

# Viewpoint quarterly

*How to respond to rising  
labour costs in 2025*

April 2025 | Issue 17



This Viewpoint report explores rising business costs and unveils our first Away From Home food inflation forecast. It delivers sharp insights on the economic landscape, consumer sentiment and policy agenda.

## Introduction

# How to respond to rising labour costs in 2025.



# Key questions answered

**Key questions answered to help you build a fuller picture of what is happening now and what might come next include:**

- What drives rising labour costs and their impact?
- How will inflation shape food retail and dining out?
- How are businesses navigating labour cost challenges?
- What opportunities exist for food businesses?
- How can technology address labour cost pressures?
- What's the latest economic outlook amid global uncertainty?
- How are consumers adapting to rising food costs?
- What are the government's priorities, especially the food strategy?

# In this report

**Our “Viewpoint” is shaped by our industry knowledge and consumer insights, paired with multiple data sources.**

Our experts track and monitor multiple sources of information. Combined with our knowledge of the industry and consumer insights, this shapes our “Viewpoint”.

We provide this analysis as part of IGD's Social Impact activity, because it supports businesses with better planning and decision-making, to the benefit of the consumers we serve and society as a whole.

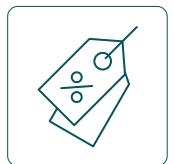
We will continue to monitor closely the longer-term impact of global events, price inflation, government policy and other major themes, keeping you up to date in future issues of this series.

**In this report:**

**03**

**04**

# Five key findings



## Costs

**Rising labour costs are squeezing the food industry hard**

Autumn Budget measures are driving workforce cuts, stalled hiring, and risking service levels, availability, investment and job attractiveness.



## Inflation

**Food inflation is set to rise further**

IGD forecasts retail food prices to rise 3.4% on average compared to 5.2% for Away From Home food prices in 2025, fuelled by rising labour costs.



## Consumers

**Consumer unease is deepening**

Over 80% expect rising prices for food, grocery, and Away From Home. Food price fears are growing. Lower-income groups plan to cut food costs the most (40% vs. 28% of higher earners).



## Policy

**The food strategy can be transformative**

It is the most promising workstream in the government's agenda uniting government, business, and civil society to create a healthier, more sustainable food system that is central to the UK's economic growth.



## Technology

**Technology is becoming a game changer for the food industry**

Innovations like automation are helping food businesses slash costs, boost productivity, and tackle staffing gaps.

“

*Food businesses are grappling with rising labour costs, hitting them hard this Spring. But what can they do? Short-term solutions like reducing headcount erode capacity and capability. The real fix? Build a better system, not just a cheaper one. Automation and innovation are the way forward and essential for survival. It's time to act.*

*Michael Freedman  
Head of Economic and Consumer Insight*

Section one

# Economic outlook

Ongoing people and skills shortages and a shrinking working age population, combined with rising labor costs will drive the next technological shift.

Economic outlook: Our viewpoint

**Innovation will be key.  
Businesses will adopt  
technologies to cut  
labour costs.**



**Economic outlook**

# Our viewpoint

## Economic data and official forecasts bring us to a sobering conclusion: We are not out of the woods yet.

Despite the government's growth plan, significant hurdles remain. An ageing population, outdated infrastructure and volatile geopolitics threaten progress.

New policies are driving up cost and complexity for businesses in every industry.

Rising inflation is a growing risk, particularly for Away From Home food businesses. Added pressures like bad weather, tariffs, and conflicts could worsen it further.

Businesses face a limit to how much cost they can pass on to consumers, especially in a competitive sector like food and drink.

Innovation will be key. IGD predicts businesses will rely on technology to manage labour costs, making once-unfeasible investments possible.

“

*Scaling new technologies and forming technology alliances will separate winners from losers in the years ahead.”*

*James Walton  
Chief Economist*

**Economic outlook**

# What's happening?

**Economic recovery hinges on planning reforms unlocking investment in housebuilding and infrastructure, driving higher productivity, combined with population growth.**

## Global storm

The world faces diplomatic turbulence. President Trump's tariffs sparked swift retaliation. The UK has not retaliated, so far. Trade negotiations between the UK and US are ongoing.

Uncertainty around US policy, amplified by heated rhetoric, has rattled markets worldwide. Stock values swing with each update.

Initially, a uniform 10% tariff was planned, alongside higher penalties for specific nations. Now, penalty tariffs are mostly on hold. A temporary 10% rate applies to most partners, including the UK. It is not clear what will happen once the 90 day concession runs out or what talks must achieve to prevent a return to the higher tariff levels.

China faces harsher measures and has retaliated. Its trade relations, vital to global exports, are increasingly strained.

Disruption in US-China trade risks global economic fallout. The UK is vulnerable, with tariffs flagged by the OBR as a key threat to growth forecasts. If predictions fall short, tax and spending adjustments are likely to follow, impacting UK households.

Tensions with US trade partners are also deepening. The US is pulling away from European alliances, prompting countries like the UK to ramp up military spending.

Meanwhile, violence persists in the Middle East and Ukraine. Peace negotiations have yet to achieve progress.

## UK economic troubles

The UK faces mounting economic challenges. The Office for Budget Responsibility's (OBR's) [March report<sup>1</sup>](#) halved previous growth forecasts, due partly to the worsening global situation.

Economic recovery hinges on planning reforms unlocking investment in housebuilding and infrastructure, driving higher productivity, combined with population growth.

With growth faltering, the financial headroom anticipated in the Autumn [Budget<sup>2</sup>](#) has disappeared. The Chancellor has introduced controversial measures, including benefit reforms and cuts to overseas aid.

The Chancellor could still meet her five-year targets - but only if everything aligns perfectly. This seems increasingly unlikely. Tough decisions still lie ahead.

**Economic outlook**

# What's happening?

## Stability focused Spring Statement

The Chancellor's [Spring Statement](#)<sup>3</sup>, emphasised stability, growth and reassurance, reflecting the OBR's findings.

Key measures included:

- Tackling tax fraud and recovering unpaid taxes
- Increasing defence spending
- Enhancing infrastructure and accelerating new building
- Improving public-sector efficiency

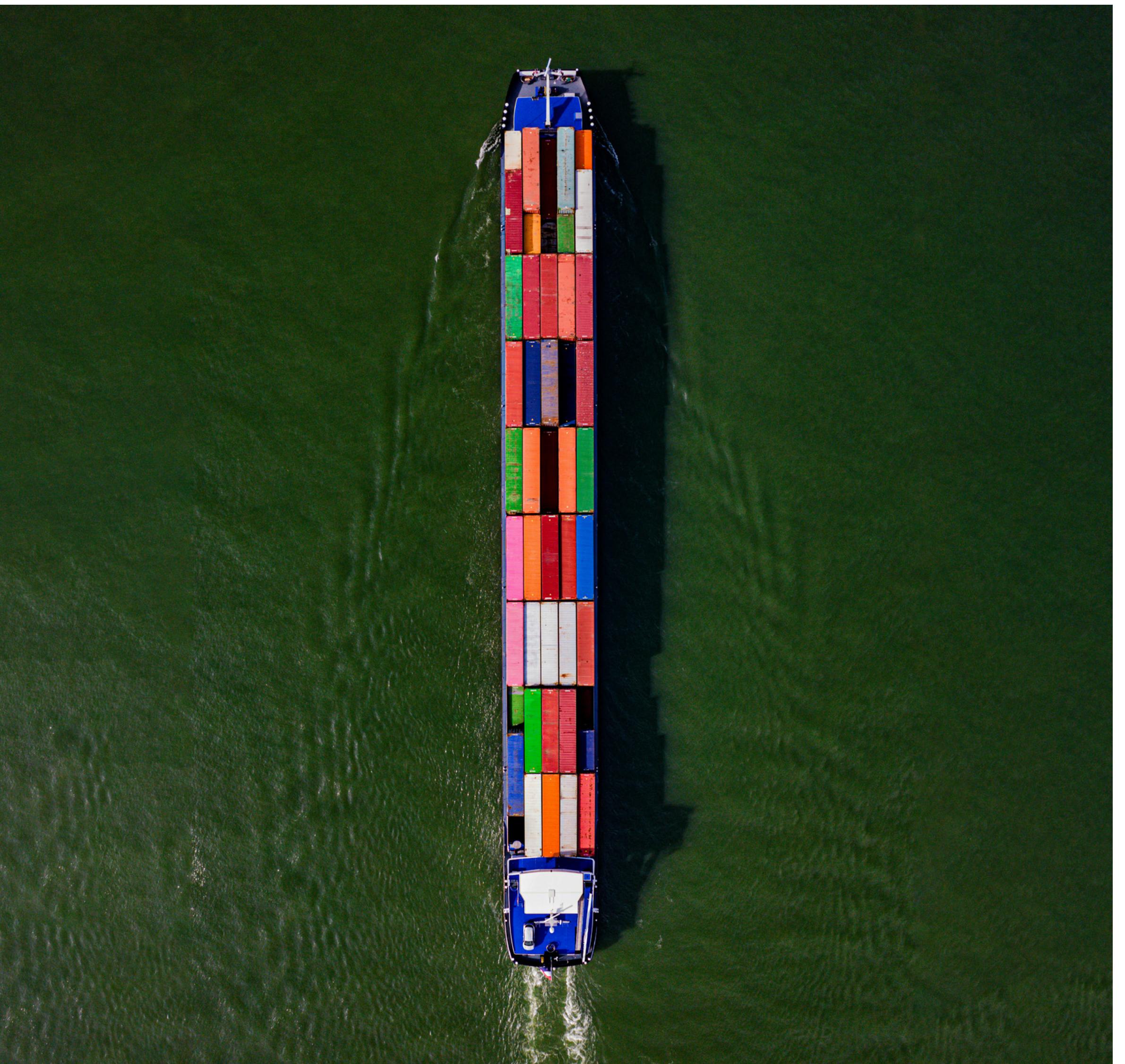
The June 2025 Spending Review will provide further insights into the government's long-term financial strategy.

## Higher business costs kicking in

April delivered a heavy blow to many UK businesses.

Measures introduced in the Autumn Budget 2024, including the higher National Living Wage and changes to employer National Insurance Contributions, have sharply increased labour costs, particularly for part-time and entry-level roles.

This impact is universal, hitting all employers, especially service sector businesses. One impact is in the form of higher prices.



**Economic outlook**

# What's happening?

## Food and grocery retail inflation outlook

Cost pressures are squeezing profit margins, forcing businesses to pass costs onto consumers, driving inflation.

In December 2024 IGD forecast that food and drink retail inflation would average between 2.4% and 4.9% in 2025, with 3.4% expected to be the most likely outcome. This forecast will be updated in IGD's next Viewpoint report in July.

One-third of this expected inflation pressure stems from government policy changes; the rest is driven by currency shifts and commodity markets.

While far below the 19% peak in food retail inflation seen in 2023, sustained price hikes are hard for consumers to manage, with many households having limited options to reduce spending on food.

Background inflation persists, with OBR forecasting a peak of 3.7% for "all items" inflation in 2025, slightly higher than earlier estimates.

IGD assumes 80% of higher costs will be passed to consumers due to tight supply chain margins, compared to OBR's 30% assumption for the broader economy.

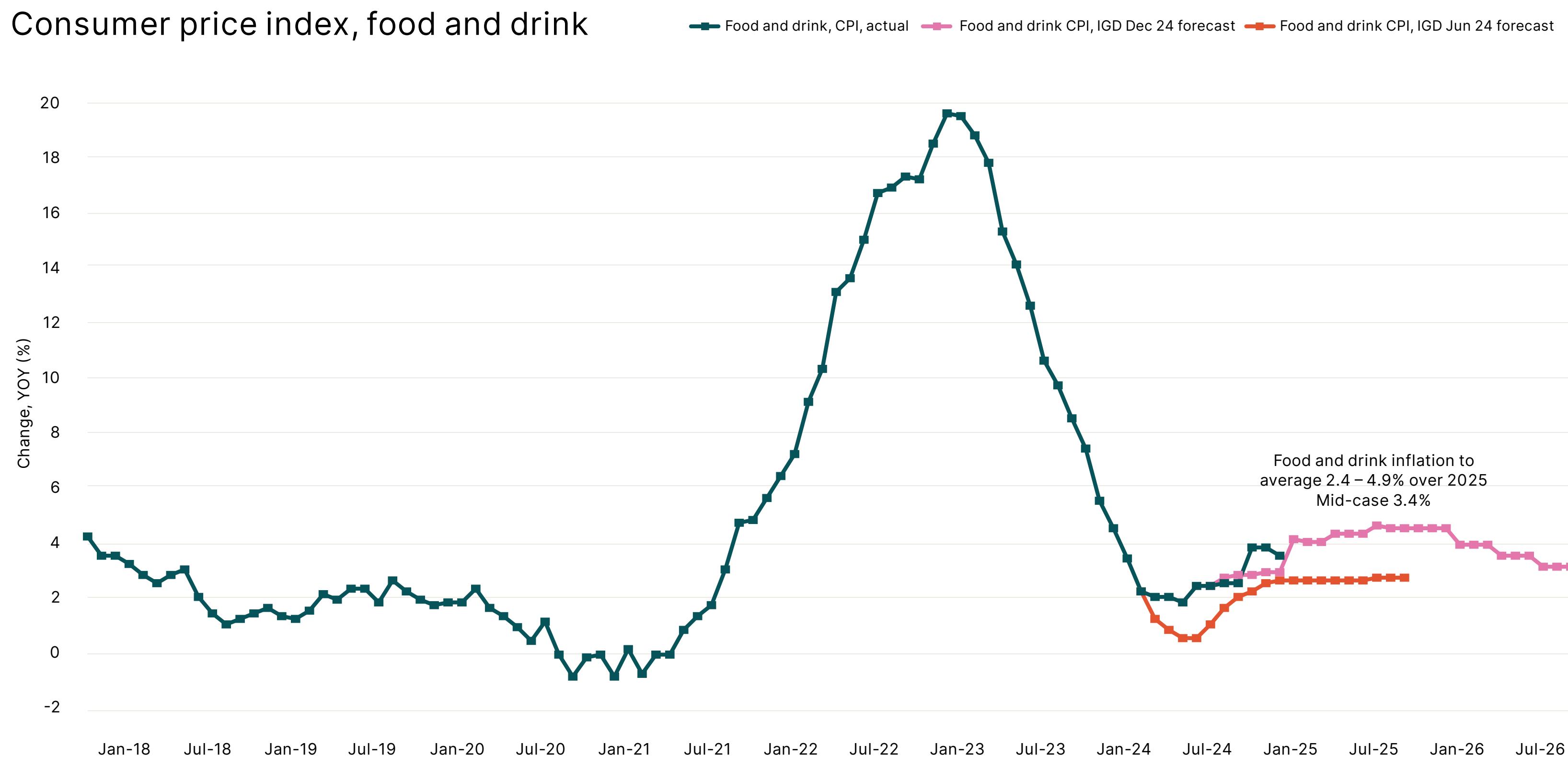
Inflation data for Q1 2025 supports IGD's outlook, but risks remain. Future shocks are more likely, harder to predict and could drive higher inflation. No decline in food pricing is expected anytime soon.



**Economic outlook**

# What's happening?

**Food retail inflation is expected to exceed previous forecasts**



Spotlight

# Away From Home inflation

With one-third of food sales derived from the Away From Home (AFH)\* market, IGD's AFH insight on Retail Analysis<sup>4</sup> includes future trends, market forecasts and global inspiration. Together this insight helps AFH businesses identify opportunities for future growth.

# Away From Home food inflation



*Nichola Gallagher*  
**Senior Insight Analyst, UK**

Nic focuses on developing IGD's UK Away From Home market forecasts and helping customers use this data as a foundation for decision-making.



**Spotlight**

# Away From Home food inflation

**IGD forecasts that Away From Home inflation will average 5.2% in 2025 – up from our June 2024 projection of 4.0%**

## AFH revised inflation forecast March 2025

AFH average annual inflation



**Spotlight**

# Away From Home food inflation

## What is driving our higher forecasts?

Put simply, this is due to rising labour costs.

Service-driven sectors, reliant on younger, entry-level workers, will feel the biggest impact, with full-service restaurants facing inflation rates up to 5.8%. In comparison, cost-driven sectors like healthcare and education will see more moderate rates of around 3.1%. Operators' ability to pass costs on to consumers will shape outcomes further.

AFH operators face mounting pressure in 2025 as escalating labour costs converge with a sharp reduction in business rate relief – from 75% to 40% in April (capped at £110k, hitting smaller businesses hardest). Combined with increasing fuel, raw material and energy costs, the impact will be significant.

UK Hospitality<sup>5</sup> estimates that hospitality businesses will face an additional £1.9bn in wage costs, £1bn of employer NICs and £500m in business rates. Overcoming the challenges ahead will require a strategic focus on resilience across the market.

# 5.8%

Inflation forecasts for full-service restaurants

# 40%

Business rate relief in April  
(down from 75%)

# £1bn

Extra employer NICs  
(hospitality, 2025)

# 3.1%

Inflation forecasts for healthcare and education

# £1.9bn

Extra wage costs for hospitality

# £500bn

Extra business rates  
(hospitality, 2025)

**Spotlight**

# Away From Home food inflation

## How will AFH operators react?

Mid-market AFH operators will be under the most pressure in 2025 as they navigate the fine line between rising costs and customer retention.

While premium operators remain shielded by affluent consumers, and value-driven models sustain higher price increases, mid-market businesses must adopt smart strategies to avoid losing customers. IGD predicts gradual price hikes throughout the year to manage price sensitivities, alongside cost-saving measures like reducing head office roles, reformulating menu items to maximise margins, and embracing automation to offset expenses.

Facing mounting pressures, AFH operators are rethinking growth strategies to stay afloat. Wells & Co, for example, a brewer and pub company, has shelved UK acquisition plans following October's budget, now eyeing opportunities in Europe instead. Many pubs are also cutting costs by reducing opening hours or outsourcing kitchen operations. Larger players, like Itsu a food-to-go operator, are tapping into retail - Itsu now generates 30% of sales from branded products in stores. This pivot to alternative revenue streams is likely to gain traction as rising costs reshape the landscape.

2025 will demand a creative mix of pricing strategies, operational shifts, and cost-saving measures to maintain profitability amid these challenges.

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*Service-driven sectors will face the biggest impact, with full-service restaurants seeing inflation rates up to 5.8%. 2025 will demand a creative mix of pricing strategies, operational shifts, and cost-saving measures to maintain profitability amid these challenges.”*

*Nichola Gallagher  
Senior Insight Analyst, UK*

## Economic Outlook

# Navigating rising labour costs

**Labour cost is a major issue for the food system; the UK's largest private sector employer. Retailers and Away From Home operators are especially exposed - labour costs are a very significant part of their overall business expenditure. Added to this, they typically employ a higher proportion of part-time and entry-level workers, meaning they are most impacted by the Autumn budget measures.**

**3 million**

UK Retail Employment, Late 2015

**2.7 million**

UK Retail Employment, End of 2024

According to the Bank of England's Decision Markers' Panel<sup>6</sup>, workforce growth plans have flatlined since the Budget, reflecting similar sentiments among employers.

Leading food retailers like Tesco<sup>7</sup>, Sainsbury's<sup>8</sup>, Morrisons<sup>9</sup> and Asda<sup>10</sup> have announced significant workforce reductions in 2025. At least some of these changes may have been planned before the Budget – if so, further job losses may be required.

Employment in retail has been declining for nearly a decade, despite population growth. Between late 2015 and the end of 2024, UK retail employment fell from 3 million to 2.7 million (source: ONS). This long-term trend suggests limited room for additional workforce reductions.

Since 1980, there are now nearly 200,000 fewer people working in food manufacturing.

Beyond labour costs, businesses will face other rising expenses in 2025 due to policy changes, including:

- Reduced business rate relief<sup>11</sup>, adding financial strain for retail and Away From Home sectors
- Higher soft drinks levy
- Changes to tax reliefs for agricultural land and businesses
- Future measures like border changes and Extended Producer Responsibility<sup>12</sup> (EPR)

The simultaneous arrival of these policies presents a major management challenge for business leaders still struggling with the commercial aftermath of Covid. Innovating to adapt and survive will be essential.

**Economic Outlook**

# Adapting to change: The food industry's new reality



## Labour challenges have long troubled food and drink businesses across the supply chain

Until recently, worker shortages and skill gaps were the primary concerns. Now, the focus is shifting to managing escalating costs and their ripple effects.

Smaller businesses are raising alarms, as fewer workers inevitably mean reduced business capacity. Tough decisions lie ahead, such as simplifying product ranges or cutting service levels—for example, reduced shelf availability or opening hours.

Higher costs may also strain investment in employee benefits like healthcare, pensions and training. This could worsen recruitment and retention issues.

So, how are businesses changing the way they work?

In response, businesses are adapting. Rising costs and shrinking workforces make technical innovation and investment in solutions like Artificial Intelligence (AI) and robotics increasingly appealing. Though expensive, these technologies are becoming easier to justify as labour challenges mount.

Adaptability will be essential as businesses navigate these hurdles.

Spotlight

# Technology solutions

**Retailers are increasingly turning to technology to boost productivity, cut costs, and cope with rising labour expenses amidst staffing challenges.**

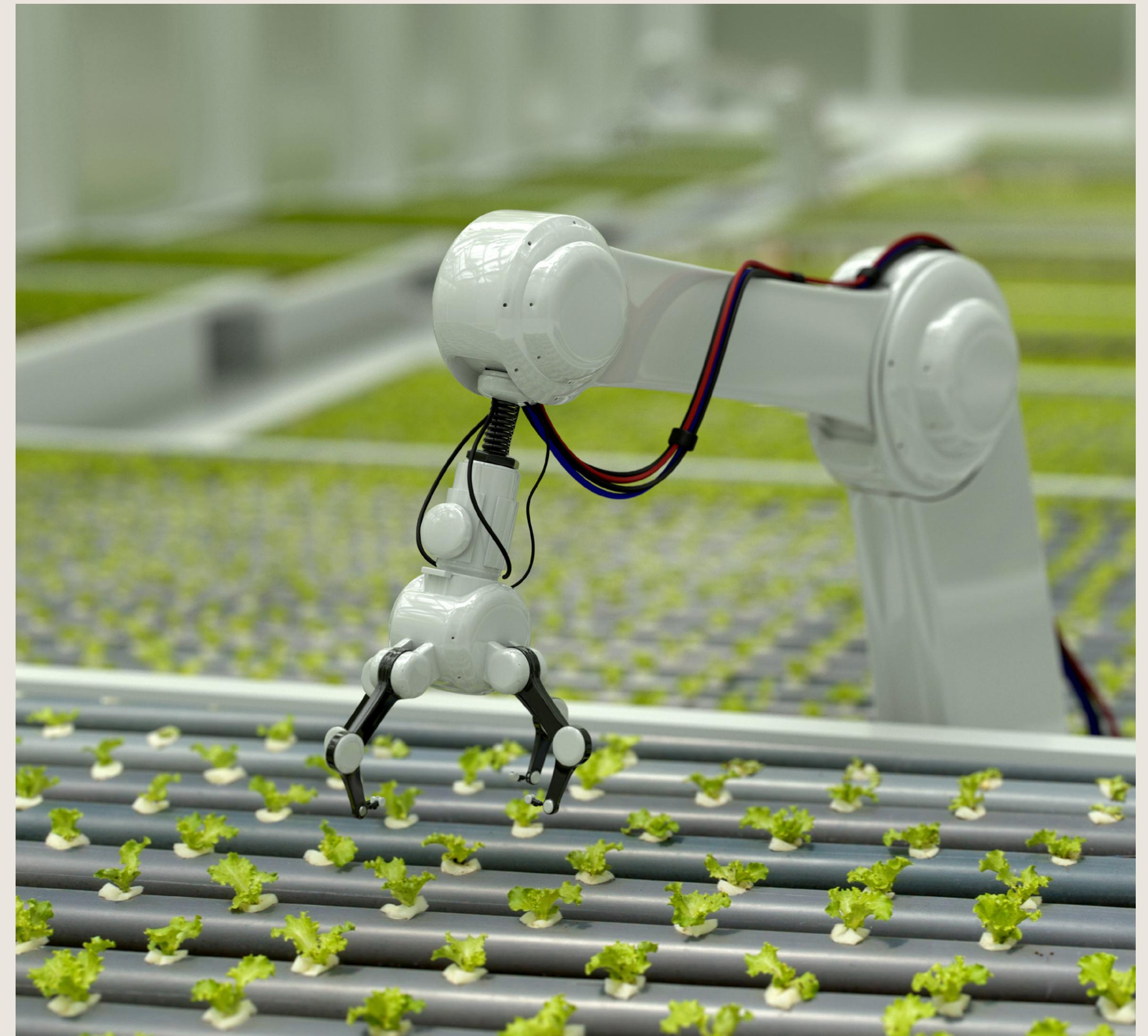
# Spotlight: Technology solutions



*Toby Pickard*

**Retail Futures Senior Partner, UK**

Toby helps brands and retailers' future-proof their operations by updating on industry developments. He focuses on trends and the future of retail, specialising in sustainability and technology trends



## Spotlight

# Technology solutions

## What are the focus areas for innovation?

Key areas of innovation include automation, robotics, and AI.

In 2025 electronic shelf edge labels (ESL) are expected to become widely adopted. ESLs save staff time by helping with replenishment, markdowns, and online order picking, while also improving pricing accuracy for consumers and operations.

AI powered cameras are changing stock management. They monitor shelves, trigger automatic reorders, and notify staff about gaps in real time.

Robots are also taking on tasks such as shelf replenishment, price accuracy, and cleaning stores autonomously - a practice already common in Asia. Smart AI- devices

are enhancing staff roles, improving both efficiency and the customer experience.

Retailers using tools like Tally, the inventory robot, have achieved 98% on-shelf availability and up to 15x returns on investment. These advancements are reshaping efficiency and setting new benchmarks in retail.

Beyond daily tasks, technology is transforming inventory management, reducing theft, and unlocking revenue through data monetisation. Many large retailers are even selling their in-house technology solutions to non-competing businesses.

In a rapidly evolving market, technology provides retailers with the edge they need to adapt and succeed.

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*In the face of rising labour costs and staffing challenges, retailers are leveraging technology to boost productivity and cut costs. Innovations in computer vision, automation, robotics, and AI are transforming stock management, enhancing efficiency, and improving customer experience. These advancements are setting new benchmarks in retail and providing the edge needed to adapt and succeed in a rapidly evolving market.”*

*Toby Pickard  
Retail Futures Senior Partner, UK*

**The government aims to boost employment, yet rising costs and regulatory complexity could hinder progress.**

**Economic outlook: Why it matters**

**Without a significant economic shift, hard decisions loom.**



**Economic outlook**

# Why it matters

**Productivity is the key. Both general economic output and government efficiency must improve.**

## Labour market flexibility

The government aims to boost employment, yet rising costs and regulatory complexity could hinder progress. Policies like the Employment Rights Bill (see section three for more details) may unintentionally create new barriers, making it harder for businesses to hire, and for people to join the workforce. Achieving higher work participation requires balancing protections with affordability for employers.

## Finances on a knife-edge

The Chancellor's 2029-30 financial goals are barely achievable. The OBR warns that any unexpected shocks could derail them.

Even in the best-case scenario, public finances look bleak. Over the next five years, pressures will intensify, not ease.

[Long-term OBR forecasts<sup>13</sup>](#) paint an even grimmer picture. Tax revenues are expected to lag further behind expenditures, widening the gap over 50 years.

Economic performance is the wild card. Stronger-than-expected growth could boost government income and ease spending pressures, offering hope.

But weak growth or new shocks will force more drastic, unpopular measures. Productivity is the key. Both general economic output and government efficiency must improve.

Investments may help, but results could be slow and insufficient to meet the scale of challenges ahead.

## Economic outlook

# Why it matters

## Bracing for impact

Without a significant economic shift, hard decisions for the Chancellor loom: raise income or slash spending.

The June 2025 Spending Review will provide some indication of the government's strategy, and consumers are bound to feel some of the effects.

Historically protected areas like health, education, and defence may no longer be exempt. Overseas aid has already seen cuts, possibly setting a precedent.

Even politically sensitive reductions, such as in health or education, might become inevitable. For consumers, this could mean higher costs, fewer services, or both.

## Inflation impact

Profit margins in the food and drink supply chains are typically low, leaving little opportunity to absorb significant new costs.

At least some will need to be passed on to consumers. IGD anticipates that food and drink inflation will reassert in 2025 and years beyond.

Food businesses need to balance price, range, quality and service. If price can't be passed on to consumers, then other elements of the offer will suffer. Even if prices remain stable, the service provided to consumers may be affected – and this might also be seen as a form of inflation.

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*The government's efforts to boost employment face challenges from rising costs and regulatory complexities, potentially creating new barriers for businesses and workers. Balancing protections with affordability is crucial to achieving higher work participation. Meanwhile, the Chancellor's financial goals are precarious, with public finances under intense pressure and the risk of drastic measures looming if economic performance falters.”*

*James Walton  
Chief Economist*

**When budgets face cuts, the ripple effects hit businesses and consumers hard.**

Economic outlook: Implications for your business

# Food retail and Away From Home inflation is here to stay, at least through 2025.



**Economic outlook**

# Implications for your business

**Business will need to strengthen supply chains and build resilience in response to challenges.**

## Government cuts and business challenges

Food and drink businesses are affected by government operations at every level.

When budgets face cuts, the ripple effects hit businesses and consumers. Local government in England responsible for trading standards, risk losing the capacity - impacting timeframes for required inspections and approvals, and the level of support available to tackle issues such as food fraud.

Defra too is vulnerable to central government cuts, jeopardising financial support for farmers.

Businesses will need to understand the potential implications of spending cuts, how they can strengthen supply chains, and how they can build resilience in response to these challenges.

Download IGD's recent report, [Building a resilient food system<sup>14</sup>](#), to obtain an in-depth analysis of the ten greatest long-term risks; how risks have evolved over the past year; and examples of businesses and governments prioritising resilience.

## Inflation's toll: Food industry braces

Food retail and Away From Home inflation is here to stay, at least through 2025. This means more intense sales and buying negotiations, and the challenges don't stop there.

IGD predicts that volume performance in food retail and Away From Home will stay weak, adding pressure on businesses to meet their goals. Struggling to invest in productivity, resilience, and innovation will be the harsh reality.

Section two

# Consumer outlook

**Lower consumer confidence amid cost of living concerns are resulting in food spend changes and income disparities.**

**Consumer outlook: Our viewpoint**

# A gloomier outlook means focusing on affordability and value.



**Consumer outlook**

# Our viewpoint

## Rising living costs, likely tax increases, and stagnant wages are amplifying financial concerns.

Consumer unease deepens. Rising living costs, likely tax increases, and stagnant wages are amplifying financial concerns, especially among lower-income households. Discretionary spending cuts may well deepen, while higher earners maintain steadier spending - creating opportunities, particularly for Away From Home operators.

Businesses too face mounting pressures. A gloomier outlook means focusing on affordability and value, whilst also retaining higher-income customers to offset challenges. Weak government finances and benefit cuts risk deepening inequality, adding further strain for both consumers and businesses.

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*Weak government finances and benefit cuts risk deepening inequality, adding further strain for both consumers and businesses.”*

*Michael Freedman  
Head of Economic and  
Consumer Insight*

**Consumer outlook**

# What's happening?

**Shopper confidence took a hit in March.  
Consumer sentiment may deteriorate further  
should there be higher taxes in the autumn  
Budget - an outcome anticipated by more  
than three in four consumers.**

## Confidence

Financial confidence continues to wane, with only 23% expecting to be better off in the next year - the lowest level since November 2023. Shopper confidence took a hit in March. [IGD's Shopper Confidence Index<sup>15</sup>](#) (for ShopperVista subscribers) dropped four points, no doubt driven by anxiety over rising bills kicking in in April, covering essentials like water, energy and council tax.

## Cost of living

Consumer worries about food inflation are intensifying. Over eight in ten expect rising prices for food, grocery, and dining out (Away From Home).

Energy concerns are climbing, too. With Ofgem's price cap around 9% higher than last year, many plan to cut energy use.

Sentiment may deteriorate further if weak government finances lead to higher taxes in the autumn Budget - an outcome anticipated by more than three in four consumers.

## Consumer outlook

# What's happening?

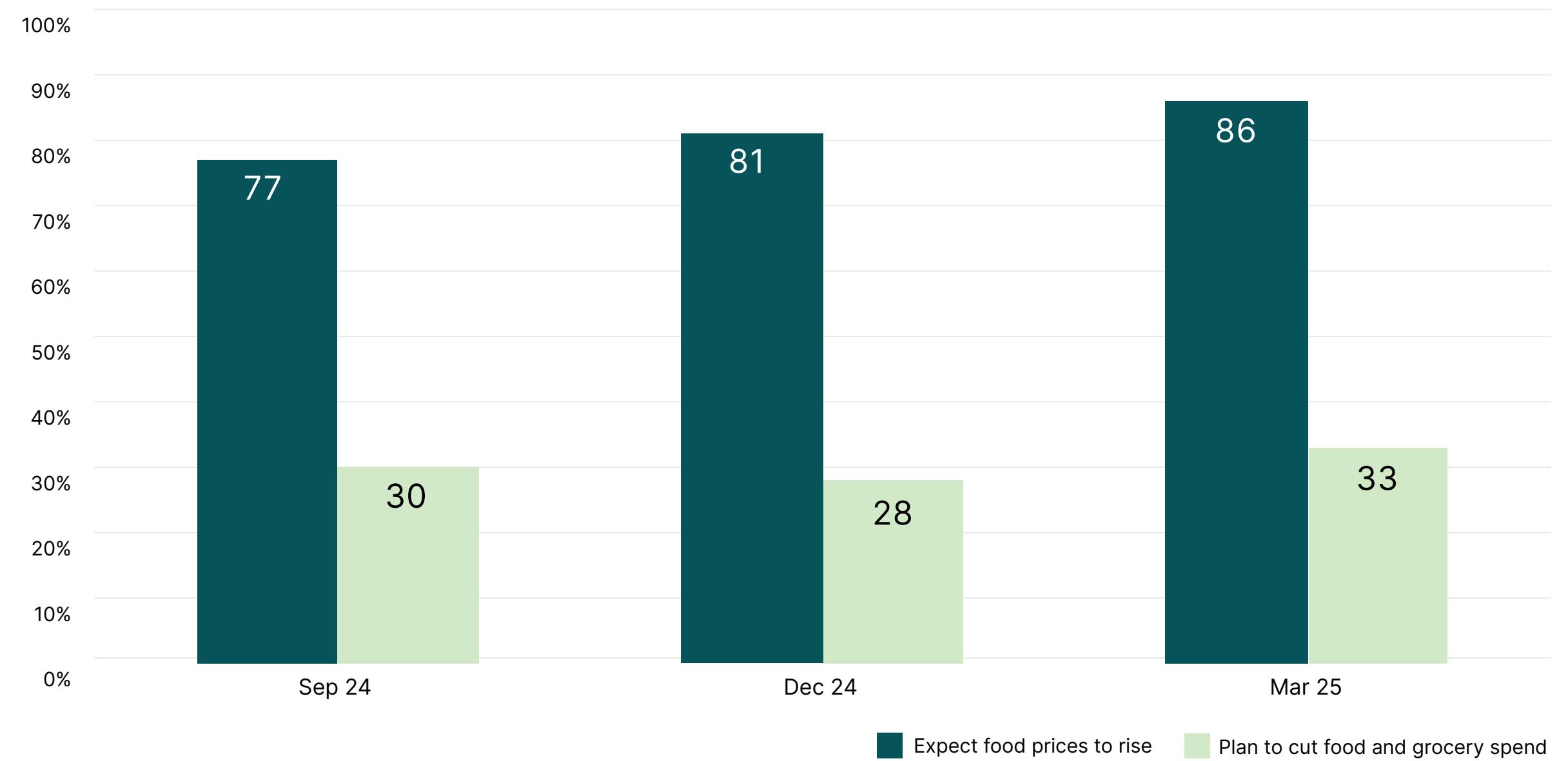
## Food spend and income disparities

More consumers, especially lower-income groups plan to cut food costs (40% vs. 28% of higher earners). These groups also feel more financially vulnerable, with 36% expecting to be worse off compared to 17% of higher-income households. Lower-income households face compounded challenges from benefit cuts and a fragile economic climate.

Labour costs are clearly impacting businesses, and in turn amplifying consumer caution. Job insecurity has risen, and only a third of consumers expect wage increases. Savvy shopping behaviours—like buying on promotion, using loyalty cards, and opting for own-label products—have become routine.

Despite higher Away From Home inflation, plans to cut dining out spend haven't increased. Higher earners, in particular, show steadier spending intentions, with fewer now planning to cut their spend (37% vs. 40% in Dec '24 and 43% in Sep '24), hinting at potential opportunities in this segment.

## Food inflation fears impacting planned grocery spend



Source: IGD Research, March 2025

Base: 1,085 adults aged 18+, balanced sample

**Consumer outlook**

# What's happening?

**Consumer worries about food inflation are intensifying. Over eight in ten expect rising prices for food, grocery, and dining out (Away From Home).**

## Away From Home consumer outlook

**84%**

Expect eating out prices to rise

**45%**

Plan to reduce eating out spend



**Lower-income groups cutting food spend will drive demand for affordable essentials.**

**Consumer outlook: Why it matters**

**Food businesses must emphasise competitive pricing and rewards to retain customer loyalty.**



**Consumer outlook**

# Why it matters

## **With rising living costs and stagnant wages more consumers will prioritise value.**

Businesses need to focus on budget-friendly options, promotions, and own-label ranges to capture cost-conscious consumers.

Tactics like buying on promotion and using loyalty cards are ingrained. Food businesses must emphasise competitive pricing and rewards to retain customer loyalty.

Lower-income groups cutting food spend will drive demand for affordable essentials. Meanwhile, higher earners will maintain steadier spending, offering opportunities for premium and Away From Home options. Adapting to these dynamics will be crucial for maintaining market share and meeting evolving consumer needs in challenging times. Innovation, flexibility, and targeted strategies are essential.

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*UK food businesses must prioritise budget-friendly options, promotions, and own-label ranges to attract cost-conscious shoppers. Loyalty programs are essential for retaining cost-conscious consumers' loyalty through rewards and competitive pricing. Lower-income groups will drive demand for affordable essentials, while higher earners offer opportunities for premium options. Adapting with innovation and targeted strategies is crucial for maintaining market share and meeting evolving consumer needs.”*

*Michael Freedman*  
**Head of Economic and Consumer Insight**

## Consumer outlook

# Implications for your business

## Beyond the economy: A complex road ahead

The economic outlook isn't rosy. Experts predict turbulence over the next five years, with household income growth expected to stutter. For food and drink businesses, these are tough trading conditions.

And even if the economy picks up, there's no guarantee of better sailing. Consumers have honed their money-saving habits during lean times, and these might stick. The challenges aren't purely economic – they're cultural and social too.

So, what's the winning move? Businesses must go beyond economic fixes and find compelling ways to convince consumers to spend. It's not just about recovery – it's about innovation and creating lasting value for customers.



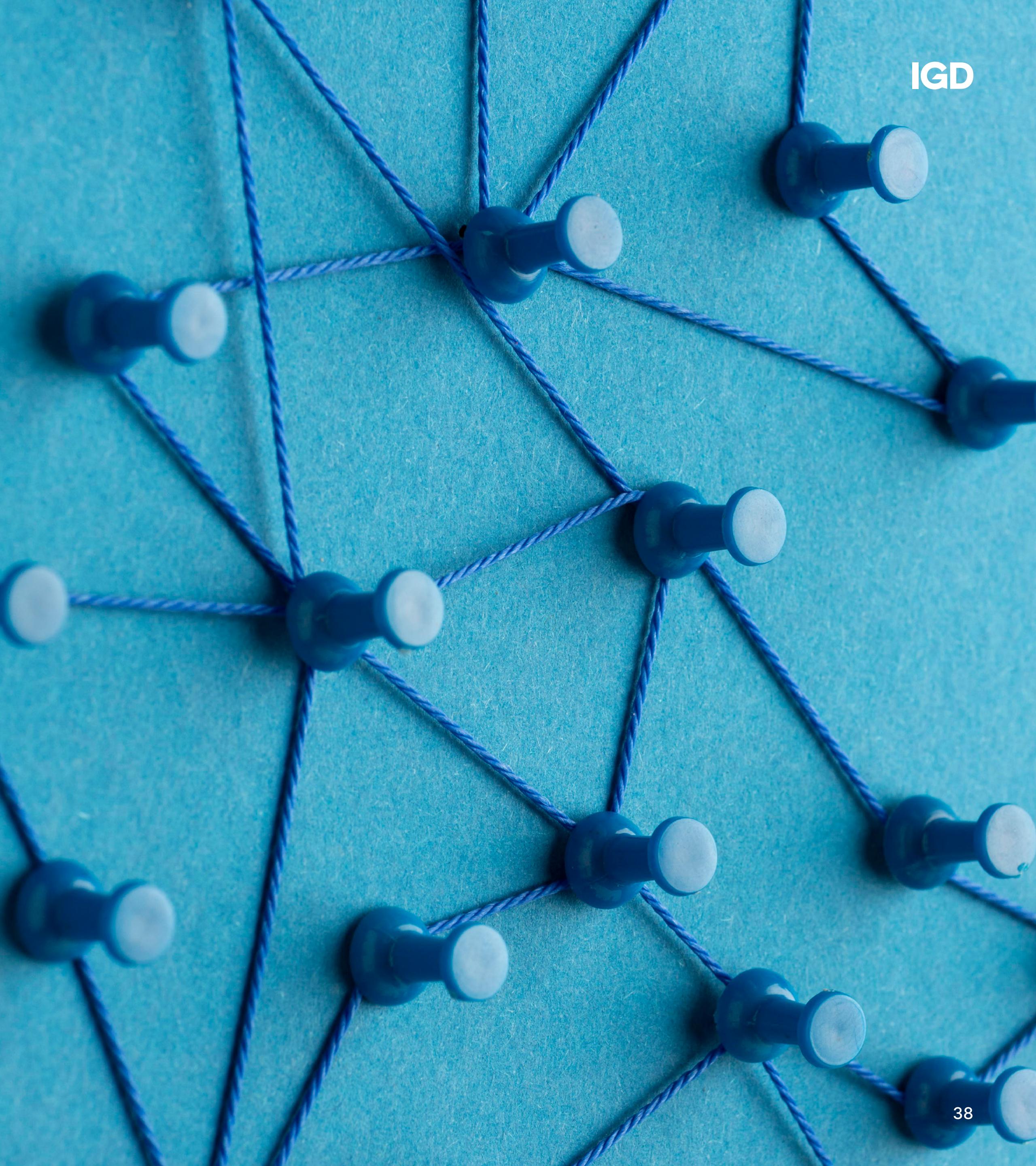
Section three

# Policy outlook

**A busy policy agenda is emerging with significant implications for food businesses.**

**Policy outlook: Our viewpoint**

**The food strategy holds the most transformative potential to improve our food system.**



**Policy outlook**

# Our viewpoint

**The Labour government, nearing its first year in power is pursuing its five key missions, but businesses are feeling the strain as the Autumn budget measures and new packaging regulations start to take effect.**

Looking ahead, the government's ambitions centre on three critical workstreams:

- [A food strategy<sup>16</sup>](#)
- [The 25-year farming roadmap<sup>17</sup>](#)
- [Land use consultation<sup>18</sup>](#)

Together with policies like the Employment Rights Bill, packaging reforms, and upcoming 10-year NHS plan, these initiatives will define the future of the food system.

Of these, the food strategy holds the most transformative potential. It aims to unite government, business, and civil society to create a healthier, more sustainable food system that is central to the UK's economic growth.

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*If executed well, the food strategy can showcase a new model of collaborative policymaking ensuring change is both progressive and workable.”*

*Matt Stoughton-Harris  
Head of Corporate Affairs*

**Policy outlook**

# What's happening?

**The food strategy can showcase a new model of collaborative policymaking ensuring change is both progressive and workable.**

## Food strategy

The food strategy is working across government, industry and civil society, improving our food system to:

- Provide healthier diets for children and adults
- Build greater food security, resilient to climate and geopolitical challenges
- Lower the environmental impacts from farming and food production, with support during the transition
- Boost investment, productivity, and innovation to unlock growth in the UK's largest manufacturing sector

The government has launched a new [\*\*Food Strategy Advisory Board<sup>19</sup>\*\*](#), with members drawn from senior leaders across government and the food system.

IGD is acting as a co-secretariat for its meetings. More broadly on the food strategy and engagement across the food system, the IGD will act as a neutral convenor, drawing on its charitable status and commitment to public benefit.

The aim is a truly cross-government strategy with departments working together to support delivery of the Government's Five Missions and Plan for Change. A new Ministerial Food Strategy Group has been established, chaired by Defra Secretary of State and including Ministers from Department for Business and Trade, Department of Health and Social Care, Department for Education and Ministry of Housing, Communities and Local Government.

**Policy outlook**

# What's happening?

The work over the next few months will shape a vision for the future food system defined by a clear set of outcomes that has strong buy in across Government and the wider food system.

These outcomes – a new ‘food system outcomes framework’ will be set out later in the year and together with a coalition of partners government will co-design its approach to delivery of those outcomes.

While the work will be coordinated by government, different elements will be initiated and delivered by government, industry or other parts of the system, with the intention being a true partnership, start to finish.

If you want to stay informed about the latest updates on the food strategy, [sign up for our newsletter<sup>20</sup>](#).



## Policy outlook

# What's happening?

## Labour and skills

The government's welfare overhaul, branded as '[Get Britain Working](#)'<sup>21</sup> is at the heart of its push for economic growth while controlling public spending.

Key reforms include the replacement of the Work Capability Assessment with a 'right to try' work guarantee, encouraging disabled and long-term sick individuals to re-enter the workforce.

A £1bn investment supports this, providing personalised conversations to help people transition back to work.

With nearly [25% of the UK's](#)<sup>22</sup> working-age population now disabled, employers must step up efforts to create inclusive workplaces. Businesses can build cross-industry networks, foster connection and understand what great inclusion looks like through [IGD's Reverse Mentoring programme](#).<sup>23</sup>

Alongside this, the government is launching the National Jobs and Careers Service, backed by a new Growth and Skills levy, and rethinking job centres.

These changes could go some way to relieve persistent workforce challenges but need to be considered in the context of rising employment costs and new legislation.

The Employment Rights Bill, advancing through parliament, has seen key amendments tabled including:

- The right to not be unfairly dismissed from day one is now subject to an 'initial period' of employment
- Guaranteed hours for zero-hours agency workers
- Improved statutory sick pay access for low earners
- Doubling the protective award for collective redundancies to 180 days.



**Policy outlook**

# What's happening?

## **"Junk food" advertising ban and HFSS volume restrictions to take effect from October 2025.**

### **Health**

In October, the advertising of "junk food" to children will be banned, alongside volume restrictions on foods high in fat, salt, and sugar (HFSS). Key updates from the Advertising Standards agency include:

- The identifiability test, judging whether an advertisement can be reasonably recognised as an HFSS product
- The ban applies from 5:30AM to 9:00PM on TV and on-demand platforms
- Online paid advertisements will be restricted at all times

The Welsh government plans to enforce HFSS rules from spring 2026. Meanwhile, Scotland is advancing its HFSS strategy throughout 2025, with more details expected in the coming months.

From 1 April 2025, Soft Drinks Industry Levy rates increased with increases coming each year thereafter.

The Tobacco and Vapes Bill is progressing. Tobacco sales for anyone born after 2009 may be banned in 2027, and disposable vapes will no longer be sold from 1 June 2025.

The government has responded to its consultation on the Tobacco and Vapes Bill.

Key changes set out include:

- A ban on proxy sales tied to age restrictions
- All tobacco, herbal smoking products, and cigarette papers included
- Retail warning notices stating "it is illegal to sell tobacco products to anyone born on or after 1 January 2009" once the ban takes effect
- Restrictions on vape flavours, packaging, and in-store displays

**Policy outlook**

# What's happening?

**A long-term specific roadmap for agri-food will be welcome if it ensures workable policy that unlocks investment in recycling infrastructure.**

## Circular economy

There has been strong focus on packaging in recent years, and it plays a key role in a circular economy, with the new policy hoping to drive a transformative effect.

The newly established Circular Economy Taskforce will focus on textiles, transport, construction, agri-food, chemicals, and plastics. It will create sector specific roadmaps supported by a wider Circular Economy Strategy to be published in the Autumn.

A long-term specific roadmap for agri-food will be welcome if it ensures workable policy that unlocks investment in recycling infrastructure.

The first invoices for EPR are due in October 2025. Producers will be invoiced based on council costs from April 2025 to March 2026 and packaging tonnages from January to December 2024. Fees for each material are still unknown, delaying action.

Next year, fees will be based on the new Recyclability Assessment Methodology. Uncertainty makes it hard for businesses to understand future liabilities.

The OBR has changed the description of EPR to a tax rather than a fee received and spent with Departmental Expenditure Limits.

New estimates suggest that EPR will cost an additional £2bn compared to its previous forecast and will not have a material impact on rates of recycling or packaging waste volumes in the next five years.

The UK Deposit Return Scheme (DRS) will go live in October 2027. The Welsh DRS will launch later to include glass.

**Policy outlook**

# What's happening?

## Agriculture under pressure

The UK's agricultural sector is under growing pressure, driven by policy changes and environmental challenges.

Key developments include:

- Inheritance tax reforms and accelerated Environmental Land Management Scheme fuelling concerns.
- Record SFI applications, though DEFRA has paused new applications until after the June spending review. This leaves many farmers without access to support.
- Land Use Consultation: 9% of land to shift from agricultural to environmental use by 2050.
- 5-year Farming Roadmap: Commitments to food production, include a Farming Profitability Unit within DEFRA and a five-year extension for the Seasonal Workers visa scheme.
- Avian Influenza: Mandatory housing orders across many parts of England. For the first time globally, Avian flu has been detected in a sheep. Evidence suggests there is a low livestock risk.
- Foot and Mouth Disease: Import bans on certain animals from Germany, Slovakia, Hungary and Austria are now in place.



**Policy outlook**

# Why it matters

**UK agriculture confidence is at an all-time low.**

## **Farmer confidence and investment**

UK agriculture confidence is at an all-time low. Inheritance tax changes, the abrupt SFI scheme closure, and climate impacts are hitting farm businesses hard.

Farmers are planning to halt machinery investments to manage cash flow, stalling growth and resilience.

Significant investment is vital to boost productivity and reduce agricultural land use, in the context of the government's land use consultation, without harming food production. However, it's unclear where this investment will come from.



**Policy outlook**

# Implications for your business

**With less than 1% of the UK population meeting the Eatwell Guide recommendations, businesses have a key opportunity to re-evaluate their portfolios. Product reformulation is a powerful tool.**

## Embrace the opportunity to collaborate

The food strategy provides an opportunity to build a collaborative model across industry, government and civil society.

This framework can ensure future policies are implementable, enforceable and achieve the desired outcomes.

With this in mind, embracing the food strategy and its opportunities, can have far-reaching impacts on how government as a whole works with businesses.

## Health matters

The food strategy, paired with the ten-year health plan and upcoming advertising restrictions, highlights a strong push for a healthier food system.

With less than 1% of the UK population meeting the Eatwell Guide recommendations, businesses have a key opportunity to re-evaluate their portfolios. Product reformulation is a powerful tool.

IGD's health team is here to support nutritionists and product technologists, with the [Product Development and Reformulation Guide](#)<sup>24</sup> to help boost the nutritional quality of products.

The guide supports businesses to reduce fat, salt, and sugar content whilst enhancing fibre, protein, and fruit and vegetable intake where appropriate.

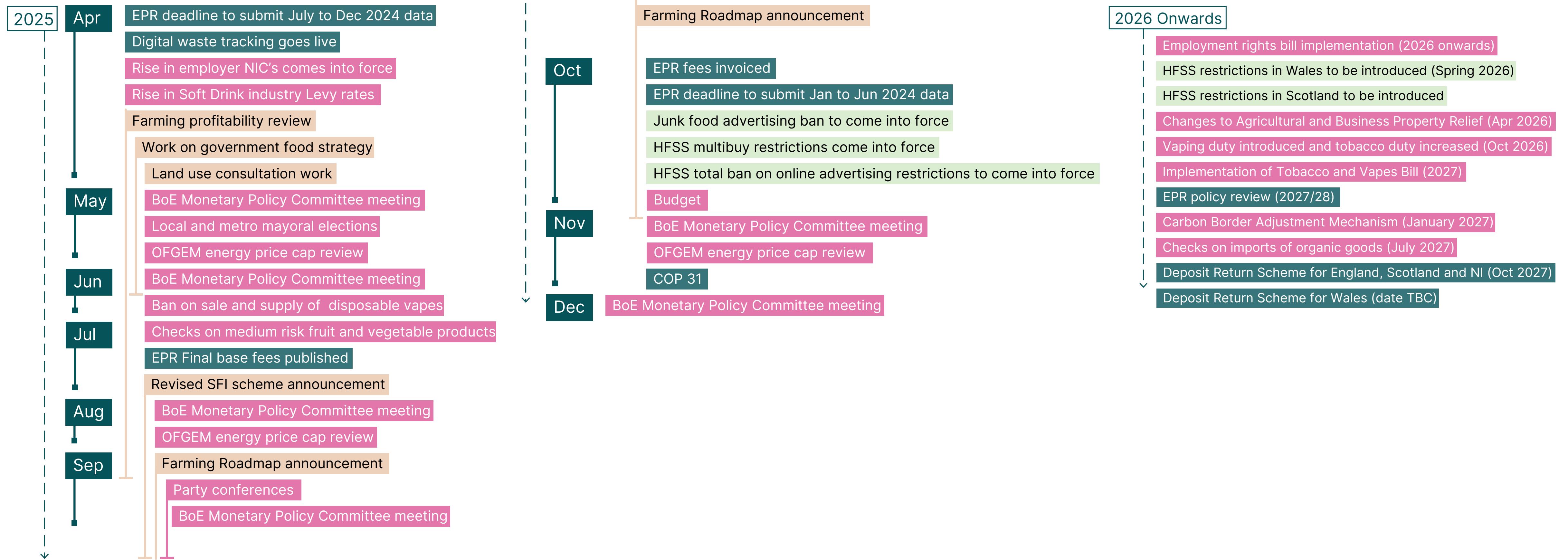
Discover our research and best practice to help businesses make healthy and sustainable diets easy for everyone [here](#).<sup>25</sup>

[Sign up to our health and sustainability newsletter](#).<sup>26</sup>

**Policy outlook**

# Regulatory and policy landscape

Sustainability  
Health  
Economics and Policy  
Hybrid



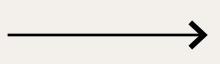
# Meet the team



*Naomi Kissman*  
**Social Impact Director**

Naomi leads the Social Impact team at IGD, working with industry leaders, uniting and inspiring businesses to address economic, social, and environmental challenges that matter to us all.

Contact Naomi



*James Walton*  
**Chief Economist**

James equips businesses to anticipate and deal with strategic change. Focused on economics, he also provides insights on geopolitics, technology and other forces shaping the future.

Contact James



*Michael Freedman*  
**Head of Economic and  
Consumer Insights**

Michael delivers expert analysis on the latest economic and consumer trends relating to the food industry to drive better decision making.

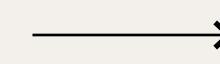
Contact Michael



*Matt Stoughton-Harris*  
**Head of Corporate Affairs**

Matt helps organisations navigate policy changes and understand their impact on the broader food system.

Contact Matt



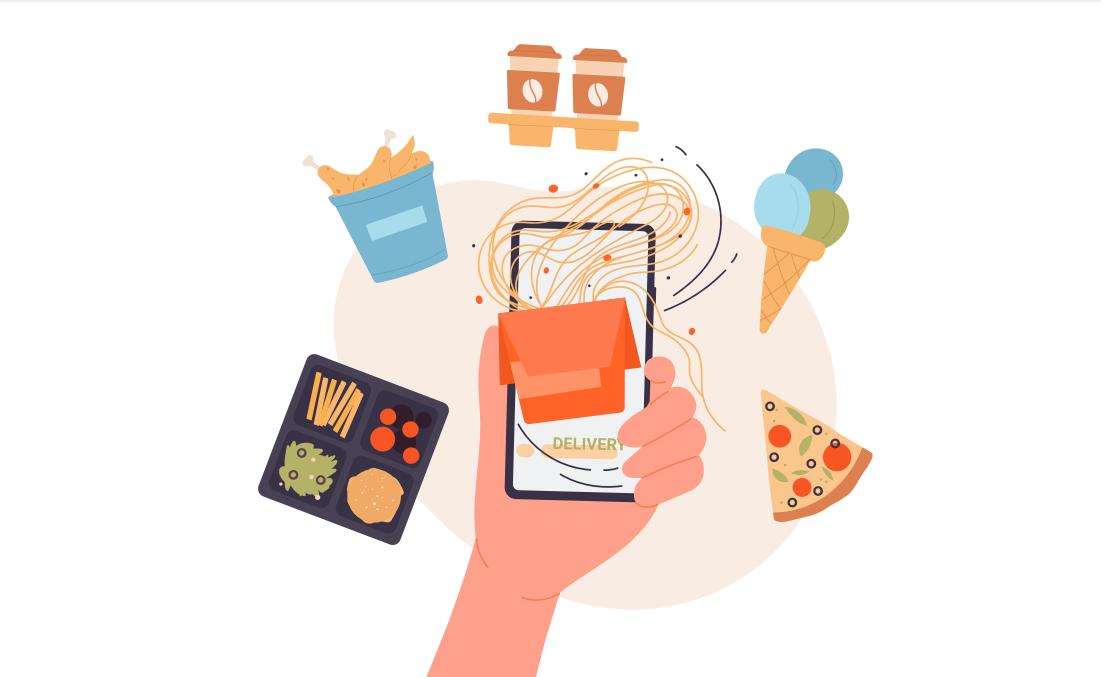
# Appendix



## Economics bulletin newsletter

Sign up to our economics bulletin newsletter.

**Economics Signup**



## Away From Home newsletter

Sign up to our Away From Home (AFH) and food-to-go newsletter.

**AFH Signup**



## Food strategy newsletter

Sign up to our Food strategy newsletter to stay informed about the latest updates on the food strategy.

**Newsletter Signup**



## Building a resilient food system report

In-depth analysis of the ten greatest long-term risks; how risks have evolved over the past year; and examples of businesses and governments prioritising resilience

**Download Report**

# Appendix

- 1 [https://obr.uk/docs/dlm\\_uploads/OBR\\_Economic\\_and\\_fiscal\\_outlook\\_March\\_2025.pdf](https://obr.uk/docs/dlm_uploads/OBR_Economic_and_fiscal_outlook_March_2025.pdf)
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