

NAVIGATING LABOUR COST PRESSURES

Challenges for UK Food &
Beverage and Consumer
Goods Sector Amid Rising
NI Contributions and
Minimum Wage



In over 20 years of driving labour productivity improvements, I have seen first-hand how the recent economic and regulatory changes are posing significant challenges and risks to profitability for the UK food and beverage and Consumer Goods sectors. The dual pressures of increased National Insurance (NI) contributions and rising National Minimum Wage (NMW) have compounded an already complex operating environment. Below, I will outline the implications of these changes and the strategies being successfully implemented to mitigate the impact.

RIISING COSTS: THE IMMEDIATE IMPACT

The UK government's commitment to improving living standards has led to increases in NI contributions and the National Minimum Wage. However, for businesses, these measures have resulted in a sharp rise in labour costs, a critical expense category for an industry heavily reliant on a large workforce for their operational activities and as such, creates immediate challenges on:

- 1. Eroded Margins:** Profitability is under strain as businesses struggle to absorb higher direct labour costs.
- 2. Pricing Dilemmas:** Passing on the increased costs to consumers may not be viable in a highly competitive market where affordability is a key purchase driver.
- 3. Talent Retention and Seasonality Recruitment:** While higher wages may seem beneficial for workers, they can intensify competition for skilled talent, especially in sectors where wages are already close to the new minimum threshold.



STRATEGIC CHALLENGES

The UK Food & Beverage and Consumer Goods Sector faces specific strategic challenges due to the nature of its business:

- 1. High Volume, Low Margin:** Many products operate on thin competitive margins, leaving little room to manoeuvre when costs rise.
- 2. Regulatory Pressures:** Beyond wage increases, manufacturers must also comply with stringent health and safety, sustainability, and food quality regulations, each adding to operational costs.
- 3. Supply Chain Disruptions:** Ongoing issues such as post-Brexit trade complexities and inflation in raw material prices amplify the financial burden.

ADAPTING TO THE NEW NORM: STRATEGIES FOR SUCCESS

Despite these challenges, there are actionable strategies that businesses can adopt to mitigate the impact:



1. Operational Efficiency

- Implementing manufacturing excellence principles to identify and eliminate non-value adding activity and losses, not only in Manufacturing, but across the entire value chain, enables a stronger return on investment
- Addressing Organisational Losses. Often unknown entity Organisational Losses are the difference between the actual attended hours and expected man hours calculated from the standard efficiency and productivity targets



2. Cost Control System and Management

- Conducting a comprehensive cost audit to pinpoint the P&L losses.
- Synchronising KPIs and re-evaluating cost decision practices to streamline and accelerate informed decision making.



3. Automation and Workforce Optimization

- In depth assessment and acceleration of Automation plans introducing low-cost automation solutions on repetitive tasks to reduce dependence on manual labour.
- Leveraging Industry 4.0 technologies, such as IoT sensors and AI, to optimize task connected to workforce productivity.
- Upskilling existing employees to take on more dual skilled roles, enhancing their productivity and job satisfaction.



4. Product Development and Market Diversification

- Design to value and innovating new product lines with higher margins to counterbalance increased costs.
- Expanding into export markets to leverage favourable exchange rates or seek regions with higher purchasing power.



PREPARING FOR THE FUTURE

The challenges posed by increased NI contributions and NMW are not transient. They reflect broader economic shifts requiring UK businesses to adapt their strategies for the long term. Investing in innovation, building resilient supply chains, and embedding flexibility in operational models will be key to staying competitive.

At EFESO, we collaborate with organisations to tackle such multifaceted challenges, combining data-driven insights with hands-on implementation support. Our

focus is on building sustainable, efficient, and competitive businesses ready to thrive in dynamic markets.

For UK businesses the road ahead may be steep, but with the right strategies, it is navigable. By taking proactive steps today, companies can turn these challenges into opportunities for differentiation and growth.

Don't wait for the impact, be proactive and act now.



THE AUTHOR



Philip Bruty-Brown

Principal, EFESO Management Consultants
philip.bruty-brown@efeso.com

<https://www.efeso.com/industries/food-and-beverage>

<https://www.efeso.com/industries/consumergoods>



Co-Creating the Industrial Future

www.efeso.com