Value Added Exports (£m)	3,440	3,584	3,909	+13.6
Capital Expenditure (£m)	1,916	1,978	2,310	+20.6
Business Investment (£m)	2,954	2,910	3,389	+14.7
R&D (£m)	366	364	425	+16.1

Source: Office for National Statistics

UK sectoral productivity improvement 2009-14 (output per hour)		
	Construction	+12%
	Food & Drink	+11%
	UK Economy	+0.6%
	Hospitality	-2%
	Finance	-10%

Source: Food and Drink Federation (FDF)

A SECTOR SEEKING SKILLED PEOPLE

Food and drink faces important challenges.

Many in the workforce are approaching retirement age and more than 100,000 jobs will need to be filled by 2022. The sector is committed to apprenticeships and aims to treble its apprentice numbers by 2020. While the sector as a whole is expected to shrink slightly in employment terms, skilled employment is projected to rise. The sector pledged a 20% increase in the number of higher level, technical apprenticeships by 2017, ensuring that new workers match or exceed the productivity of those they replace.

There will remain a shortage of people with the crucial science, mathematics and engineering backgrounds: over 40% of managers in the sector report a struggle to fill highly skilled roles. Alongside other high value engineering sectors, food and drink is promoting these subjects in schools and colleges across the country and the rewarding careers they can lead to.



LEARNING FROM THE FOOD AND DRINK SECTOR



The food and drink sector's integration into global supply chains has been an important driver of competitiveness and productivity for manufacturers who produce for export. Sustaining that openness to competition and trade is important.



Compared with some countries, UK governments have been cautious of 'picking winners' as part of any industrial strategy. However, a sectoral approach to understanding productivity offers a way of gaining practical insights, as well as for convening industry-led interventions that can boost productivity through the supply chain.



For example, food and drink companies have collaborated across sub-sectors to fund a National Centre of Excellence for Food Engineering, while pan-industry voluntary commitments to health and nutrition information for consumers have led to significant reductions in salt and saturated fat intakes without the potential costs and distorting impacts of regulation.