LOGISTICS UK

Skills and Employment Report 2020

Produced by Logistics UK Policy

LOGISTICS UK

We support, shape and stand-up for efficient logistics

Logistics UK is one of the biggest business groups in the UK, supporting, shaping and standing up for efficient logistics. We are the only organisation in the UK that represents all of logistics, with members from the road, rail, sea and air industries, as well as the buyers of freight services such as retailers and manufacturers whose businesses depend on the efficient movement of goods.

An effective supply chain is vital to Keep Britain Trading, 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.

As champions and challengers, Logistics UK speaks to Government with one voice on behalf of the whole sector, greatly increasing the impact of our messages and achieving amazing results for members.

Foreword

Welcome to the sixth Skills and Employment Report from Logistics UK. As in previous years, the report contains unique insights on the trends in skills and employment in the logistics sector, based on bespoke analysis which no other organisation publishes. The analysis, although commissioned by Logistics UK, has been independently produced by Repgraph. The independence of the presentation of the data is very important to us, as we follow an evidence-based approach in our policy work.

The COVID-19 pandemic has demonstrated the vital role logistics plays in our lives and in the welfare of the nation. Our sector's fundamental ability to adapt and seek solutions means logistics has continued to function. But this does not mean it has been easy. The change in freight volumes to be carried was immense, and certain sectors and some smaller companies were hit particularly hard; however, the industry has been recovering and growing, as well as evolving, over this time.

Logistics employees have been recognised by Government as key workers during the pandemic. We need to capitalise on this new insight that, what have previously been considered low-skilled roles, including truck driving, are actually more complex and demanding than had been understood, as well as integral to delivering our way of life.

The combined forces of Brexit and COVID-19 have exposed the structural issues with the logistics labour market. Overall, during this year we have spoken about the resilience of our sector and its flexibility – but this has not been the case with its labour market, where underlying skills shortages have been severely impacted by Brexit and the pandemic.

What is currently happening in employment in our industry is a complex interaction of decision making across many Government departments, demographics, competition, public and private infrastructure provision and social values. The full report will help you unpick this and appreciate some of the long-term employment issues facing logistics.

I fervently hope we can work constructively and at pace with policy makers, building on their newfound appreciation of the importance of ensuring that public policies work to help keep our sector resilient for the future and whatever it may hold.

David Wells
Chief Executive
Logistics UK

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Selected key indicators

INDICATORS	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	% Change Q2 2019 to Q2 2020	
HGV drivers												
Total HGV drivers in employment (thousands)	318	323	331	325	302	308	290	313	303	287	-6.7%	▼
Average age of HGV driver	48.4	47.8	48.2	47.8	48.2	47.9	48.4	48.9	49	49.6	3.5%	▲
Number of EU HGV drivers (thousands)	36	42	36	39	37	39	43	37	37	25	-36.3%	▼
Percentage of HGV drivers who are EU nationals	11%	13%	11%	12%	12%	13%	15%	12%	12%	9%	N/A	▼
Gross hourly pay	£10.62	£11.54	£10.89	£11.13	£11.37	£12.13	£11.53	£11.28	£12.00	£11.07	-8.7%	▼
Drivers claiming Jobseeker's Allowance	392	353	315	287	237	193	167	157	142	148	-23.3%	▼
Number of HGV practical tests taken	17,352	18,508	18,473	18,454	18,460	18,625	18,784	17,685	15,194	631	-96.6%	▼
Number of practical tests passed	10,054	10,553	10,810	10,775	10,927	10,918	11,034	10,403	9,079	499	-95.4%	▼
Number of HGV theory tests taken (MC)*	14,089	14,486	13,915	15,059	14,089	15,216	14,012	114,306	11,576	454	-97.0%	▼
Number of theory tests passed (MC)	8,632	8,732	8,333	9,302	8,674	9,156	8,475	8,718	7,120	343	-96.3%	▼
Number of HGV theory tests taken (HPT)*	10,996	11,522	10,905	11,756	11,670	12,385	11,122	11,142	9,233	372	-97.0%	▼
Number of theory tests passed (HPT)	9,106	9,405	9,041	9,781	9,215	9,793	9,061	9,137	7,621	323	-96.7%	▼
Number of HGV theory tests taken (CPC)**	9,243	9,249	8,496	9,512	8,861	9,237	8,348	8,794	7,041	82	-99.1%	▼
Number of theory tests passed (CPC)	6,046	6,104	5,700	6,553	6,115	6,336	5,771	6,103	4,859	55	-99.1%	▼
Driver CPC initial qualification	10,623	9,202	9,352	10,401	10,420	9,828	8,225	10,619	not available	not available		
Other selected logistics occupations												
Total transport managers and directors in employment (thousands)	76	75	71	94	86	92	94	97	107	96	4.5%	▲
Total van drivers in employment (thousands)	258	276	280	281	290	284	290	285	262	260	-8.6%	▼
Number of EU van drivers in employment (thousands)	25	29	30	30	41	47	43	39	36	31	-34.1%	▼
Percentage of van drivers who are EU nationals	10%	11%	11%	11%	14%	17%	15%	14%	14%	12%	N/A	▼
Total forklift drivers in employment (thousands)	84	90	91	83	92	86	96	84	80	68	-20.7%	▼
Number or EU forklift drivers in employment (thousands)	26	23	26	25	31	19	24	22	21	12	-37.0%	▼
Percentage of forklift drivers who are EU nationals	31%	25%	29%	30%	34%	22%	25%	26%	26%	18%	N/A	▼

*From 4 August 2008, the Large Goods Vehicle (LGV) theory test was split into separate tests for MC and HPT (taken at the same time)

**From 9 September 2009, all new LGV drivers who wished to drive professionally were required to undertake this test in addition to the HPT and MC elements

Highlights

Employment in logistics

- In Q2 2020 the wider logistics industry employed 2.58 million people, of which 10.4% were EU nationals, down from 13.5% in Q2 2019.
- The broad number was unchanged but there were 79,000 fewer EU workers (fall of 23.6%); offset by an increase of 4% (85,000) UK workers. This is not a like for like substitution the UK worker job increases were in low-skilled roles and higher-skilled roles such as purchasing managers and directors, while the decrease in EU worker job totals was for HGV, van and forklift drivers, as well as importers and exporters.
- In the same quarter there were 25,000 fewer HGV drivers overall (6.7% reduction year-on-year), with 14.3% fewer EU drivers (a 36.3% drop) and 1.5% (4,000) fewer UK drivers.
- Skill level – greatest proportion of jobs are level 2, low to middle skilled (41.7%), followed by low skilled (26.6%). Compared to 9.2% and 31.4% respectively for all jobs in the economy.
- Salary thresholds – 52.2% of logistics occupations pay less than £25,600

Logistics workers: ethnicity and gender

- Logistics sector is dominated by people who describe themselves as ethnically white (89.8%).
- BAME representation in transport apprenticeships is 21% ahead of the 20% target.
- Male workers represent 86.3% while the number of women in logistics professions has fallen slightly to 13.7% in Q2 2020.
- It is estimated over the past decade that there are up to 3% female HGV drivers, in the UK. However, a more accurate estimate cannot be ascertained as responses to Labour Force Survey are too small.
- The number of women starting technical and engineering transport apprenticeships is just 12% and far from the 20% target.

Logistics workers – skills gaps

- The Employer Skills Survey (ESS) reported that employers are struggling to fill vacancies due to lack of skills, qualifications and experience.
- ONS data from the fortnightly Business Impact of Coronavirus Survey (BICS), indicate that the transport and storage sector has an above average number of vacancies.
- The number of transport/logistics/warehouse vacancies (as measured by online job adverts) were 75% above their average in October.
- According to Logistics UK's Performance Tracker survey, higher skilled roles such as HGV drivers and mechanics are harder to fill than those that do not require specialist qualifications (eg, van drivers).
- Persistent skills gaps may hinder an employer's ability to innovate or function at its full potential in terms of resilience, productivity, as well as profitability.
- In 2019, the Department for Education found that the density of skill-shortage vacancies was highest in construction and manufacturing, with transport and storage in fifth place, down from third place in 2017.

Logistics roles: HGV drivers

- The UK is facing a driver shortage of 76,000. The driver shortage is not just a problem for the UK; there is an estimated driver shortage of 36% across Europe.
- The number of HGV drivers claiming Jobseeker's Allowance in Q2 2020 was 148 (120 in October) that was 23.3% lower than in the same period in 2019. The market for HGV drivers is out of step with general labour market trends.
- Comparing age demography - HGV drivers display a significantly older age profile than the general population and have an average age of 49.6 years, up from 47.9 years in Q2 2019. Of concern to the logistics industry is the dearth of younger people training to become HGV drivers. In Q2 2020, the proportion of people under the age of 24 driving HGVs fell 57% to 2,724, compared to Q2 2019.
- The pass rate for HGV drivers impacts on the number of drivers in employment. In 2019/20 financial year, 70,288 tests were conducted and the pass rate for practical tests reached its highest level at 58.9%. The pass rate has risen consistently over the past decade. The reduction in the number of practical tests passed, which were down -95.40% in Q2 compared to the same period the previous year has significant ramifications for addressing the HGV driver shortage.

Logistics apprenticeships in the UK

- During the 2019/20 financial year, only 15% of apprenticeship levy paying employer accounts fully utilised the funds available to them.
- HM Revenue and Customs (HMRC) records the value of payments for the apprenticeship levy charge £2.8bn 2019/20. The 'transportation and storage' sector paid £155 million (or 6%) into the apprenticeship levy in 2018/19. 2019/20 numbers are expected to be similar.
- The number of transport apprenticeships started in the last five years is less than half the original 30,000 target set by Government in 2015. A four year update by the Strategic Transport Apprenticeship Taskforce (STAT) in October 2020 reveals that just 11,254 have begun in road and rail client bodies and the supply chain since the taskforce was established in 2016. That number is also short of a revised 15,200 target set by the Department for Transport (DfT) in 2016/17.
- Figures indicate there were 12,721 new logistics apprenticeship starts in 2018/19 in England. Year-on-year, the overall number of logistics apprenticeship starts fell by 15%, while data for Wales show the number of logistics apprenticeship starts fell by 5.1% in the same period.
- Modern Apprenticeships in Scotland starts in the year to 31 March 2020 for transport and logistics increased 18.7% compared with 2018/19.

Introduction

Brexit and the COVID-19 pandemic have exposed structural issues with the logistics labour market. Overall, during this year the logistics sector showed itself to be resilient and flexible in responding to unprecedented challenges. But this has not been the case with its labour market where the picture has been more complex. This complexity has also been reflected in the changing landscape of the UK workforce as a result of both Brexit and COVID-19.

Many of logistics' underlying problems can be traced back to the banking crisis. In Q2 of 2009, unemployment for HGV drivers soared to a peak of 14,028. This loss of drivers was never corrected, and the driving profession in particular has relied heavily on EU workers.

The large scale and steady immigration of EU nationals from Eastern and Southern Europe went into reverse after the Brexit Referendum, hit by a lower pound and the thought of a potentially less stable or attractive working environment. EU net migration fell, followed by a period of stability. However, the COVID-19 pandemic has seen thousands of EU workers leave the UK. The number of EU HGV and van drivers fell by 36% and 34%, respectively, in the year to the end of Q2 2020.

Immigration policy in the UK has radically altered too. From now on there will be a clear points-based system of immigration, focused on higher-skilled workers. An independent expert body, the Migration Advisory Committee (MAC), monitors employment across the economy and recommends temporary adjustments to the policy to allow shortage occupations to access Britain's job markets when required. In addition, there has been a surprisingly high influx of UK nationals – more than 800,000 since the first quarter of 2020.

The number of EU nationals working in logistics is very high – around 270,000 or 10% of the logistics workforce. Already facing a tight labour market for qualified and trained staff in several key roles, the departure of so many EU nationals working in these roles has created a significant crisis. This has not been balanced by immigration reforms, because the MAC has not accepted the case for adding the role of HGV driver to the Shortage Occupation List (SOL) because it is not eligible for the skilled worker visa route.

These trends in immigration raise the complicated question of why more UK nationals are not filling these key roles in logistics, such as HGV drivers. We know the COVID-19 crisis has wrought economic havoc with, sadly, millions of people likely to face unemployment. We also know that demand for staff in logistics is high, particularly for HGV drivers and warehouse operatives. So, what are the barriers?

The first issue is the cost of training. For HGV drivers, it costs around £7,000 to gain full qualification – this cost is clearly too high for most individuals to pay out of their own pocket. We are calling for the creation of a grant scheme or interest-free loan system to reduce or remove the barrier of upfront training costs.

Logistics firms typically pay the training costs of new recruits; however, with so few drivers in the job market – the latest national statistics show a staggeringly low figure of 120 unemployed qualified HGV drivers (October) – there is every incentive for newly trained drivers to move to a different employer should higher wages be on offer following qualification. This creates a disincentive for business to spend additional funds on training.

Firms struggle to spend apprenticeship levy funding on driving and warehouse jobs due to a combination of rigid rules and a lack of fundable courses. For example, the requirement for 20% off-the-job training for apprentices is very difficult to manage in practice for apprentice drivers, while there is still, after three years of work, no apprenticeship standard for Warehouse Managers, and consequently no funding available. In England in 2018/19, the latest period for which figures are available, the number of transport and logistics apprenticeship starts was 15% lower than 2017/18.

There are many other barriers to entry to logistics operational roles. HGV driving is an overwhelmingly male-dominated profession, with men constituting 99.6% in Q2 2020. The proportion of all qualified female HGV drivers has fluctuated between 0.1% to 3% over the last decade. There is some positive news in that the percentage of women taking HGV tests has risen to 9.4% but it is clear that they are not all taking up HGV driving as a profession.

To attract a more gender-diverse workforce will likely require a dramatic improvement in driver facilities, such as safe places to rest, sleep and take refreshment breaks. The Government can enable the provision of more suitable parking spaces; Logistics UK has campaigned for years to create more secure HGV parking spaces with suitable facilities and although Government Ministers have made promises to deliver, and Highways England has undertaken studies of what might be delivered, the shortfall of at least 650 spaces remains. The sector also faces challenges attracting a more ethnically diverse workforce; this is an area for further investigation to identify the barriers.

A final barrier has been Driver and Vehicle Standards Agency (DVSA) withdrawal of HGV driving tests during the COVID-19 pandemic. Despite the development of COVID-19-secure processes and means to take tests, DVSA shut the system down and delivered only 631 practical tests in Q2, 97% fewer than the same time the previous year. This has the effect of blocking entry to the profession and employment opportunities for those out of work. We are calling for urgent action to make up this shortfall, including delegation of tests to third parties who can guarantee the same quality outcome, in a COVID-19 secure way.

To conclude, the skills shortage, particularly for HGV drivers, has reached a crisis point, with a current shortage of 76,000. During this period of mounting unemployment, we are extremely concerned that Government policies are preventing people from joining the sector, through a combination of bureaucratic apprenticeship levy rules, withdrawal of COVID-19-secure tests and the effect of immigration restrictions that inhibit qualified foreign drivers from being able to obtain work visas through the SOL. The time for talk is over: Government must act now in partnership with industry to secure the future of logistics.

Data

Employment in logistics

Prior to the COVID-19 pandemic, the UK labour market was the tightest it has been for some time. The employment rate was the highest on record at 76.6%, having grown steadily since the 2008 recession. Vacancies were high and the unemployment rate was relatively low at 4.0% in the three months to March 2020, reaching 4.8% by September.

Employment in UK logistics for Q2 2020 was assessed using the most recent data from the Labour Force Survey (LFS)[1]. The data show that the wider logistics industry employed 2.58 million people, of which 10.4% were non-UK, EU nationals (fig 1), down from 13.5% in Q2 2019.

Overall, the number of people employed in logistics was broadly unchanged in the year to Q2 2020 (a slight increase of 0.25%). However, this figure belies significant changes in logistics employment during the year. There were 79,000 fewer EU workers, representing a fall of 23.6%, and this figure was offset by an increase of 4% (or 85,000) UK workers. Again, this is not a simple like-for-like substitution of workers: for UK workers, the job increases were in lower-skilled warehousing (20,000), clerks and assistants (13,000) and higher-skilled purchasing managers and directors (18,000). There were substantial decreases in job totals for HGV, van and forklift drivers, as well as importers and exporters. There were 20,500 fewer HGV drivers which is a reduction of 6.7% year-on-year; the number of EU HGV drivers fell by 14,275 (or 36.3%), and there was a drop of 4,000 (or 1.5%) in UK nationals who are HGV drivers. There was an 8.6% reduction in van drivers (16,000 EU nationals and 4,000 UK nationals) and a 21% decrease in forklift drivers (10,500 UK nationals and 7,000 EU nationals).

The reliance on labour from the EU within driver roles, which helped to mitigate the driver shortage in previous years, has now reversed.

Elementary storage occupations remained relatively unchanged (0.6% increase) in the year to Q2 2020. However, according to the property group CBRE, demand for big box warehousing (units over 100,000 sq ft and 10m eaves high at least) has not only been resilient but also benefited from consumer behavioural changes during the pandemic. This is a consequence of the boom in online retail over the course of the past seven months. In Q2 2020, take-up broke all previous quarterly records, a trend that is expected to continue during the second half of the year. Demand for warehouse jobs is stagnating, not because such roles are not required but due to short supply of new warehouse space. Although supply is responding, 80% of the development pipeline is already taken, leaving little room for abrupt demand for ready-to-occupy space. The availability of warehousing units fell slightly in Q3 2020, despite developers' efforts to respond to the surge in demand for ready-to-occupy logistics units. Continuing consumer shifts to online shopping and store closures as a result of COVID-induced measures has led to the online retail/pureplay sector accounting for the largest proportion of space by Q3 2020, with 37% of take-up compared to 25% in Q3 2019. Furthermore, prime big box rents increased across most UK regions, reaching a new record high.

1 Labour Force Survey, ONS, Q2 2020

1 Employment in logistics: numbers and percentages employed Q2 2020

Occupation	Employment (thousands)				By nationality (thousands)			
	Logistics sector	All other sectors	Total	%	UK	EU	EU%	Other
Purchasing managers and directors	11,368	73,079	84,447	3.3%	80,173	2,285	2.7%	1,989
Managers and directors in transport and distribution	42,469	53,578	96,047	3.7%	89,807	5,806	6.0%	434
Managers and directors in storage and warehousing	34,807	65,285	100,092	3.9%	92,755	3,503	3.5%	3,834
Importers and exporters	3,408	1,031	4,439	0.2%	4,439	0	0.0%	0
Transport and distribution clerks and assistants	30,958	38,759	69,717	2.7%	62,207	6,574	9.4%	936
Heavy goods vehicle drivers	178,746	108,210	286,956	11.1%	260,057	25,006	8.7%	1,893
Van drivers	94,906	164,659	259,565	10.1%	219,706	31,296	12.1%	8,563
Fork-lift truck drivers	17,472	50,566	68,038	2.6%	54,028	11,920	17.5%	2,090
Postal workers, mail sorters, messengers and couriers	130,484	24,183	154,667	6.0%	144,031	1,384	0.9%	9,252
Elementary storage occupations	187,146	254,824	441,970	17.1%	341,337	83,790	19.0%	16,843
Other occupations within the logistics sector	1,013,644	–	1,013,644	39.3%	874,435	97,122	9.6%	42,087
Total	**1,745,408**	**834,174**	**2,579,582**	**100.0%**	**2,222,975**	**268,686**	**10.4%**	**87,921**

Source: Repgraph analysis for Logistics UK, Labour Force Survey, ONS, Q2 2020

Online retail peaked in early May 2020, when online retail sales were 32.8% of total sales, rising by 75% compared to the previous year and up from March when online retail sales were 21.9% of total sales. This fell back to 26.1% of total sales in September, which is still 44% above September 2019.

This has had a knock-on effect on home delivery volumes. Metapack's COVID-19 Home Delivery Volumes Index peaked at 60% above pre-lockdown levels on 31 May during the first lockdown period. The popularity of online shopping contributed to record-breaking take-up of warehouse space in 2018. The first half of 2019 was lower than the same time the previous year but was above the half-year take-up average for the past 10 years[2]. The online retail sector represented over 30.6% of overall take-up. The second largest sector was third-party logistics (3PL) providers (who also serve online retailers), with 28.5% of take-up.

Nationality demographics

According to a report by UK in a Changing Europe[3], the COVID-19 pandemic has drastically reduced the EU wokforce in the UK in Q2 and Q3 of 2020, outperforming the reductions seen after the Referendum vote in 2016 and Brexit on 31 January 2020. The report argues that, given the UK's comparative performance in both economic and health terms, rather than stay, EU workers have simply "gone home".

For many Europeans, the choice may have been between remaining in the UK with no job and taking their chances with COVID-19, or returning to the family home in the EU and the latter choice may have been more attractive.

Conversely, along with this sharp fall in the number of non-UK-born people resident in the UK, there appears to be a large increase in the UK born; up more than 800,000 since the first quarter. Natural change and seasonal patterns might account for some of this, but not all. It could be return migration or due to measurement issues. The data point to major changes in the composition of the UK workforce, but, these data may be unreliable and the report warns that it is too early to jump to conclusions.

According to latest available data, in the year ending March 2020, around 313,000 more people moved to the UK. After a period of stability, migration levels began to increase in the past 12 months leading up to the coronavirus pandemic. This was being driven by increases in non-EU student arrivals, mainly from China and India.

EU net migration had been previously falling, following peak levels in 2015 and 2016. However, more recently EU net migration has stabilised. Non-EU net migration has been gradually increasing since 2013 and, as at the year ending March 2020, is at some of the highest levels seen since International Passenger Survey (IPS) records began for this group in 1975[4].

The fall in EU immigration is the main reason for the low level of net EU migration – the difference between the number of those arriving in the UK and the number leaving, not including UK citizens – which, at 58,000, is less than a third of its peak level of 219,000 in the year ending March 2015.

Nationality demographics in the logistics sector

In Q2 2020, there was a net decrease of 79,000 EU nationals and a net increase of 85,000 UK nationals working in logistics[5]. There were 16,000 fewer EU2 nationals (Romania and Bulgaria) in the logistics workforce, a decrease of 22% in the year, while EU8 workers fell by 65,000 (or 34%), following the pattern in the general workforce. These figures reflect overall reductions in EU workers seen in the labour market, due to the COVID-19 pandemic. Pre-pandemic, the Polish and other EU economies improved and Sterling remained weak; coupled with the uncertainty of Brexit and now the COVID-crisis, citizens from EU8 and EU2 countries with stronger economies have left, whilst those from South Asia continue to arrive.

There was no change in the number of EU15 nationals in the logistics sector, these workers are represented in far greater proportion in middle and highly skilled jobs.

Logistics jobs by skill level

Figure 2 provides a breakdown of logistics jobs by skill level for nationality groupings.

The greatest proportion of jobs are level 2, which is low to middle skilled (41.7%), followed by low skilled (26.6%). The proportion of logistics jobs considered to be low and low-middle skilled is greater than the national average, where they represent only 9.2% and 31.4% respectively of all jobs in the economy. Within logistics, UK nationals are represented proportionately and EU15 nationals are similarly represented as UK nationals across all skill levels. For both EU8 and EU2 nationals, there is a very strong bias towards low and low-middle skilled jobs. South Asian nationals, on the other hand, occupy a high proportion of low-skilled jobs but also a larger share of high to middle skilled (the latter probably reflecting the current skills-based immigration criteria). The large number and proportion of EU2 and EU8 nationals in low and low-middle skilled jobs reflects logistics' and warehousing's heavy reliance on workers from these countries. The COVID-19 pandemic and pre-pandemic improvement of some economies, such as Poland, has triggered a net outflow of these citizens.

EU2 and EU8 nationals by skill level

There is also evidence that, across all sectors of the economy, EU2 nationals are decreasing their share of more highly skilled as well as lower-skilled jobs. This is likely due to the numbers of EU nationals leaving the UK during the pandemic than mobility between skill levels. EU2 nationals have decreased their share of low-skilled jobs to 2.5% in Q2 2020 (fig 3), down from 4.0% in 2019 but up from 1.7% in 2015; however, it is worth noting that low-skilled jobs only account for around 10% of all posts in the UK. For upper-middle and high-skilled jobs, EU8 and EU2 nationals remained broadly the same as 2019. Upper-middle and

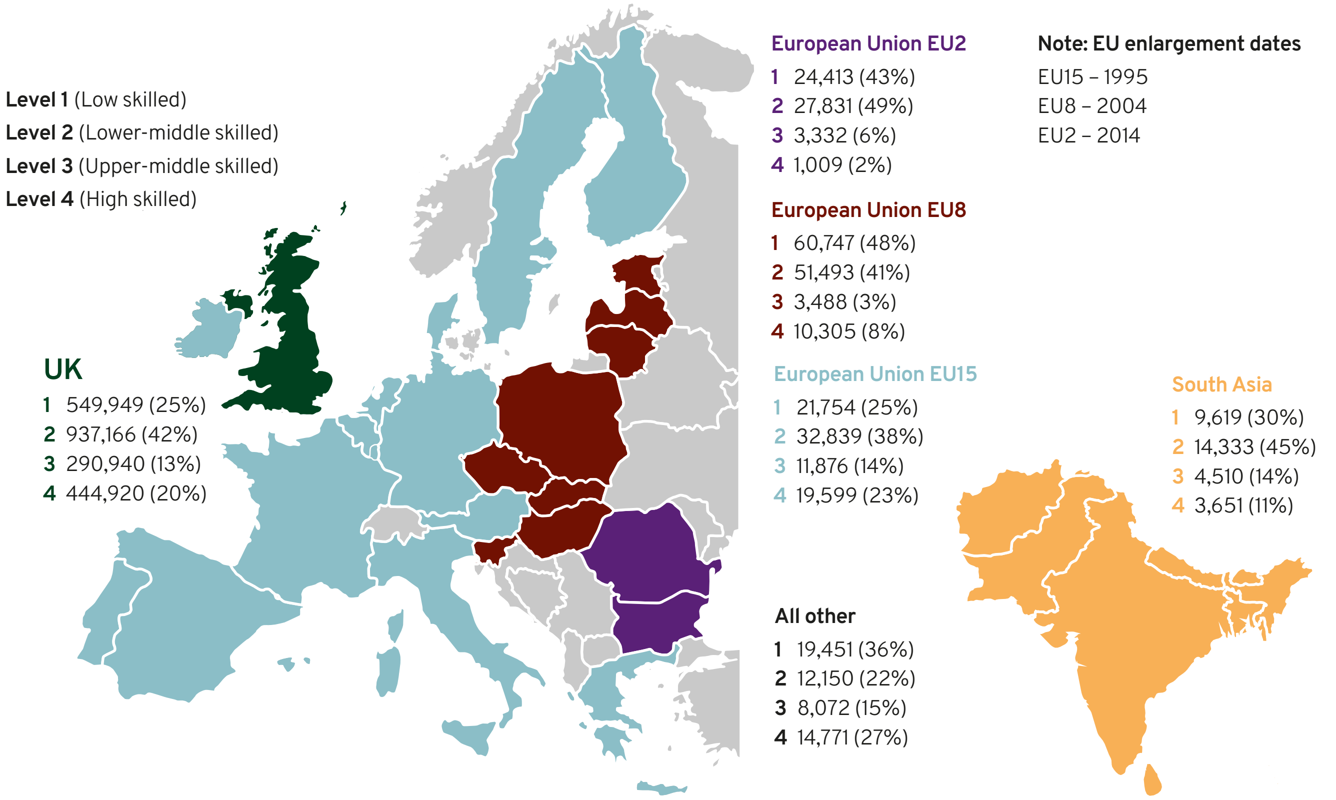
2 United Kingdom Logistics – The Property Perspective H1 2019, CBRE, 2019

3 Labour Force Survey: The mystery of the shrinking migrant workforce, O'Connor M., UK in a Changing Europe, November 2020

4 Migration Statistics Quarterly Report, ONS, August 2020

5 Labour Force Survey, ONS, Q2 2020

2 UK logistics jobs by skill level for nationality groupings



EU-15: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, EU-8: Poland, Lithuania, Czech Republic, Hungary, Slovakia, Slovenia, Estonia and Latvia, EU2: Bulgaria and Romania

Source: Repgraph analysis for Logistics UK, Labour Force Survey, ONS, Q2 2020

3 Job totals for each skill level for EU national groupings for all sectors

Skill level	% Share of the job total – 2020			
	UK	EU8	EU2	Other
Level 4 (High skilled)	89.7%	1.1%	0.4%	8.8%
Level 3 (High-middle skilled)	90.3%	2.1%	0.9%	6.7%
Level 2 (low-middle skilled)	89.9%	2.8%	1.0%	6.3%
Level 1 (low)	82.3%	5.3%	2.5%	9.9%

Source: Repgraph analysis for Logistics UK, Labour Force Survey, ONS, Q2 2020

high-skilled jobs, which tend to attract higher pay, account for over 19.5 million jobs out of the 32.7 million UK total.

Logistics workers by salary threshold

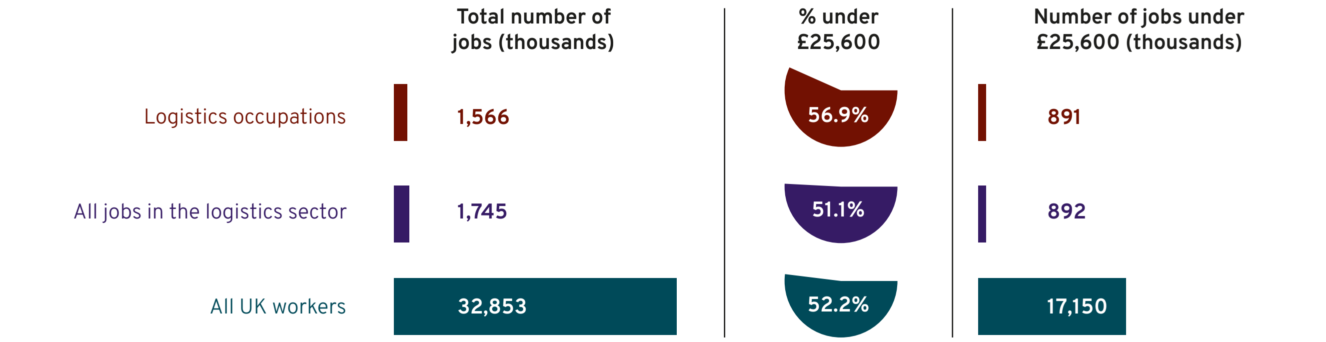
The transport and communication sector and the distribution, hotels and restaurants sector have the lowest proportion of UK-born in employment, and these sectors are therefore likely to have the most exposure to the new immigration system[6].

In July 2020, the Government set out further details on the UK's points-based system for immigration. These new arrangements are set to take effect from 1 January 2021, once freedom of movement with the European Union (EU) has ended. EU migrants who wish to live and work in the UK after Brexit must meet the minimum skill level and salary requirements, as non-EU citizens currently must do when they come to the UK on 'Tier 2' work visas. The minimum salary threshold was £30,000 for non-EU workers and this was reduced to £25,600.

The logistics sector and logistics-related occupations share a higher proportion of jobs paying below £30,000 per annum. This proportion within logistics occupations is 86.6%, and, for the logistics sector, an estimated four in five jobs pay less than £30,000. With a smaller proportion of 68.6% of all jobs in the UK paying below this threshold, it is clear that logistics would be disadvantaged by such a policy. The new, lower threshold would bring the logistics sector in line with the rest of the country. Just over half of all UK workers (52.2%) earn under £26,500, which is similar to all jobs within the logistics sector (51.1%), and slightly less than the 56.9% of those in logistics occupations. However, by itself this will not help in addressing the structural skills shortage in the sector, in particular that for HGV drivers, who are not at present considered sufficiently skilled and are not on the Skilled Worker Route.

6 Review of the Shortage Occupation List, 2020 Migration Advisory Committee, September 2020

4 Estimated proportion and number of logistics jobs below the £26,500 threshold



Source: Repgraph analysis for Logistics UK, Labour Force Survey, ONS, Q2 2020

Logistics workers: ethnicity and gender

Ethnicity

Data were analysed to ascertain the ethnic make-up of the logistics industry (fig 5). For this exercise 'other occupations within the logistics sector' were excluded, and the main logistics professions were examined. Overall, the logistics sector continued to be dominated by people who describe themselves as ethnically white (89.9%). The second largest single ethnic group was Indian (2.9%), followed by black and Pakistani. These figures are slightly changed from ethnicity estimates for 2019, with the proportion of black people falling from 3.1% to 2.8%, while at the same time the percentage of Indian workers increased from 1.5% to 2.9%.

Gender

The following table summarises the Office of National Statistics (ONS) estimates of the gender of individuals working in key logistics vocations (fig 6). The logistics industry continued to be dominated by male workers (86.3%), with a small decrease in the proportion of women in logistics professions (from 14.4% in Q2 2017 to 13.7% in Q2 2020). Estimates for the number of female HGV drivers, and both sexes for importers and exporters, were not possible as there were too few respondents to the Labour Force Survey in these cases for statistical significance.

5 Ethnicity and logistics job roles

Logistics occupations	White*	Black**	Indian	Pakistani	Chinese	Bangladeshi	Mixed ethnic/ other
Purchasing managers and directors	90.8%	2.3%	1.3%	1.4%	1.0%	0.0%	3.2%
Managers and directors in transport and distribution	91.6%	1.9%	5.1%	0.0%	0.0%	0.0%	1.4%
Managers and directors in storage and warehousing	91.4%	0.8%	3.2%	0.0%	2.6%	0.0%	2.0%
Importers and exporters	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Transport and distribution clerks and assistants	90.0%	0.0%	5.1%	3.8%	0.0%	0.0%	1.0%
Heavy goods vehicle drivers	95.5%	3.3%	0.7%	0.0%	0.0%	0.0%	0.5%
Van drivers	91.1%	2.3%	2.3%	0.7%	0.0%	0.0%	3.6%
Forklift drivers	88.6%	4.0%	3.4%	0.0%	0.0%	1.5%	2.5%
Postal workers, mail sorters, messengers and couriers	79.7%	4.1%	4.0%	2.9%	0.0%	1.1%	8.2%
Elementary storage occupations	88.4%	3.2%	3.6%	0.9%	0.3%	0.0%	3.6%
Total	**89.9%**	**2.8%**	**2.9%**	**0.9%**	**0.3%**	**0.2%**	**3.1%**

*White includes respondents in England, Wales and Scotland identifying themselves as 'White-Gypsy or Irish Traveller' and respondents in Scotland identifying themselves as 'White-Polish'
**Black/African/Caribbean/Black British

Source: Repgraph analysis for Logistics UK – Labour Force Survey, ONS, Q2 2020

Skill shortages and gaps

According to research by the Open University in 2020, COVID-19 and Brexit are creating a perfect storm of unemployment and skills shortages in the UK. Their survey of 1,000 business leaders representing organisations of all sizes and released during the COVID-19 pandemic, found skills that are already in short supply have become more valuable, as organisations chase a pool of talent that was already very low before the crisis began.

Skills gaps

The British Chambers of Commerce's (BCC), Quarterly Recruitment Outlook for Q2 2020, found that 25% of businesses have attempted to recruit staff during the pandemic; of those, 65% faced recruitment difficulties, particularly for skilled manual/technical or managerial roles. In the transport and distribution sector, 27% attempted to recruit, with 59% reporting problems.

The Open University report found that, even though the pool of job candidates has grown significantly in size, employers are still struggling to find the right people, with management and leadership and digital skills most difficult to find.

6 Gender and logistics job roles

	Male	Female
Purchasing managers and directors	75.8%	24.2%
Managers and directors in transport and distribution	74.4%	25.6%
Managers and directors in storage and warehousing	71.6%	28.4%
Importers and exporters	ts	ts
Transport and distribution clerks and assistants	60.9%	39.1%
Heavy goods vehicle drivers	99.6%	ts
Van drivers	92.7%	7.3%
Forklift truck drivers	98.6%	1.4%
Postal workers, mail sorters, messengers and couriers	82.0%	18.0%
Elementary storage occupations	85.3%	14.7%
Total	**86.3%**	**13.7%**

Note: ts = the sample was too small to report

Source: Repgraph analysis for Logistics UK, Labour Force Survey, ONS, Q2 2020

56% of UK organisations are currently experiencing a skills shortage, down from 62% in 2019, and it is costing £6.6.billion to plug the gap, compared with £4.4 billion in 2019[7].

In response to the statement "*My organisation is focused on surviving the immediate challenges presented by COVID-19 and is unable to think beyond that at the moment*" only 31% of transport and logistics companies agreed, which was the lowest among the sectors, with real estate activity highest at 80%. However, when it comes to hiring apprentices, only 46% of transport and logistics companies would, compared with 67% of information and communication companies and 91% of scientfic and technical – only accommodation and food services was lower at 32%.

The latest biennial UK Employer Skills Survey (ESS), which uses data from 2019[8], reported that employers are struggling to fill vacancies due to a lack of skills, qualifications and experience among applicants, with higher-skilled roles more difficult to fill than jobs considered lower skilled. Overall, 5% of employers reported that they had skill-shortage vacancies (vacancies that are hard to fill because of a lack of the required skills, qualifications or experience), and 13% of employers reported that they had skills gaps among their workforce. This is elevated for the transport and storage sector, with 6% having a skill-shortage vacancy.

Despite a decrease in the number of vacancies compared with 2017, there was an increase in the number of skill-shortage vacancies, with these skill-shortage vacancies comprising a larger proportion of all vacancies than in 2017 (24%, up from 22%).

Vacancies

According to ONS vacancies data (provided by the online job search engine Adzuna) for 16 October, the number of transport/logistics/warehouse online job adverts are 75% above their average (fig 7). Vacancies in logistics have risen rapidly since 6 July, when they were only one-third of normal levels. The average across all sectors is job adverts running at 66% of normal levels.

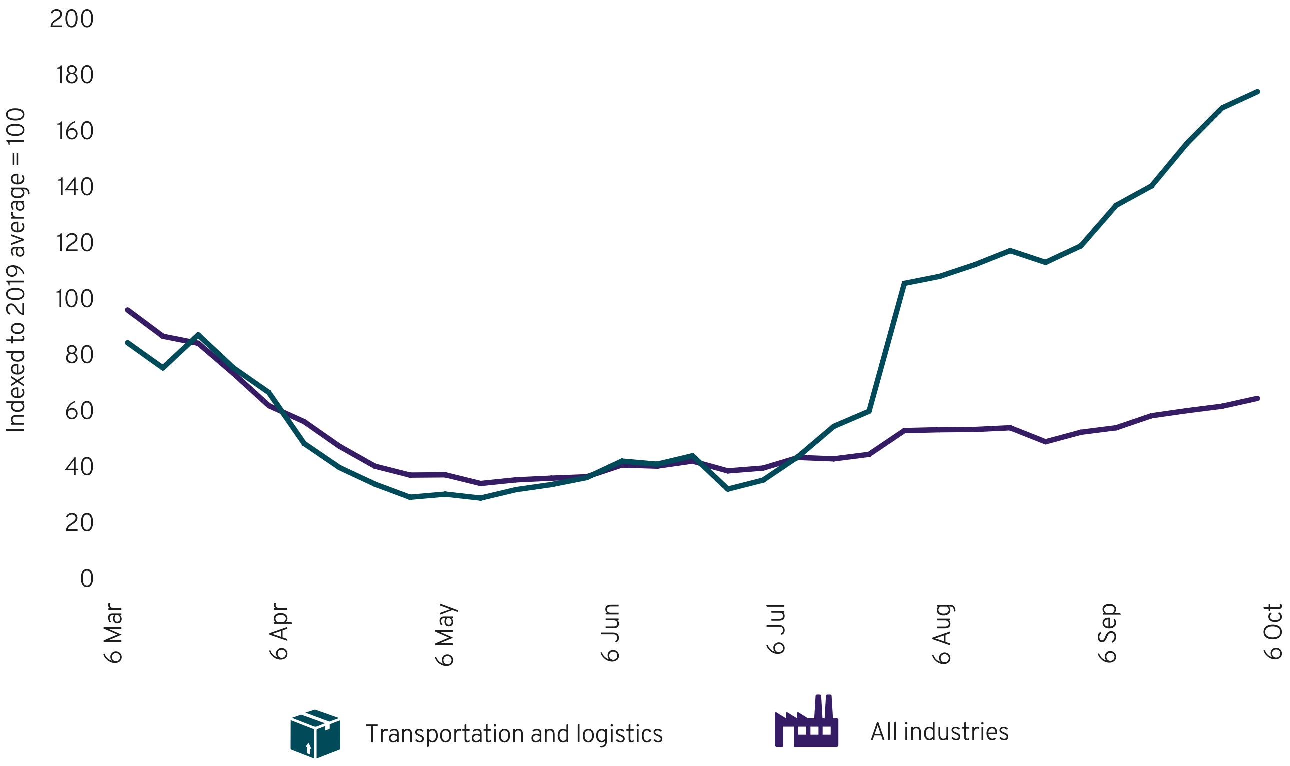
The ONS' fortnightly *Business Impact of Coronavirus (COVID-19) Survey* (BICS) indicates that the transport and storage sector has an above average number of vacancies, though the number is falling, while vacancies for other industries are rising (figs 8 and 9).

These findings are in line with the results from Logistics UK's Logistics Performance Tracker (LPT) survey in July, where it was found that more skilled roles (HGV drivers and mechanics) are more difficult to fill than jobs that do not necessarily require specialist qualifications (van drivers). Staff recruitment, for HGV drivers and mechanics in particular, was an ongoing problem for transport managers: 54.7 % of respondents reported that they had problems filling vacancies for mechanics (fig 10). In respect of HGV drivers, the percentage of respondents reporting that they had problems recruiting drivers was 61.6%.

7 The Open University Business Barometer July 2020

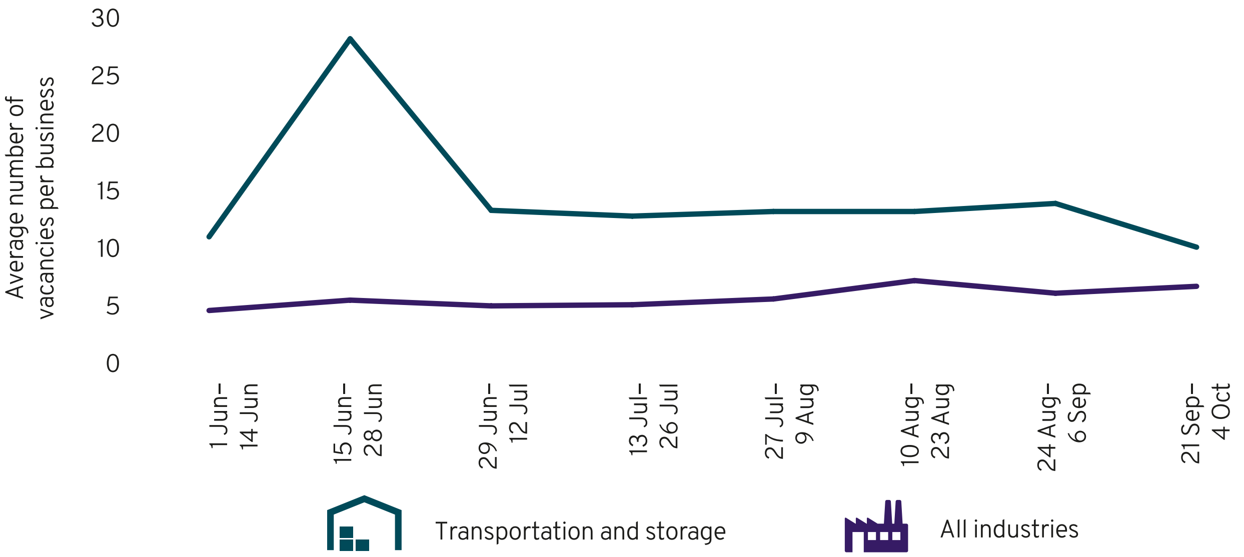
8 UK Employer Skills Survey, 2019, Department for Education, 2020

7 Transport and logistics vacancies compared with all UK industries, during the COVID pandemic



Source: Online job advert dataset, ONS, 22 October 2020

8 Average number of vacancies per business



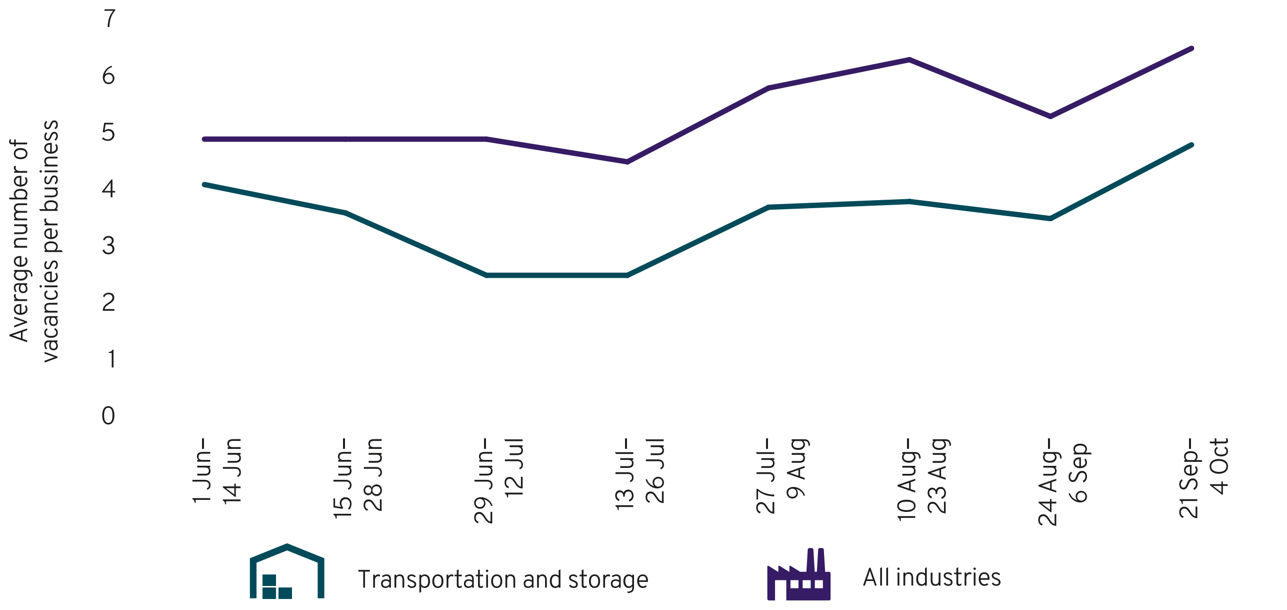
Source: Business Impact of Coronavirus (COVID-19) Survey (BICS), ONS, 1 Jun–4 October 2020

Skills gaps are defined as occurring when employees within a company do not possess all of the required skills to be fully proficient at their job. The Employer Skills Survey (ESS) report[9] acknowledged that skill gaps arise as a result of not being able to find suitably skilled applicants or intentionally taking on recruits who are not fully experienced in order to train them up to the employer's way of working, but can also arise for a host of other reasons, such as the skills needed within an establishment changing. Persistent skills gaps may hinder an employer's ability to innovate or to function at its full potential in terms of productivity and profitability.

The density of skill-shortage vacancies (the proportion of vacancies that were hard to fill because of reported skill shortages) varies by sector. As a proportion of all vacancies in the sector, the density of skill-shortage vacancies was highest in construction and manufacturing, with transport and storage in fifth place down from third place in 2017 (fig 11).

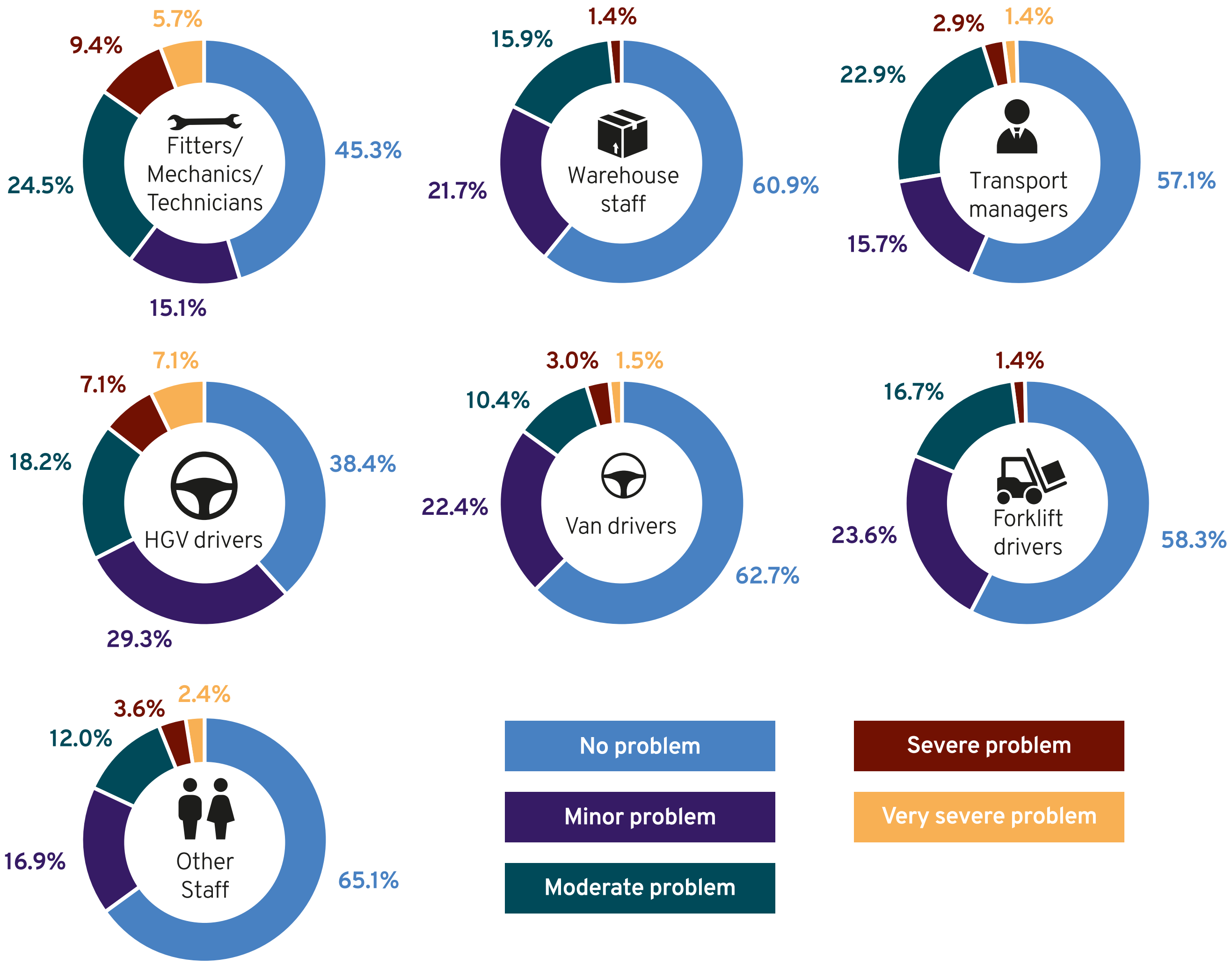
9 UK Employer Skills Survey, 2019, Department for Education, 2020

9 **Average number of new vacancies per business**



Source: Business Impact of Coronavirus (COVID-19) Survey (BICS), ONS, 1 Jun–4 October 2020

10 **Expectations for filling vacancies (Q2 2020)**



Source: Logistics UK, July 2020

By occupation, employers were most likely to have experienced skills-related difficulties in recruitment when recruiting for Skilled Trades positions. Nearly half of vacancies for such roles were proving hard to fill for skills-related reasons (a skill-shortage vacancy density of 48%). This occupation has had the highest density of skill-shortage vacancies in all previous iterations of the ESS series, and the skills situation has intensified in 2019, with skill-shortage vacancy density increasing by the highest amount of all occupation groups (from 42% to 48%). Skilled Trades in the transport and logistics sector was joint third – it is now the highest density pocket of skill-shortage vacancies, with 54% vacancies in this sector proving hard-to-fill for skills-related reasons.

The most common actions taken to overcome skill-shortage vacancies were increasing advertising or recruitment spend (37%) or using new recruitment methods or channels (37%). In comparison, establishments tried to overcome skills gaps in their workforce most often by increasing training activity (64%) and by increased supervision of staff (55%). Perhaps unsurprisingly, employers tried to rectify skill-shortage vacancies most often through looking externally, to their recruitment methods, while they tried to address skills gaps by looking to their internal processes such as training and their management of staff.

More than a third of employers with skill-shortage vacancies had recruited, or tried to recruit, workers who were non-UK nationals in order to fill vacancies (37%). This was most often either EU nationals (17%) or both EU and non-EU nationals (17%), and rarely exclusively non-EU nationals (2%).

It should be noted that the results presented in the report relate to employer skills needs prior to the COVID-19 pandemic; while the findings still provide an important source of labour market intelligence, clearly the economic landscape has changed significantly since survey fieldwork was conducted.

Logistics job shortage rankings

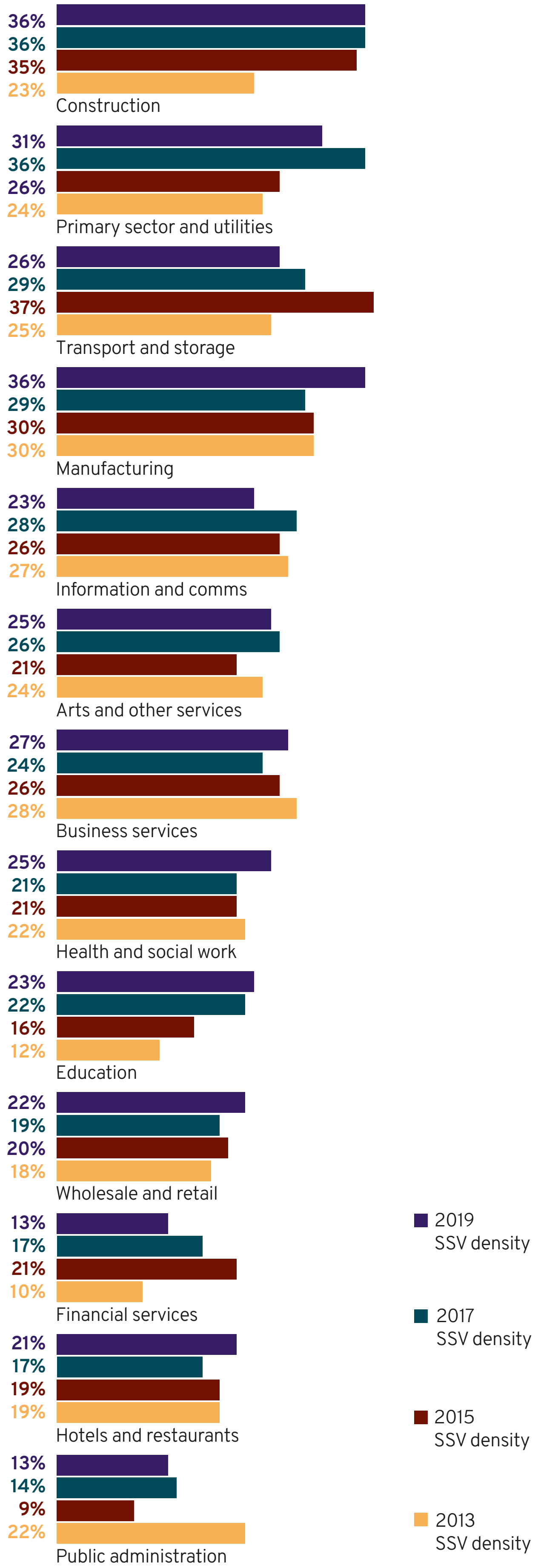
Absolute job shortages are very difficult to assess. The current measure provides a relative ranking of all UK occupations, based on the following factors:

- Rising demand for labour: reflected in an increase in job numbers.
- Falling supply of labour: measured by a decrease in the claimant count.
- The need to attract and retain staff: manifested in rising pay.

Therefore, occupations that experience the most significant labour shortages typically see high growth in worker numbers, accompanied by large falls in claimant count and increases in pay. The relative job shortage measure is used in this report to compare potential job shortage issues in logistics occupations. The measure is comprised of the sum of the three labour market factors.

Job shortage rankings were calculated for the main logistics occupations (fig 12). A lower ranking indicates a relatively more substantial job shortage (see Appendix B for the job shortage and constituent measures).

11 Density of skill-shortage vacancies (SSVs), by sector



Source: Employer Skills Survey, 2019; Department of Education, November 2020

We would expect HGV drivers to rank lower, meaning there is a shortage, however, the lack of growth in HGV job numbers belies the real rising demand for labour. HGV driver numbers are not following the classical supply-demand elasticity because of the qualification barrier, meaning that non-HGV drivers need to train which takes time and money. In addition, there has been a skills shortage for HGV drivers since the last recession from which the industry did not recover. HGV driver statistics are explored in the next section.

Logistics roles: HGV drivers

Driver shortage headline figure

The method for calculating the driver shortage number compares the growth in jobs in the economy with the trends in HGV driver jobs, as reported in the ONS Labour Force Survey. The calculation has been rebased using Q2 2007 as the new baseline. The baseline was moved from Q2 2001, to coincide with the period preceding the recession. From the Q2 Labour Force Survey for 2020, the calculated shortfall of around **76,000** drivers is based on job number trends baselined to Q2 2007 (see Appendix A for more detail).

HGV driver claimant count

The number of HGV drivers claiming Jobseeker's Allowance in Q2 2020 was 23.3% lower than in the same period in 2019[10]. The number of HGV drivers claiming Jobseeker's Allowance was 148 in Q2 2020, down from 193 a year ago, continuing the overall downward trajectory,

10 Jobseeker's Allowance by occupation, Nomis, ONS, June 2020

12 Overall job shortage rankings for logistics occupation categories

Vocation	% Job Change*	% Wage change	% Claimant count change	Job shortage ranking Q2 2020
Electrical engineers	89.1%	30.9%	-87.5%	*1*
Transport and distribution managers	23.7%	15.9%	-86.2%	**14**
Van drivers	15.9%	16.7%	-78.9%	**115**
Fork-lift truck drivers	-9.7%	22.7%	-83.2%	**115**
Elementary storage occupations	4.9%	13.7%	-81.3%	**146**
Purchasing managers	48.3%	6.3%	-76.6%	**167**
HGV drivers	0.6%	9.2%	-79.6%	**229**
Storage and warehouse managers	15.2%	-1.1%	-79.3%	**244**
Transport and distribution clerks	-7.7%	13.3%	-77.9%	**257**
Postal workers, mail sorters, messengers and couriers	-6.9%	7.7%	-71.9%	**313**
Importers and exporters	-37.6%	-23.6%	-75.0%	**352**
Glass and ceramic decorators and finishers	-30.9%	-45.7%	-63.8%	*353*

Greatest job shortage   Smallest job shortage

**Four quarter average compared to four years previously, % change in job numbers, wages and claimant count

Sources: Repgraph analysis for Logistics UK, Labour Force Survey, ONS, Q2 2015/16, Q2019/20. Jobseeker's Allowance by occupation, Nomis, ONS, Q2 2015/16 and Q2 2019/20 and the lowest since comparable records began in 2005. The UK unemployment rate stands at 4.0% for the prior quarter, mainly unchanged on the year. This is mainly due to the Government's furlough scheme. The claimant count for the whole of the UK was 2,594,277 in Q2 2020, up 128.50% from a year ago.

This worrying statistic shows that labour market trends for HGV drivers in the UK is out of step with general labour market trends. On the surface, this may seem like good news but in reality, there is an ever-shrinking pool of active jobseekers from which to recruit drivers. The HGV drivers' claimant count in Q2 2020 is 98.9% lower than the peak of 14,028 in Q2 2009 during the economic downturn.

Driver age profile

In Q2 2020, the average age of an HGV driver was 49.6 years, up from 47.9 years in Q2 2019. Figure 13 shows a comparison of HGV age demography with the general working population. HGV drivers display a significantly older age profile than the general population; comparing HGV drivers to the general working population, in Q2 2020, the proportion of drivers aged 45 and over was 67.3% while the portion of the working population aged 45 and over was 43.2%.

Of concern to the logistics industry is the dearth of younger people training to become HGV drivers. In Q2 2020, the proportion of people under the age of 24 driving HGVs fell 57% to 2,724, compared to Q2 2019. Furthermore, the percentage of all drivers under the age of 45 was 32.7%, down from 41.7% on the previous year.

Changes in HGV drivers by age band

As stated at the beginning of this report, the number of HGV drivers was down 20,546, or 6.7%; this was driven by a 18.7% decline in drivers aged between 17 and 34. There were small reductions of 2.9% for those who are retiring and a 3.8% decrease in the middle age band (fig 14).

Driver salary by region

HGV driver pay rates from the Annual Survey of Hours and Earnings (ASHE)[11] detail the median pay rates and hours worked for HGV drivers by English region and devolved nation are shown in figure 15.

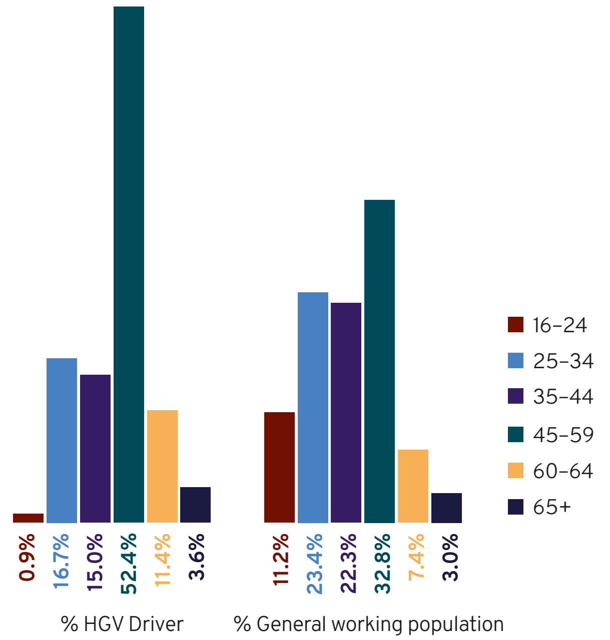
Unsurprisingly, the highest rate of pay is found in London, where HGV drivers have an annual average salary of £33,057. Wales has the lowest pay with an average salary of £27,177.

New entrants and test pass rates

Initial qualification

The figures for drivers acquiring a Driver Certificate of Professional Competence (DCPC) through initial qualification (which represents new entrants to the industry who did not hold a category C licence prior to 10

13 HGV driver age compared with the working population age



Source: Repgraph analysis for Logistics UK, Labour Force Survey, ONS, Q2 2020

14 HGV driver numbers by age

	Driver count Q2 2020	Driver count Q2 2019	% change since Q2 2019
age 17–34	50,768	62,472	-18.7%
age 35–59	193,370	200,952	-3.8%
age 60+	42,818	44,078	-2.9%

Source: Repgraph analysis for Logistics UK, Labour Force Survey, ONS, Q2 2020

September 2009)[12] increased in 2018 but fell by 1.2% in 2019 (fig 16). There are no data for DCPC for 2020 due to COVID-19 restrictions.

Note: DCPC initial qualification includes both lorry and bus drivers combined.

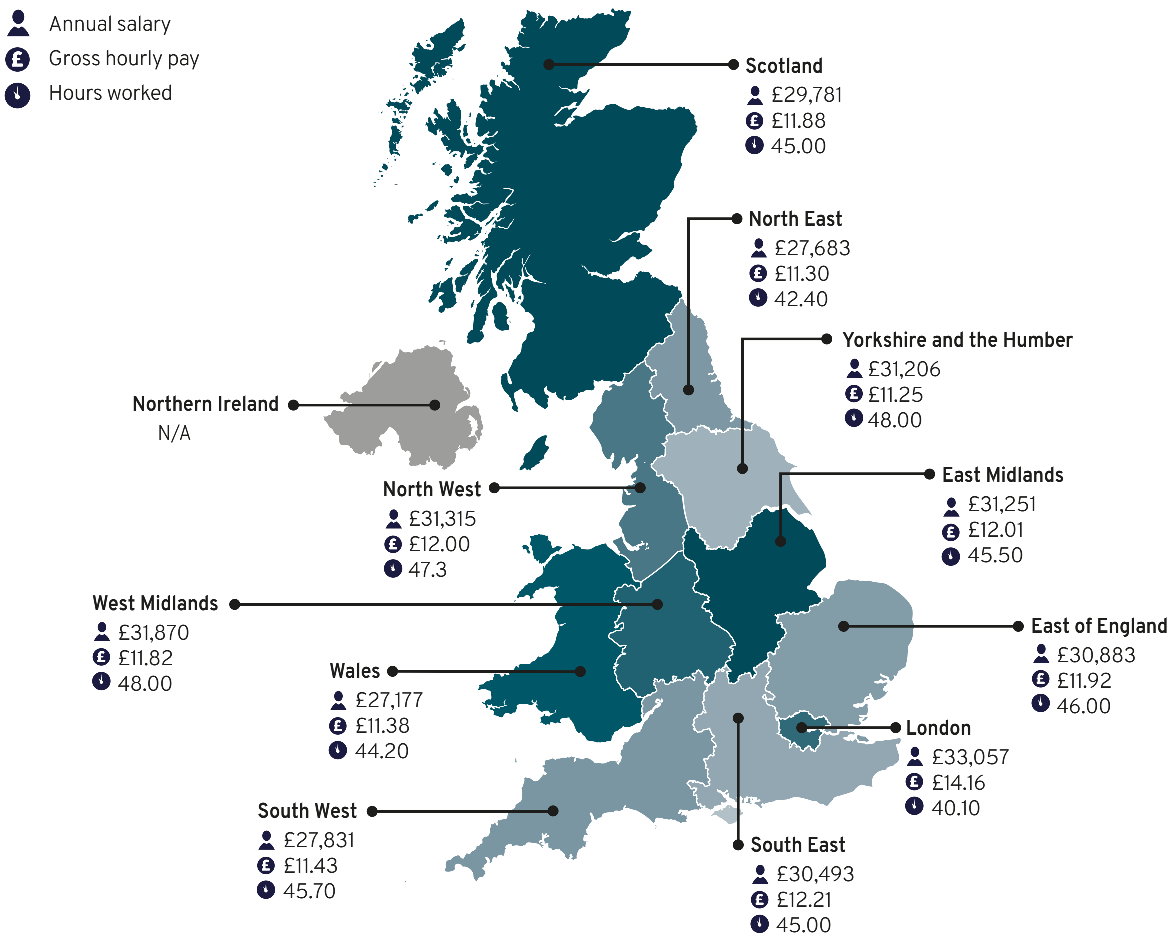
HGV pass rate

The pass rate for HGV drivers impacts on the number of drivers in employment. In 2019/20 financial year, 70,288 tests were conducted and the pass rate for practical tests reached its highest level at 58.9% (fig 17). The pass rate has risen consistently over the past decade.

11 Annual Survey of Hours and Earnings (ASHE) 2019, Office for National Statistics, October 2019

12 https://www.gov.uk/government/statistical-data-sets/driver-cpc-qualification-and-training-data

15 Driver salary by region



Sources: Annual Survey of Hours and Earnings (Nov 2020, referencing April 2020).

Age of test takers

In the year to the end of March 2020, those aged 35 and under took 54.3% of all tests. In addition, the average age of a person taking a practical test was 34.9 years, which is moving towards the middle age band, consistent with the driver age band (see fig 14).

Gender of test takers

The number of women taking practical HGV tests remained stubbornly at 6% to 7% from 2008 to 2016. However, since then the rate has steadily risen to 9.4% in 2019/20. The pass rate for women is consistently higher than their male counterparts (fig 18).

Driver shortage in Europe

The driver shortage is not just a problem for the UK. A report by the International Road Transport Union (IRU)[13] published in March, before the COVID-19 pandemic, predicted the European road transport sector will face a 13% increase in driver shortages this year (2020). In several European countries, the commercial freight driver

16 DCPC initial qualification

2015	34,683	
		▲ 12.9%
2016	39,149	
		▼ -6.3%
2017	36,677	
		▲ 7.9%
2018	39,578	
		▼ -1.2%
2019	39,092	

Source: Driver CPC qualification and training data, DVSA, January 2020

13 Tackling Driver Shortage in Europe, IRU, March 2019

17 Practical HGV tests, Great Britain: 2015-2020

2015/16	70,233
	▲ 56.7%
2016/17	78,237
	▲ 57.8%
2017/18	70,619
	▲ 58.3%
2018/19	73,895
	▲ 58.9%
2019/20	70,288

Source: Practical large goods vehicles (LGV) test pass rates (DRT0501), DfT, 2020

18 Pass rates for men and women

2015/16	55%	59%
2016/17	56%	61%
2017/18	58%	60%
2018/19	58%	62%
2019/20	59%	62%

Source: Practical large goods vehicles (LGV) test pass rates (DRT0501), DfT, 2020

shortage is set to rise from 23%, recorded in 2019, to 36% in 2020.

The report also found that Poland and Romania are two of the most heavily impacted European countries. In Poland, driver shortage stands at 22% and is expected to increase by 15%, bringing it to 37% this year. In Romania, the driver shortage stands at 50% and is expected to rise at 62% in 2020 – a 12% increase.

The report argues that this affects the UK, as multinational commercial drivers may decide to leave the UK post-Brexit, which could cause employment shortages in commercial fleets in the UK. In Poland, 11% of the workforce are younger than 25 years old, while in Romania the average age of drivers is 41 years old. These figures are better than the European averages: 7% of European drivers are below 25 years old, and the average age of commercial drivers is 45 in Europe.

COVID-19

According to the European Road Transportation survey by Transporeon, of more than 1,200 freight forwarders, the COVID-19 crisis has hit forwarders specialising in European road transport, particularly those working in the automotive and construction sectors. Previous issues, such as driver shortages and Brexit, pale in comparison with the lack of volumes and low pricing in the current market. Last year, driver shortage was seen as a real concern for more than 50% of forwarders; now it is worrying for less than 15%.

Job trends for other logistics roles

In addition to HGV drivers, van drivers, managers and directors, in storage and warehouse, importers and exporters and forklift drivers reduced in number between Q2 2019 and to Q2 2020; other roles in the industry saw a rise in numbers (fig 19). Since 2008, the most notable shifts in job growth are elementary storage occupations, reflecting the growing requirement for more warehouse space, driven in part by the changing shopping habits and a shift to online retailing (fig 19).

A note on vehicle technicians, mechanics and electricians

The numbers of vehicle mechanics (SOC 5231: vehicle technicians, mechanics and electricians) in employment increased by 60.6% from Q2 2019 to Q2 2020. The analysis of vehicle technicians, mechanics and electricians for the logistics industry is not reliable, as the numbers are small and HGV mechanics are not captured separately. Nonetheless, the number of logistics employees in this occupation increased from 13,017 in Q2 2019 to 20,901 in Q2 2020.

Furthermore, analysis from the Institute of the Motor Industry (IMI) estimates there will be between 2.7 million and 10.6 million Electric Vehicles (EVs) on the road by 2030. The upper figure means that the UK would need approximately 70,500 qualified technicians to support the vehicle parc. However, currently around 5% of UK automotive technicians are ready, roughly 13,000-20,000[14].

The Government has confirmed that the sale of new vehicles with petrol or diesel internal combustion engines as their only source of propulsion will be banned from 2035, and full electric and plug-in hybrid (PHEV) vehicles are estimated to exceed one million on UK roads by 2020.

Although there is an increase in mechanics in the logistics sector, there is a need to look to the future to train electric vehicle mechanics.

14 https://tide.theimi.org.uk/industry-latest/news/right-time-get-ourselves-2030-ready

19 Job trends in other logistics roles

	Q2 2020	% change since Q2 2019	% change since Q2 2009
Purchasing managers and directors	**84,447**	20.4%	103.7%
Managers and directors in transport and distribution	**96,047**	4.5%	20.5%
Managers and directors in storage and warehousing	**100,092**	-14.4%	19.9%
Importers and exporters	**4,439**	-28.1%	–
Transport and distribution clerks and assistants	**69,717**	23.8%	12.6%
Van drivers	**259,565**	-8.6%	20.4%
Forklift truck drivers	**68,038**	-20.7%	-21.4%
Postal workers, mail sorters, messengers and couriers	**154,667**	0.0%	-14.7%
Elementary storage occupations	**441,970**	0.6%	22.4%

Source: Repgraph analysis for Logistics UK, Labour Force Survey, ONS, Q2 2020

Logistics apprenticeships in the UK

The apprenticeship levy was introduced on 6 April 2017, to increase the number of people training at work by imposing a 0.5% tax on UK employers with payroll costs in excess of £3 million, minus an apprenticeship levy allowance of £15,000 per financial year. Employers are given a rolling 24-month deadline to spend it. If levy-paying employers do not reclaim their payments within the two years, they lose access to the money and unused funds are then available to small- and medium-sized enterprises (SMEs) that do not pay the levy to train apprentices.

During the 2019-20 financial year, only 15% of employer accounts fully utilised the funds entering the levy-payer's account[15].

The levy policy was designed so that large employers would not use all of their funds and unspent funds be made available to small businesses who do not pay the levy for their apprentices. Unspent funds are also used to top up levy funds by 10% as well as pay for English and maths teaching for relevant apprentices. However, the Department for Education returned £330 million of the 2019-20 apprenticeships budget to the Treasury[16].

Apprenticeship levy and Spring Statement 2020

The Office for Budget Responsibility (OBR) in its Economic and fiscal outlook (accompanying the Spring Statement in March 2020), reported £2.6 billion was received in apprenticeship levy funds in 2018/19; this was £100 million lower than forecast. The forecast was also revised down by £100 million to £2.8 billion for 2019/20, while the prediction for 2020/21 is remains at £3.0 billion. Over the four-year period of 2018/19 to 2021/22, the levy is expected to bring in £11.5 billion in receipts.

Number of logistics businesses paying the levy

The actual total value of payments for the apprenticeship levy charge, made during financial year 2018/19 was £2.7 billion, this increased to £2.8 billion in 2019/20 as forecast in March[17]. HM Revenue and Customs (HMRC) records indicate that the 'transportation and storage' sector paid £155 million* (or 6%) into the apprenticeship levy in 2018/19 and it is expected that a similar amount was paid in 2019/20[18].

**Figures are rounded to the nearest £5 million.*

15 https://questions-statements.parliament.uk/written-questions/detail/2020-11-10/hl10145

16 https://feweek.co.uk/2020/07/10/treasury-took-back-330m-of-apprenticeships-funding-in-19-20/

17 www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-the-uk

18 Information provided by HMRC outside of the FOI Act on a discretionary basis, September 2019

20 Proportion of employers utilising levy funds (2019/20)

Number of employer accounts with a declaration or payment in 2019-20 financial year	**18,200**
Number of accounts fully using levy declared in 2019-20 financial year	**2,800**
% of accounts that have used all or more levy than they declared in 2019-20 financial year	**15%**

Note:

i Number of accounts are rounded to the nearest hundred.
ii An employer account can relate to multiple PAYE schemes; therefore, an account can be associated to a group of entities.
iii Accounts with no activity in the financial year 2019-20 have been excluded from the data set.

Source: https://questions-statements.parliament.uk written-questions/detail/2020-11-10/hl10145

Criticism of the levy

Following concerns that the levy is too restrictive on employers, In the spending review for 2021-22, on 25 November the chancellor Rishi Sunak announced that the Government plans to improve the way the system works. From August 2021, employers who pay the levy will be able to transfer unspent levy funds n bulk to small and medium-sized enterprises (SMEs) with a new pledge function. Unspent levy funds will still expire after 24 months but the government will also introduce, from the same month, a new online service to match levy payers with SMEs that share their business priorities. From April 2021, employers in construction, followed by health and social care, will be allowed to front-load training for certain apprenticeship standards.

During 2021-22, the Government will test approaches to supporting apprenticeships in industries with more flexible working patterns, including consideration of how best to support apprenticeship training agencies.

UK logistics apprenticeships by country

Data on logistics apprenticeships were gathered for each country in the UK (England, Scotland, Wales and Northern Ireland). Databases and statistical sets related to apprenticeship starts differ for each country and, where data were not available, information requests were sent. Dataset sources are referenced under each country below.

It should be noted that England, Wales and Northern Ireland cover academic year 1 August to 31 July, while data for Scotland use different months, quarters and academic years (1 April to 31 March).

England

According to the Department for Education apprenticeship starts for the academic year 2019/20 was 271,890 which is 30.8% lower than 2018/19. Apprenticeship vacancy data, show that vacancies in August, September and October 2020 were 6,920, 8,150, and 8,170 respectively. For the same months in 2019, vacancies sat at 10,490 for August, 9,760 for September, and 9,900 for October.

21 Logistics apprenticeship starts – England

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Driving Goods Vehicles	5,510	4,000	4,933	5,486	4,961	2,326	1,821
International Freight Forwarding Specialist	–	–	–	–	–	15	207
International Trade and Logistics Operations	140	90	117	127	119	103	60
Large Goods Vehicle Driver	–	–	–	15	208	1,271	1,756
Logistics Operations Management	1,480	580	777	792	869	457	327
Supply Chain Operator	–	–	–	45	8	95	119
Supply Chain Warehouse Operative	–	–	–	–	198	1,397	1,805
Transport Engineering and Maintenance	210	260	350	394	289	238	1
Vehicle Maintenance and Repair	8,390	8,500	9,008	9,495	9,454	5,937	4,337
Warehousing and Storage	7,070	7,110	8,435	8,065	7,109	2,532	1,501
Heavy Vehicle Service and Maintenance Technician	–	–	–	–	9	593	787
Total logistics	**22,800**	**20,540**	**23,620**	**24,419**	**23,224**	**14,964**	**12,721**

Source: Apprenticeship and levy statistics, Department for Education, August 2020

22 Logistics apprenticeship starts – Scotland (1 April–31 March)

Sector and Occupation	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Transport and logistics*	2,058	1,530	1,683	1,476	1,106	1,570	1,223	1,452

*Transport and logistics – occupation sector includes: Freight logistics, PCV driving and Supply chain management

Source: Modern Apprenticeship Statistics, Skills Development Scotland, June 2020

23 Logistics apprenticeship starts – Wales (1 Aug–31 July)

Framework	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Warehousing and storage	260	105	95	120	125	150	130
Driving Goods Vehicles	65	180	50	20	*	65	65
Vehicle maintenance and repair	555	720	540	550	480	555	530
Other sector frameworks – Transport	35	30	40	30	50	20	25
Total logistics	**915**	**1,035**	**725**	**720**	**655**	**790**	**750**

Any values greater than 0 and less than 5 have been suppressed and replaced with an asterisk (*)

Source: Learning programme starts in work-based learning provision, StatsWales, 2020

The latest available full year that identifies apprenticeship frameworks, covers the period from 1 August 2018 to 31 July 2019. Overall, there were 393,375 apprenticeship starts, an increase of 4.7% on the previous year and 22.8% drop since 2015/16, before the levy was introduced.

Transport apprenticeships

The number of transport apprenticeships started in the last five years is less than half the original 30,000 target set by Government in 2015. A four year update by the Strategic Transport Apprenticeship Taskforce (STAT) in October 2020 reveals that just 11,254 have begun in road and rail client bodies and the supply chain since the taskforce was established in 2016. That number is also short of a revised 15,200 target set by the Department for Transport (DfT) in 2016/17. The taskforce set an initial target of reaching 30,000 apprenticeship starts in road and rail client bodies by 2020. Following consideration of progress against the 30,000 target, the DfT agreed to revise and reforecast that number to 15,200 apprentices by 2020.

BAME representation now stands at 21%, ahead of the target of 20%. However, the number of women starting technical and engineering apprenticeships is down to 12%, with the target at 20%.

Logistics apprenticeships starts

Figures indicate there were 12,721 new logistics apprenticeship starts in 2018/19 (fig 21). Year-on-year, the overall number of logistics apprenticeship starts fell by 15.0%. Driving goods vehicles (combined with new framework 'LGV driver') remained relatively unchanged at the with 3,577 starts – a fall of half a percent. Warehousing and storage (combined with the new 'supply chain warehouse') was 15.9% lower than the previous year.

Scotland

In 2019/20, there were 27,875 starts in Modern Apprenticeships in Scotland, which is a an increase of 2.2% on the previous year. Transport and logistics starts in the year to 31 March 2020 increased by 18.7% compared with 2018/19 (fig 22).

Wales

Annual data for 2018/19 show the number of logistics apprenticeship starts decreased by 5.1% in 2018/19 compared with 2017/18 (fig 23). Driving goods vehicles remained unchanged at 65 starts.

Northern Ireland

Northern Ireland does not publish starts per year by framework, but a request to the Northern Ireland Department for the Economy regarding starts data for logistics apprenticeships revealed data for starts were available from 1 August 2017 to 30 April 2020 (fig 24).

24 Logistics apprenticeship starts – Northern Ireland (1 August–31 July)

Framework	2017/18	2018/19	2019/20*
Distribution and Warehousing	54	93	33
Driving Goods Vehicles	5	5	1
Vehicle Maintenance and Repair	360	342	266

*9 month period August 2019 to April 2020

Source: NI Department for the Economy, Youth Training Statistics and Research Branch, November 2020

Appendices

Appendix A: Labour Force Survey use and limitations

The Labour Force Survey (LFS) is a survey of households living at private addresses in the UK. Its purpose is to provide information on the UK labour market which can then be used to develop, manage, evaluate and report on labour market policies. The survey is administered by the Office for National Statistics in Great Britain and by the Central Survey Unit of the Department of Finance and Personnel in Northern Ireland on behalf of the Department of Enterprise, Trade and Investment (DETINI).

The LFS is intended to be representative of the whole population of the UK, and the sample design currently consists of around 38,000 responding households in every quarter. The quarterly survey has a panel design, whereby households stay in the sample for five consecutive quarters (or waves), with a fifth of the sample replaced each quarter. Thus there is an 80% overlap in the samples for each successive survey. The LGV driver population of around 300,000 is estimated from a sample of approximately 440 survey responses each quarter. For Q2 2020 the number of respondents was somewhat lower than usual, due to COVID-19 restrictions preventing in-person interviewing.

Because the sampling methodology of the LFS has been developed over many years to reflect the national population as closely as possible, it is considered to be a generally reliable source of many statistical estimates such as employment, nationality and country of birth. It is also a useful means of tracking longitudinal trends such as occupational job numbers, age demographics, etc.

There are some inevitable shortcomings and limitations with the survey. Since the sampling methodology uses households, it does not tend to capture information regarding individuals without a long-term residential address (for example seasonal workers or those for whom their employer provides accommodation). The survey is also based on a smaller sample size than some other national surveys (such as the Annual Survey of Hours and Earnings).

Appendix B: The job shortage measure

Absolute job shortages are very difficult to measure due to a number of factors, including the reliability and consistency of measurable data across all occupations. For this reason, RepGraph developed a measure that provides a relative ranking of occupations, based on the following factors:

- Rising demand for labour: reflected in an increase in job numbers
- Falling supply of labour: measured by a decrease in the claimant count
- The need to attract and retain staff: manifested in rising pay

Occupations that experience the most significant labour shortages therefore typically see high growth in worker numbers, accompanied by large falls in claimant count and increases in pay. The relative job shortage measure is used in this report to compare potential job shortage issues in logistics occupations. The measure is comprised of the sum of the three labour market factors which are thought to correlate strongly with job shortages.

1. Claimant count (ranking 1-353 where 353 = greatest percentage fall in claimant count)
2. Job totals (ranking 1-353 where 353 = most substantial percentage rise in job numbers)
3. Average weekly earnings (ranking 1-353 where 353 = largest percentage increase in average weekly pay)

The shortage ranking measurement uses data from Labour Force Surveys from Q2 2015 to Q2 2020, along with ONS claimant count data for the same periods. The percentage difference was determined for each of the ONS occupational categories across a four-quarter mean of the three job shortage measurement factors outlined above (i.e. claimant count, job totals and average weekly earnings). Percentage differences were calculated for each occupation category, and these were ranked relative to each other. The rankings for the three measurement factors were then combined to give an overall relative job shortage score per occupation category. The highest score for the job shortage ranking measure represents the most significant labour shortage (the maximum possible value is 1,059 and the lowest possible is 3).

Appendix C: Driver shortage calculation

The method for calculating driver shortage number compares the growth in jobs as specified in the ONS Labour Force Survey statistics. This calculation has been rebased to coincide with the period preceding the recession. Q2 2007 as is the new baseline for this calculation (it was Q2 2001, in previous reports).

Labour Force Survey analysis

1. In 2007 there were an estimated 321,455 LGV drivers in the UK.
2. As of June there were 286,956 LGV drivers.
3. At the same time, the total UK economy had added 13% more jobs compared to 2007.
4. Assuming that the industries employing LGV drivers have tracked the economy as a whole in terms of demand for jobs, then there should be a 13% increase in the demand for LGV drivers since 2007.
5. This equates to 363,244 LGV drivers required. Therefore, the shortfall in the number of drivers is estimated to be 363,237 – 286,956 = 76,281 as of Q2 2020.

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