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| **Sector Insights** |
| **Sector Overview:** |
| **Logistics (transportation & storage)**<https://www.santandercb.co.uk/factsheet/fta-logistics-report-2019.pdf>* Trends in the logistics sector often mirror those of the wider economy, in terms of economic development, rising wages and workforce increment
* Logistics is a diverse sector covering **road, rail, sea and air industries**, the sector is a key part of the growing service economy with other sectors heavily reliant on freight services such as retailers and manufacturers whose businesses depend on the efficient movement of goods
* An **effective supply chain is vital to trade**, directly impacting over seven million people employed in making, selling and moving the goods that affect everyone everywhere
* With **Brexit, technology and other disruptive forces driving changes in the way goods move across borders and through the supply chain**, logistics has never been more important to UK plc

**Key facts and figures*** **One of the largest sectors in the UK economy** with £942.5 billion turnover
* GDP from the sector continues to grow but at a slower rate year on year over the last 5 years
* £124 billion Gross Value Add (GVA) contribution to the UK economy which is 10% of the contribution to the UK non-financial business economy
* 192,525 logistics enterprises in the UK of which nearly all (192,000) are **SMEs**
* 2.7 million employees in the wider logistics industry with **sustained growth in the number of people employed in logistics**
* In 2018 jobs in logistics increased by 200,000, mainly in occupations related to storage and warehousing to support **growth in online retail and Brexit stockpiling**, but there is an **ongoing labour shortage in key vocations**
* On average a European facility employs over 100 people per 10,000 square metres of floor space, but the numbers vary widely depending on the market and type of operation. For instance, e-fulfilment centres employ upward of 10x more employees compared to offline retailers like traditional brick-and-mortar retailers
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| **Sector Skills Council/Sector Skills Body contact:** |
| **Freight Transport Association (FTA)** *(Skills for Logistics (SfL) closed -* [*https://feweek.co.uk/2015/01/19/logistics-skills-council-offered-solutions-to-non-existent-problems/*](https://feweek.co.uk/2015/01/19/logistics-skills-council-offered-solutions-to-non-existent-problems/)*) / Aston Uni* |
| **Details of sector partnership groups:**  |
| Transport Forum (Chamber led) |
| **Local Context:** *(Why is the sector a priority/important locally?)*  |
| **Growing but lower value sector with opportunities for future higher value growth:****Logistics businesses, jobs and GVA*** Total of 2,280 businesses in 2019, **7th highest of all SSLEP sectors**
* 71% or 945 increase in transportation & storage businesses since 2011, **2nd highest increase in businesses of all SSLEP sectors**
* 33% or **8,000 jobs increase since 2011 (joint 2nd highest growth of all SSLEP sectors)** with 32,000 now in SSLEP area (13% part-time), represents 6.6% of total SSLEP workforce which is higher proportion than regionally (5.4%) and nationally (4.8%)
* **Staffordshire has highest number of logistics jobs (24,000) of all WM authorities**
* **GVA has increased by nearly a half (48% or £418m) since 2011** and now worth £1.28bn, the 6th highest valued sector in the SSLEP economy
* In 2017 each logistics job filled in Staffordshire generated on average £46,000 compared to £43,700 for jobs filled in all industries of the Staffordshire economy, while in Stoke-on-Trent on average logistics jobs generated £22,500 compared to £43,800 for jobs filled in all industries

**Location of Jobs*** Largest sector for jobs in Stoke-on-Trent (8,000) and Cannock Chase (5,000)
* Highest proportion of jobs for all sectors in Cannock Chase (11.9%) and Newcastle-under-Lyme (9.6%) well above WM (5.4%) and England (4.8%) averages

**Main Jobs*** **Warehousing and storage** makes up half (16,000) of the transportation and storage jobs in the SSLEP area. As for the freight transportation side this is dominated by **road transportation** (8,000 jobs) with the remaining jobs being postal and currier roles and support activities for transportation

**Future Local Growth Opportunities*** Predicted future growth from **increasing demand from online retail** for warehousing and wider supply chain logistics (i.e. recent high profile enquiries for logistics premises in the SSLEP area given its central location and strong connectivity)
* **Opportunities from new technology and ways of working** – development of land and premises to support advanced high value logistics leading to overall increased sectoral productivity and associated increased wages and prosperity
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| **Key Employers in Stoke-on-Trent and Staffordshire:** |
| Major local construction employers include Wincanton, DHL, Amazon, Royal Mail, New Look, Fedex and Yodel |
| **Sector Issues and Drivers:** |
| <https://www.santandercb.co.uk/factsheet/fta-logistics-report-2019.pdf>* There are emerging opportunities and challenges for the sector in areas such as labour and skills; competitiveness; international trade (including the need for frictionless trade with the EU and rest of the world post Brexit); connectivity; sustainability (e.g. air quality and climate change); and safety and innovation

**Labour and Skills*** An **aging workforce, competition for skilled staff and shifting migration patterns** mean there are continuing challenges in the recruitment and retention of labour for key logistics roles
* A warehouse is no longer just a place for only storing goods. Higher value-added and complex activities now take place in logistics facilities, which require a much **more diverse workforce than historical norms**
* **Access to qualified logistics workforce is becoming more difficult for employers leading to increased job vacancies** <https://www.prologis.com/logistics-industry-research/top-solutions-source-train-and-retain-labour-logistics-facilities>
* **Top 3 job shortages** in UK logistics:
	+ 1 Storage and warehouse managers
	+ 2 HGV drivers
	+ 3 Importers, exporters
* **Manual and elementary staff shortages**, such as HGV/forklift truck/van drivers, mechanics, packers and warehouse workers, due to immigration policies are predicted to be felt most acutely by the logistics sector under a disorderly **Brexit** (employers expect to lose on average at least a fifth (21%) of their workforce) – potentially leaving some of Britain’s biggest businesses exposed
* Despite this, 16% of logistics businesses have no plan for managing their future pipeline of workers post-Brexit
* The potential impact of Brexit on labour supply adds to **existing recruitment and retention difficulties**, with a third (38%) of employers struggling to recruit manual workers and 44% unable to retain them due to reasons such as **unsociable hours, low pay (88% of UK logistics workers earn under £30,000), a lack of flexibility and a lack of progression**
* Skills shortages, as a by-product of poor retention and the inability to recruit these workers, result in an on average 10% **reduction of both growth and productivity** in logistics businesses
* Between 2016/17 and 2017/18 there was a **significant fall of 37% in the number of logistics apprenticeship starts**, as young people have been attracted to other industries
* To bridge the gap between supply and demand seeking out **new ways to attract and retain domestic workers should be a primary focus**

**Competitiveness*** The UK was the eighth most competitive nation in the world out of 140 countries for logistics, falling from sixth place in the 2018 Global Competitiveness Report which includes the quality, efficiency and reliability of transport infrastructure
* The UK also dropped two places to 9th in the ‘ease of doing business index’ published by the World Bank Group
* The sector has also seen **reductions in investment and an increase in warehousing capacity demand due to online retail, Third-part logistics (3PLs) outsourcing and Brexit Stockpiling** - even with the rate of growth slowing nationally, spend on online retail is expected to reach £75bn by 2023, up from £55.9bn in 2018. The UK has the highest penetration of online retailing in Europe. Last November it rose above 20% of all retail for the first time, spurred on by Christmas shoppers taking to the internet. **Based on historical norms, this increase in online retail spending will require an extra 20m sq ft of distribution space by 2023, although, given the recent high take-up levels, the actual figure could be much higher**. As the market matures, the big question, is **whether trends in supply chain technology, in particular automation and robotics, will lead to a more efficient use of space, and hence to a lower demand for warehousing** - <https://www.mipimuk.co.uk/en-gb/news-and-insights/uk-logistics-market.html?eloquacustomtracking=true&utm_campaign=mipimuk2019-nurturing-visitor-pp-3-logistics&utm_medium=md_emailing&utm_source=eloqua>
* Logistics remains a low margin activity and encouraging innovation and investment requires new thinking

**International Trade*** The UK has ambitions to grow its international trade against a backdrop of political and commercial uncertainty due to Brexit
* **Efficient logistics is central to achieving an increase in trade and, with less than 10% of UK businesses engaged in exports but accounting for 30% of GDP, the benefits could be immense if the right environment is established**
* UK trade in goods consisted of £350bn in exports and £488.8bn in imports in 2018. EU accounted for 54.4% of UK goods imports and 48.8% of UK goods exports in 2018, while exports of goods to non-EU countries from the UK rose 2.6% to £179.2bn in 2018
* 2018 was a flat but stable year for the sector, with export growth slowing to just 2% compared to 11% in 2017
* Estimated that a **no deal Brexit could see a £6.7billion GVA reduction in the UK logistics sector** <https://www.commercialfleet.org/news/people-news/2019/03/07/no-deal-brexit-could-cost-logistics-sector-67bn>
* However **international trade beyond the EU offers significant potential** for UK businesses (see Export Strategy: supporting and connecting businesses to grow on the world stage, HM Government, 2018 - <https://www.gov.uk/government/publications/export-strategy-supporting-and-connecting-businesses-to-grow-on-the-world-stage>)
* There are also business **opportunities from strong growth in global e-commerce and online retail**

**Connectivity*** Good connectivity for all modes of transport is essential for UK trade and for meeting the needs of people and businesses
* When surveyed, businesses across the board consistently say that **investments in road improvements are a top priority** but optimising other modes is also important for complex and specialist supply chains
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| **Implications of the Government’s Industrial Strategy Grand Challenges:** |
| <https://www.santandercb.co.uk/factsheet/fta-logistics-report-2019.pdf>* There is a need to make the sector more sustainable and support the Governments grand challenges including Clean Growth and Future Mobility

**Sustainability / Clean Growth*** There are a number of areas being investigated to **improve air quality for road**. These include **Clean Air Zones (CAZ),** low emission schemes, alternative sources of fuel and vehicle enhancements
* Air quality forecasts for 2019 show that 24 out of 28 UK urban areas will exceed legal limits for nitrogen dioxide
* To address air quality issues many UK cities are introducing CAZs or other air quality measures, and an Ultra Low Emission Zone has already been introduced in London
* Vehicle operators may have to replace their vehicles with **cleaner, more efficient Euro VI vehicles** if they are to avoid the charges. In the Budget in October last year, the Chancellor unveiled a dramatic increase in the Annual Investment Allowance, which will coincide with the introduction of these Clean Air Zones
* Logistics businesses could capitalise on this tax relief offer and invest significant amounts in the plant, machinery and other business-critical assets that will help them enhance profitability and productivity
* 30% of respondents to the FTA Logistics Industry Survey 2018/2019 indicated they were considering using **alternative fuel sources** for their van or HGV fleets in 2019, while 70% were not. Of those who intend to use alternative fuels, the majority (71%) will use electricity (for use by Battery Electric Vehicles [BEV]) for van fleets, with natural gas and biodiesel the top choice for HGV fleets, chosen by 47% of respondents

**Safety and Innovation / Future Mobility*** The sector is also at the forefront of safety and innovation using **big data to understand accidents** and find solutions including maximizing the benefit from ongoing **investment in transport infrastructure** e.g. pothole interactive reporting and mapping and the use of **new innovative technologies such as autonomous driving** which improve both safety and efficiency (cyber security is a concern)
* Given that labour costs are one of the biggest costs in a supply chain (25-30%) and there is increasing labour scarcity the sector is innovative with **automation easing some labour concerns and enhancing productivity**
* However, automation is only expected to reduce some **pressure for lower-qualified employees while the need for higher-qualified workers will rise**
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| **Local Sectoral Labour and Skills Demand and Supply Issues:**  |
| Important logistics skills are centred around **supply chain activities** including communication, procurement of materials, storage, transportation and distribution of the finished product (<https://work.chron.com/top-5-logistics-skills-25030.html>)<https://www.instituteforapprenticeships.org/about/occupational-maps/>It is recognised that there is **1 career pathway for Transport and 1 for Logistics**:* **Transport –** made up of:
	+ Technical occupations (Level2/3) e.g. Driver, Crew member or Transport operations technician;
	+ Higher technical occupations (Level4/5) e.g. Captain or Transport Operations Manager;
	+ Professional occupations (Degree) e.g. Pilot or Transport Planner
* **Logistics –**
	+ Technical occupations e.g. Warehouse Operative;
	+ Higher technical occupations e.g. Fleet Operations or Procurement Manager;
	+ Professional occupations e.g. Supply Chain Leadership Professional

**Occupations in Demand** *(Labour Insight)** Consistently high demand through vacancies for **large goods vehicle drivers** (nearly 4,000 vacancies in 2018), **van drivers** (700 vacancies), **fork-lift truck drivers** (500 vacancies - high risk of automation) and **elementary storage occupations**
* There is also demand for **managers and directors in storage and warehousing, transport and distribution clerks, and engineering technicians**
* Main recruiters include Driving Plus Limited, DHL, Yodel, XPO Logistics, and Royal Mail
* The main skills requested are forklift operation, haulage, customer service and logistics

**Recruitment Difficulties** *(Staffordshire Chambers of Commerce)** High demand and recruitment difficulties for **transport planners and management** levels to assist with streamlining processes to improve efficiency and productivity
* **Salaries are rising** across all occupations both locally and regionally as companies compete for the best talent, however local salaries still lag behind regional averages

**Demand-side Issues** *(DfE Employer Skills Survey)** 17% of logistics businesses in SSLEP have vacancies compared to fifth (20%) of all businesses in SSLEP
* Nearly 1 in 10 (9%) of businesses have **hard-to-fill vacancies** (similar to the 9% for all businesses)
* 6% have **skills shortage vacancies** compared 7% for all businesses (nearly a quarter (24%) of vacancies are SSVs)
* 6% of businesses have staff with **skills gaps and are not fully proficient** well below the 17% for all industries
* Over two thirds (69%) of businesses have **trained staff over the last 12 months** compared to 65% for all businesses
* There was a higher proportion of on-the-job training (59%) than off-the-job training (52%)
* Nearly half (46%) of businesses have **underutilised staff** which is well above the average of 32% for all industries
* Over half (56%) of businesses expect the **need for upskilling of staff** over the next 12 months compared to two thirds (66%) of all businesses

**Main construction qualifications and providers (skills supply) ESFA Funded Learning:*** There are **no ESFA funded learners in the SSLEP who are studying warehousing and distribution**, either as a core aim or otherwise

**Apprenticeships:*** SSLEP apprenticeship starts in **retail and commercial enterprise** stood at 1,180 in 2017/18 showing a **decline of nearly half (43%) or 880 starts over the five year** **period since 2013/14**, this was larger than the 37% decline seen nationally
* The most substantial decline was seen between 2016/17 and 2017/18 with a decline of nearly a third (33%) or 570 starts (higher than the 28% decline seen nationally)
* **Warehousing and distribution have seen a decline over the last 3 years** (425 starts in 2015/16 down to 171 in 2017/18)
* The main apprenticeship programmes in 2017/18 were in **‘Warehousing and Storage’ and ‘Supply Chain Warehouse Operative’**
* The main qualification was for certificate in Warehousing and Storage
* Alongside this there are also high numbers of learners studying functional skills courses including **Mathematics and English**
* The main providers are Stoke-on-Trent College - <https://www.stokecoll.ac.uk/course-area/logistics/>, Project Management (Staffordshire) Ltd., GI Group Recruitment Ltd. and GLP Training Ltd.
* The highest volume of provision is based in Stoke-on-Trent, Chesterfield, Walsall and Worcester
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| **Local Responses:** |
| **ESFA ESF Programmes**The ESFA programmes provide a wide range of support from engagement and outreach activities to higher level skills development, these are delivered across the region through four prime providers; Skills Training UK offer support to individuals who are NEET, Peopleplus offer support to unemployed individuals, The Community Foundation for Staffordshire provide community grants to organisations moving people closer to the labour market and Serco offer skills support to both employed individuals and those who are under threat of redundancy.Up to August 2019 the **round 2 ESF programmes have supported learners in 183 logistics qualifications.** |
| **Recommendations:*****Options:**** *Do nothing*
* *Develop a provision offer to fill “provision gaps”*
* *Increase capacity of existing provision to meet demand*
* *Fund capital equipment to enable education providers to deliver provision to fill “provision gaps”*
* *Improve supply, increase attainment Ks4, Ks5 and post 16*
* *Enhance CEIAG to share details on priority sectors to inform career choice*
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| At their core, labour challenges are encompassed by a need to attract, train and retain employees: <https://www.prologis.com/logistics-industry-research/top-solutions-source-train-and-retain-labour-logistics-facilities>* **Attract –** to address the gap between supply and demand the sector is developing new ways to attract skilled workers, including:
	+ **Promoting logistic professions:** to **young people** (early careers IAG - promotion of HGV future technology to attract the “PlayStation Generation”), **women and ethnic minorities** - <https://www.talentinlogistics.co.uk/resources/talent-in-logistics-whitepaper/>

<https://www.talentinlogistics.co.uk/resources/career-guide/>* + **Better transport connections**: Commuting needs to be as **efficient** as possible (majority of workers are within 30km of work), in addition to accessibility by car, public transport has become more important – bike paths, shuttle buses and car sharing are potential options
	+ **More and higher-quality amenities**: As labour qualifications increase, amenities become more important – better on-site food, sporting facilities, gyms and coffee bars are examples of site improvements
	+ **Logistics career and community commitment**: A long-term initiative improves the overall image of the logistics sector and creates lasting solutions – for example park newsletters to bolster a sense of community and loyalty
	+ **Improvement of building characteristics**: A basic component of a pleasant and healthy workplace hinges on the facility’s environment – better lighting, improved ventilation and safety
* **Train –** given that access to a qualified workforce is becoming more difficult there is a growing need to ensure that there is the **right provision and pathways** (mentorships, skills training, apprenticeships and job-placements) in place for workers to obtain skills from better English and Mathematics to those necessary to deliver the higher value-added activities that can drive growth in the sector e.g. management. **More business skills funding** for training courses e.g. HGV driver training through increased training budgets would assist in this area. There is also a **shortage of people who can teach logistics** which also needs to be addressed i.e. aging workforce retention to support learning and development programmes <https://feweek.co.uk/2015/01/19/logistics-skills-council-offered-solutions-to-non-existent-problems/>
* **Automation –** innovation, automation and more added-value activities are likely to lead to the **need for employees with higher skillsets** in areas such as sales and marketing; machine maintenance; and management roles throughout the logistics supply chain
* **Apprenticeship Levy –** given the recent fall in apprenticeships there is a call from the sector for **Apprenticeship Levy funding to be turned into a ‘Skills Levy’** so funds could be spent on a wider array of training needs (91% of respondents to the 2018 FTA Logistics Industry Survey felt this would be a useful development)
* **Retain -** employee **retention rates are low**, in some cases, only 50% stay with an employer for three months or more. Constant workforce hiring and education eventually **drags down operational productivity**. On average, it costs a UK business £30,614 to replace a departing member of the team, and can take a further 2 years for that employee to reach optimum output levels compared to an existing employee <https://www.insightsforprofessionals.com/blog/the-cost-of-hiring-an-employee>
* Employment in a warehouse with **good accessibility**, the latest building amenities and community loyalty supports higher retention rates. Ultimately, higher retention rates and **enjoyable work environments** go hand in hand and lead to higher operational productivity. Other areas of focus to help improve retention and create a more resilient workforce include:
	+ a shift toward a **gig economy** that requires offering employees the **flexibility** to work when it suits them best with less unsociable hours;
	+ **raising pay** to address long-term low wage levels (88% of UK logistics workers earn under £30,000);
	+ workforce strategies which allow for greater **career progression and reorientation programs** for aging employees
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| **What are the Outputs/Outcomes/Impacts?***(Sector-wide: Skills supply that meets demand / Sector growth in terms of businesses, jobs and GVA / Improved sectoral productivity)* |
| *Example: Develop logistics skills to support current and future demand for warehousing and distribution in the SSLEP area driven by online retailing…addressing existing skills gaps in the sector e.g. large goods vehicle drivers, van drivers, fork-lift truck drivers (high risk of automation) and elementary storage occupations…and ensure that the skills system is future proofing the local logistics workforce i.e. supply to match increasing demand and changing skills needs from business e.g. more online sales and marketing; automation machine maintenance; and management roles throughout the logistics supply chain…leading to increased economic growth and productivity* |