

Skills Issues in the Logistics Industry in Suffolk

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1. Summary

1. We can estimate that the logistics sector in Suffolk has 884 employing establishments, employing 11,461 people in total.
2. Half of the sector's employment (5,367 jobs) is in the 'road freight transport & services' sub-sector, with a further 32% and 21% of employment in the water transport & services and cargo storage & warehousing sub-sectors respectively.
3. Suffolk has a significantly above average share (4.4%) of its total employment base in the sector when compared with the Eastern Region (2.1%) and England and Wales (1.7%).
4. Suffolk Coastal District (with 44.4% of total logistics employment) followed by Mid-Suffolk (19.4%), have the largest shares of Suffolk's total employment in the sector. Waveney (with 3%) has the smallest share.
5. There is a clear distinction between the predominant size of establishments between the three sub-sectors. Almost 9 out of ten establishments in the road freight transport sub-sector have ten or under employees. These establishments account for almost a third of employment in the sub-sector. However, inevitably, due to the nature of the industry, employment in the water transport & services sub-sector is concentrated in larger establishments. Thus, over three-quarters of the sub-sector's employment is in establishments employing over 100 people.
6. The prosperity of the logistics sector is intrinsically linked to wider economic performance: the more goods that are demanded and produced, greater will be the demand for transport to move those goods. The sector's prosperity therefore reflects that of the wider economy.
7. The introduction of new technology has significantly affected the logistics sector. The clear impact of this has been to allow companies in the sector to increase efficiency and improve services they offer to customers. For instance, new technology allows:
 - Drivers, controllers and customers to be provided with information on journey details, fuel efficiency and safety issues;
 - Better information to be provided to customers, such as on-line booking and timetables, and the tracking of goods while in transit.
8. The impact of e-commerce is already changing the way that consumers buy goods and services – both business-to-business and business-to-consumer. It places much more information in the realm of the consumer and thereby shifts the nature of the customer/supplier relationship. It is clear that in one simple sense, the transport sector benefits directly from this expansion in home shopping which results in an increased market for couriers and local delivery services. There may well be another direct impact on the skill mix of a delivery driver for such a supplier. The *key* attribute of a driver for an internet retail company may not necessarily be driving at all but customer relationship skills or even product installation.
9. The majority of these drivers of change have an impact on the skills required by employers in the sector. For example:

- Increasing the need for better management skills in response to a more demanding environment and an increasingly sophisticated role.
 - Increased need for higher customer care skills for all employees.
 - Increased use of IT skills, enabling managers to make the best use of emerging technologies and enabling employees to do their work more efficiently and safely.
10. Below senior management level, employment in the logistics sector is dominated by *operative* trades – drivers, crane and fork-lift truck operators, loaders and the like. While this will come as no surprise, it is worth noting as much of the skills required by the sector will therefore be *vocational*.
11. Over 80% of employment in the sector is male. The highest proportion of female employment is in the cargo storage and warehousing sub-sector; where around a quarter of the jobs are female. Over 90% of employment in the sector is on a full-time basis.
12. Overall, the industry is believed to have a broadly stable future. The IER forecasts that at a national level, employment will remain static over the next decade at around 670,000 people, but will grow steadily in Suffolk – by around 1,300 jobs, representing a rise of around 5% - in line with the growth of the county's overall employment. However, *within* that overall shape there is a range of changes in the mode of operation, which will have significant impact on *skills*.
13. However, the absolute numbers of jobs by sector says little about the *flows* of people through those jobs. It is, of course, the rate of mobility *between* jobs (e.g. career movers) and *out of* jobs (e.g. retirements, deaths, raising children) that actually generates most vacancies and, hence, recruitment and much workplace training. This *replacement demand* is frequently a much stronger generator of need for skills development than underlying change in the actual *number* of jobs of different types in the economy.
14. If we look at the occupational groups which account for the majority of logistics employment, then the local prediction is....
- Managers: significant need for greater IT skills, customer and team working and customer handling skills and foreign language capabilities;
 - Drivers: No single skills specified as needs significant, but some need for management, practical and technical skills and team working;
 - Operatives: Similar requirement as that for drivers – management and practical and technical skills;
 - Elementary manufacturing and transport occupations: Notable requirement for problem solving and numeracy skills.
15. Underlying these requirements are a number of other fundamental needs.
- To develop marketing skills in an increasingly competitive industry facing competition in global markets;
 - To improve the 'professionalism' of the industry via higher rates of training and qualification of staff;
 - To create a new generation of skilled managers able to take a strategic approach to their business.

16. It has been observed that the sector as a whole has a low-qualification/low training profile. Thus, the industry has relatively few graduates (11% compared to an all-sector average of 28%) but has a high proportion with 'other qualifications' (driving certification and so on) and NVQ Level 3 equivalents. Only 26% of employees in the industry undertook any training in 2003, compared to a 42% average for all sectors.
17. The sector does not have particularly high *basic entry* thresholds for labour, at least for driving and operative occupations. Given a basic driving or machine handling aptitude, conversion to professional driving and operating is relatively brisk and qualification needs are minimal. Some constraint arises from the restrictions placed upon certain certification (licensing regulations and insurance costs) preventing young people entering driving occupations; and, in areas of low unemployment, such as Suffolk, a source of labour on which the sector has traditionally drawn, is small.
18. The sector's *training infrastructure* consists of a mixture of public and private provision and includes:
 - Comparatively few universities and further education colleges.
 - Professional management through the *Institute of Logistics and Transport*.
 - A large number of smaller *private training providers*, some of which have a Group Training Association background.
 - Training services offered by the trade associations (*RHA, BAR and FTA*)
 - Employer *in-house training*, much of which is to meet regulatory requirements.
19. However, judging whether there is numerically sufficient supply of new entrants to the sector from this provision is difficult – even at a national level – there are simply no coherent figures concerning, for instance, the number of drivers being put through driver training for different licences/levels, nor of how many people not currently employed in the industry have relevant licences and might be attracted back into it. Equally, there are no meaningful figures for the output of other skills that are relevant to the industry – technical and logistical managers, for example.
20. Against this general background, four possible 'policy' issues are identified.
21. The first is the need to improve the supply of trained *drivers* into the sector and to increase their retention.
22. The second is to improve the supply of skilled *logistics specialists*.
23. The third is to further investigate the skills supply position in respect of the *port of Felixstowe* and to seek to use local training assets to remedy any observed deficiencies.
24. The fourth is to seek ways in which LSC resources can be applied in order to reduce deficiencies in literacy, numeracy, IT and other *generic skills* in the sector.

2. Introduction

25. BMG Research has been commissioned by LSC Suffolk to assist the LSC, in partnership with other agencies and employers, to work towards a series of 'Skills Action Plans' in respect of a series of six local sectors....
- Health and social care
 - Engineering
 - Construction
 - Logistics (including transport of goods, warehousing and port sub-sectors)
 - Food and drink manufacture
 - Hospitality
26. These sectors are regarded as current 'priorities' for the LSC on a number of grounds. They each employ significant numbers of people in the County. Several of them have significant local focus (in the sense of employing above-UK average proportions of the workforce in parts or the whole of Suffolk). They have an importance to Suffolk's economy which extends beyond direct employment – generating wealth externally to the County which is 'imported' into the County for distribution as local incomes and wages, supporting or linking with other key activities such as agriculture or tourism, or providing fundamental services (in house building or social welfare, for example) which are essential underpinnings of an effective society and economy. This is not to say, of course, that other local sectors do not have these properties. But, with limited resource, the LSC's intent is to seek progress in *some* sectors rather than dissipate this resource too widely. Attention will turn to other areas of the economy in due course.
27. The essence of the work is to develop a programme of focussed action in each sector, crystallised in an 'Action Plan', which, by co-ordinating current activity to develop skills and identifying scope for innovation, will improve the local supply of skills on which the sectors depend for their efficiency.
28. The process is broadly three-fold....
- Undertake a *desk review* of available information on the sector which describes the local sector, recognises how each sector is developing and the challenges each sector faces, considers how this change process affects skills needs and supply, and, thus, identifies a *preliminary* set of 'skills issues'.
 - Use this review as the basis of *consultation* in the sector (with relevant agencies and employers) in order to get a refined set of the most important issues and ideas as to useful or valuable improvements in the supporting skills supply 'mechanisms'.
 - Write an outline *Skills Action Plan* for each sector that identifies how and where progress might be made, who might lead various areas for development, and over what timescale improvement should be sought.
29. This discussion paper is the output of the first stage of the process in respect of the *logistics* sector in Suffolk. It comprises an initial review of the sector and leads to the identification of a set of 'skills issues' that seem, from published statistics and reports, to be particularly significant.

3. The Logistics Sector in Suffolk

Defining the sector

30. In this section we seek to define and 'quantify' the sector in terms of the volume of employment it supplies.
31. Firstly, our definition of the sector is determined by Standard Industrial Classifications (SIC) applied to our area of interest which includes....
- Road freight and transport services
 - Water transport and services
 - Cargo storage and warehousing
32. Thus, relevant SIC for these sub-sectors are....
- 6024: Freight transport by land; 6321: Other supporting land transport activities
 - 6110: Sea and coastal water transport; 6322: Other supporting water transport activities
 - 6311: Cargo handling; 6312: Storage and warehousing

Employment in the sector

33. On this basis we can estimate that Suffolk has 884 employing establishments in the sector, employing 11,461 people in total.

Geography of employment

34. This employment can be distributed *geographically*, in numerical and percentage terms, as in the following two tables....

	Babergh	Forest Heath	Ipswich	Mid-Suffolk	St Edmundsbury	Suffolk Coastal	Waveney	Suffolk	Eastern Region	England & Wales
Road Freight Transport & Services	231	797	767	1,217	329	1,823	201	5,367	29,859	272,988
Water Transport & Services	91	5	497	3	17	2,933	91	3,639	5,475	31,049
Cargo Storage & Warehousing	316	128	514	998	116	329	55	2,455	11,397	102,777
Total Logistics	638	930	1,778	2,218	462	5,085	347	11,461	46,731	406,814

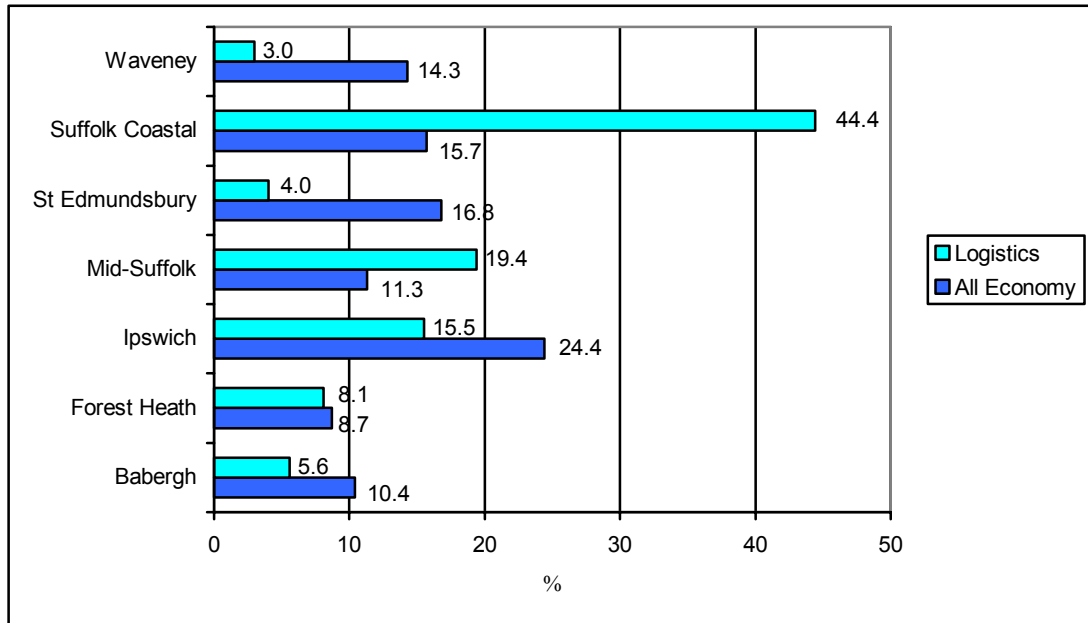
Source: Annual Business Inquiry 2002

Table 1 Employment in Logistics 2002 (Numbers)

	Babergh	Forest Heath	Ipswich	Mid-Suffolk	St Edmundsbury	Suffolk Coastal	Waveney	Suffolk	Eastern Region	England & Wales
Road Freight Transport & Services	0.8	3.2	1.2	3.9	0.7	4.2	0.5	1.9	1.3	1.1
Water Transport & Services	0.3	0.0	0.8	0.0	0.0	6.6	0.2	1.3	0.3	0.2
Cargo Storage & Warehousing	1.1	0.5	0.7	3.1	0.2	0.7	0.1	0.8	0.5	0.4
Total Logistics	2.2	3.7	2.7	7.0	0.9	11.5	0.8	4.4	2.1	1.7
% Of Suffolk Logistics Employment	5.6	8.1	15.5	19.4	4.0	44.4	3.0	100.0	-	-
<i>Source: Annual Business Inquiry 2002</i>										

Table 2 Employment in Logistics 2002 (Percentage of total employment)

35. Broadly, these tables show that....
- Half of the sector's employment (5,367 jobs) is in the 'road freight transport & services' sub-sector, with a further 32% and 21% of employment in the water transport & services and cargo storage & warehousing sub-sectors respectively.
 - Suffolk has a significantly above average share (4.4%) of its total employment base in the sector when compared with the Eastern Region (2.1%) and England and Wales (1.7%).
 - Suffolk Coastal (with 44.4% of total logistics employment) followed by Mid-Suffolk (19.4%), have the largest shares of Suffolk's total employment in the sector. Waveney (with 3%) has the smallest share.
36. The following chart shows which of Suffolk's Districts have over- and under-representation of logistics sector employment in relation to total employment in the District. It can clearly be seen that Suffolk Coastal and, to a lesser extent, Mid-Suffolk Districts have an over-representation of logistics sector employment. In Suffolk Coastal this is clearly due to the significant concentration of sector employment at Felixstowe port; and in Mid-Suffolk there is a concentration of road freight transport services and warehousing activities....



Source: Annual Business Inquiry 2002

Figure 1 Distribution of Logistics employment by District compared to all Suffolk employment

Size of workplaces

37. If we turn to the distribution of employment by *size of employing establishment*, then two tables (following) show the number of *establishments* ('units') that employ people in the sector which are of different sizes; and the number of *people* who are employed in establishments of different sizes....

	1-4		5-10		11-24		25-99		100+		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Road Freight Transport & Services	520	74.6	95	13.6	43	6.2	31	4.4	8	1.1	697	100.0
Water Transport & Services	32	50.0	13	20.3	5	7.8	10	15.6	4	6.3	64	100.0
Cargo Storage & Warehousing	65	52.8	20	16.3	17	13.8	17	13.8	4	3.3	123	100.0
Total Logistics	617	69.8	128	14.5	65	7.4	58	6.6	16	1.8	884	100.0
Suffolk (all sectors)	18,275	66.3	4,659	16.9	2,688	9.7	1,614	5.9	341	1.2	27,577	100.0

Source: Annual Business Inquiry 2002

Table 3 Logistics units by sizeband 2002

	1-4		5-10		11-24		25-99		100+		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Road Freight Transport & Services	875	16.3	691	12.9	643	12.0	1,333	24.8	1,823	34.0	5,367	100.0
Water Transport & Services	53	1.5	98	2.7	78	2.1	563	15.5	2,846	78.2	3,639	100.0
Cargo Storage & Warehousing	125	5.1	151	6.2	286	11.6	8.7	32.9	1,084	44.2	2,455	100.0
Total Logistics	1,053	9.2	940	8.2	1,007	8.8	2,703	23.6	5,753	50.2	11,461	100.0
Suffolk (all sectors)	34,588	12.3	34,038	12.1	43,434	15.5	74,380	26.5	93,963	33.5	280,404	100.0

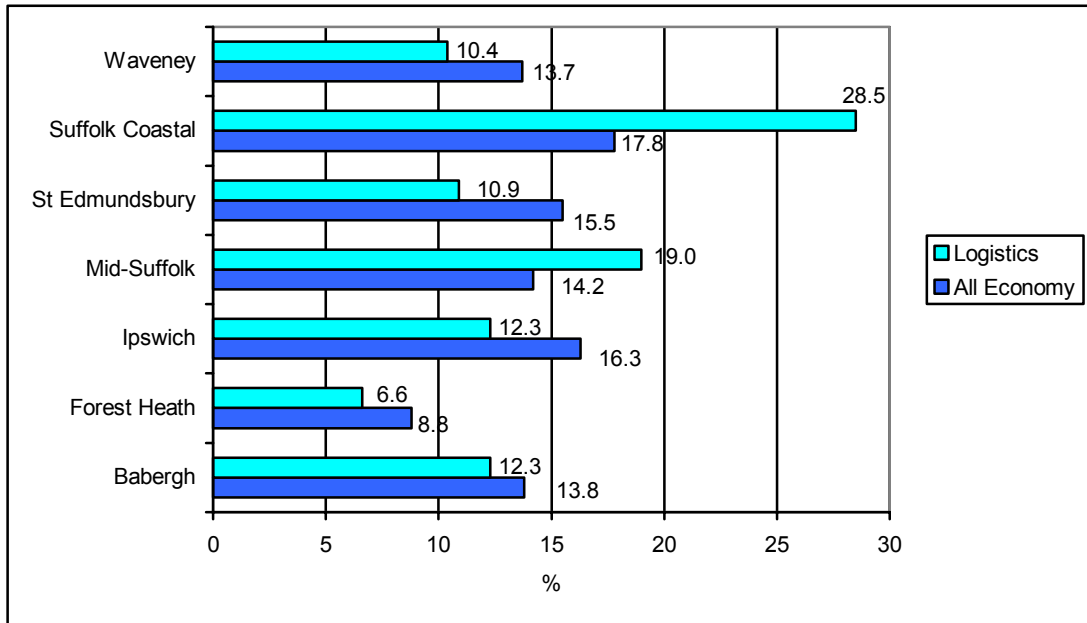
Source: Annual Business Inquiry 2002

Table 4 Logistics employment by sizeband 2002

38. The tables reveal....

- There is a clear distinction in the predominant size of establishments between the three sub-sectors. Almost 9 out of ten establishments in the *road freight transport* sub-sector have ten or fewer employees. These establishments account for almost a third of employment in the sub-sector. However, due to the nature of the industry, employment in the *water transport & services* sub-sector is concentrated in larger establishments. Thus, over three-quarters of that sub-sector's employment is in establishments employing over 100 people.
- In the *cargo storage & warehousing* sub-sector there is a higher than average concentration of 'middle-sized' establishments (employing between 11-99 workers). These account for 28% of the sub-sector's establishments compared to 15% for the whole economy in Suffolk. Correspondingly, only 5% of the sub-sector's employment is in establishments employing fewer than 5 workers.

39. When the distribution of numbers of *establishments* in the logistics sector is compared with the distribution of establishments in all sectors in the economy *at District level*, then a clear picture emerges. Suffolk Coastal and Mid-Suffolk have significantly higher proportions of logistics establishments, with the remaining Suffolk Districts correspondingly having proportionally fewer logistics establishments when compared to *overall* distribution of Suffolk employment establishments....



Source: Annual Business Inquiry 2002

Figure 2 Distribution of Logistics units by District compared to all Suffolk units

Performance of the sector

40. While it is difficult to ascertain specific information for the sector in Suffolk, some broad figures can be utilised to highlight the contribution of logistics. According to *Regional Trends 2004 Edition*, transport, storage and communication in Eastern England region created £7,660 million gross value added (GVA) in 2000. In 1996 this figure stood at £5,892 million, which indicates 30% growth in GVA between 1996 and 2000.¹
41. For both road freight transport and major ports, National Statistics publish figures showing the annual tonnage of goods handled and/or transported. These show that for road freight transport, 159 million tonnes of freight was carried that originated from the Eastern Region in 1992. By 2002, this had increased to 187 million tonnes - a rise of 18%. Over the same period, freight tonnage in Great Britain rose by 11%.
42. In 2003, Felixstowe port handled 22.28 million tonnes of freight, but this was below the 25.12 million tonnes handled in 2002. It remains however, the UK's largest container port. Tonnage figures for Ipswich port, mainly handling bulk agricultural products, went up from 3.34 million tonnes in 2002 to 3.89 million tonnes in 2003.

Features of the Suffolk logistics sector

43. It is clear that the logistics sector in Suffolk, whether from the road-based or sea-based sub-sectors, fall into three categories:
 - First, there is the distribution and delivery of goods manufactured in Suffolk and destined for Suffolk or out of Suffolk locations....

¹ In terms of broad industrial sectors, in 2000 only manufacturing, wholesale & retail and real estate, renting and business services contributed higher GVA figures in the Eastern region.

- Second, there are local distribution networks for goods originating outside of Suffolk but in the UK...
 - Third, and of strategic importance to the Region and beyond, is the operation of the Port of Felixstowe and the handling and storage of goods associated with a large international seaport. To a lesser extent the same is also applicable to Ipswich port.
44. From the ABI statistics it is clear that Suffolk-Coastal, in which the Port of Felixstowe is located, Mid-Suffolk and Ipswich Districts dominate employment in the sector, suggesting that the logistics industry in Suffolk is generally centred around the ports.

Sector 'drivers': change in the sector

45. There are a number of external factors affecting the logistics sector. These range from changing market forces and the introduction of new technologies to governmental regulation.
46. The prosperity of the logistics sector is intrinsically linked to *wider economic performance*: the more goods that are demanded and produced, greater will be the demand for transport to move those goods. The sector's prosperity therefore reflects that of the wider economy.
47. The goods transport sector has recently felt the impact of *external competition*. The Employers Skill Survey (2002) recorded that over 20% of transport sector companies faced serious competition from low cost foreign operators. Two-thirds of output in the water transport sub-sector is linked to international trade and over half of domestic demand is penetrated by imported services.
48. The *deregulation* of markets and the lowering of European and international trade barriers have increased levels of competition for transport companies. Even in sub-sectors where there is a relatively low proportion exported, there is international competition for transport services, for example from continental road hauliers. This is putting pressure on the sector to reduce costs and provide a more value added service.
49. The industry has responded to these market changes in a number of ways:
- Contracting out core labour in order to reduce fixed costs and increase flexibility.
 - More customers are seeking to contract a whole logistics package from a single source.
 - More 'just-in-time' working - for example, ensuring that the container lorry arrives at the port just in time to drive straight under the crane. Such workings keep time in port and storage charges to a minimum.
 - Increased emphasis on customer care - in the road haulage and distribution sub-sector, the increased customer focus has manifested itself in the installation of sophisticated tracking equipment whereby customers can track the location and status of goods being delivered. At the lighter end of the road haulage industry, the rise in e-commerce has created new opportunities for van drivers, who will commonly be the only person an on-line customer has contact with throughout the transaction.

- More efficient use of employees requires them to be more flexible and multi-skilled. Port workers, for example need cargo handling and IT skills and drivers take on more responsibilities outside of their cabs.
50. The introduction of *new technology* has significantly affected the logistics sector. The clear impact of new technology has been to allow companies in the sector to increase efficiency and improve the service they offer to customers. For instance, new technology allows:
- Drivers, controllers and customers to be provided with information on journey details, fuel efficiency and safety issues;
 - Better information to be provided to customers, such as on-line booking and timetables, and the tracking of goods while in transit.
51. The impact of *e-commerce* is already changing the way that consumers buy goods and services – both business-to-business and business-to-consumer. It places much more information in the realm of the consumer and thereby shifts the nature of the customer/supplier relationship. It is clear that in one simple sense, the transport sector benefits directly from this expansion in home shopping which results in an increased market for couriers and local delivery drivers. There may well be another direct impact on the skill mix of a delivery driver for such a supplier. The *key* attributes of a driver for an internet retail company may not only include driving but customer relationship skills or even product installation.
52. The transport sector has a fundamental reliance on the government for core investment in the country's *transport infrastructure*, and even though private finance has begun to have an impact in this field, government retains control of policy.
53. The sector is also subject to a significant regime of regulation concerning *health and safety*. Thus, the future skill needs of the industry will continue to be heavily influenced by government activity. The major legislative impacts on the sector include:
- The requirement for many occupations in the sector to be licensed. While the safety benefits of such regulation are clear they inevitably add to employer costs, restrict workforce flexibility and constrain recruitment (mainly due to licenses having minimum age requirements, which we will discuss later).
 - The introduction of the Working Time Directive has had an impact, especially on the road haulage and distribution sub-sectors, as it restricts the hours driver may work, meaning that employers require more drivers which raises costs.
54. The majority of these drivers of change have an impact on the *skills* required by employers in the sector. For example:
- Increasing the need for better management skills in response to a more demanding environment and an increasingly sophisticated role.
 - Increased need for higher customer care skills for all employees.

- Increased use of IT skills, enabling managers to make the best use of emerging technologies and enabling employees to do their work more efficiently and safely.

55. The influences and drivers of change on the sector and their impact are summarised in the table below:

Key issues	Impact on workforce and skills
Customers and markets	
<ul style="list-style-type: none"> - A 24 hour a day 7 day a week service - More precise timing and information on deliveries - Increased management of customers logistic, stock and other arrangements - Extended value added services such as cleaning and returning food trays. - More information on goods in transit - Decrease in manual handling and increased focus on hygiene and safety - More customer involvement in environmental issues surrounding the use of lorries 	<ul style="list-style-type: none"> - Increasing importance of interpersonal and team-working skills - Broader range of skills required across employees with the need to have knowledge of a greater range of tasks - Greater flexibility of employees - Employees will need to have greater responsibility - Managers will need to develop ways of managing employees where direct supervision is not possible
Technology	
<ul style="list-style-type: none"> - Changes in vehicle design and equipment such as:- <ul style="list-style-type: none"> • In-cab technology • Communications systems allowing direct contact between driver and customer • Electronic tracking systems • More load assist equipment on vehicles - Changes in infrastructure:- <ul style="list-style-type: none"> • Networking of communication systems between sites • Linking to customer computer systems • Automation of warehouses • Smarter systems for coding goods - Changes in office side of business:- <ul style="list-style-type: none"> • Integration of office, warehouse and delivery systems. • The provision of customised customer delivery documentation 	<ul style="list-style-type: none"> - All employees will need to cope with:- <ul style="list-style-type: none"> • Managing change • Cross-functional skilling - De-skilling and reduction in warehouse jobs - Drivers will need to take more responsibility for collection and delivery and will need to deal with much higher amounts of data - Office staff will need to develop a broader range of skills and knowledge and be capable of analysing, interpreting and responding to a large amount of data - Managers will need to manage more technically and professionally qualified teams of IT literate staff who will require less direct supervision
Environment and legislation	
<ul style="list-style-type: none"> - Road congestion is affecting route and delivery planning and causing companies to:- <ul style="list-style-type: none"> • Consolidate loads • Improve driving skills that reduce fuel and other costs • Introducing fewer but larger lorries • Undertake more efficient route planning - UK and European legislation such as the Working Time Directive and pollution and emission controls are also impacting the sector 	<ul style="list-style-type: none"> - Office skills will include better planning and scheduling of deliveries and the monitoring of driver performance - The skills of the driver must be improved to maximise fuel consumption

Summary: understanding the sector

- The logistics sector in Suffolk provides around 11,400 jobs in 884 establishments. It therefore accounts for 4.4% of employment in the County – proportionally over twice as high as regionally or nationally.
- Half of Suffolk's logistics employment is in the road transport and services sub-sector, but there is obviously significant employment in the water transport and services sub-sector due to the ports of Felixstowe and Ipswich. In Suffolk Coastal District, over one in ten jobs are in the logistics sector.
- The location of the ports in Suffolk means that the nature of the logistics sector is different to most other parts of the UK. Whereas there is the 'normal' distribution and delivery of goods and services within Suffolk, the county's logistics sector also provides a strategic role as a major centre for the loading, unloading and distribution of goods destined for all parts of the UK.
- The prosperity of the logistics sector is closely linked to the performance of the wider economy. However, over and above this general observation, the profitability of the sector is also affected by government regulation and external competition. New technologies offer opportunities for enhancing efficiency and customer service but require new skills from the sector's workforce, from senior managers to operatives, to make the most of the potential.

56. We now turn to consider patterns of labour and skills demand in more detail.

4. Labour and Skills Demand in Logistics

Occupational structure

57. A first and basic parameter of labour and skills demand is the occupational structure of the workforce. The best picture of this structure can be obtained from the 2001 Census, which allows us to analyse occupations by sector. The table is approximate because Census analysis is defined as 'Transport, Storage and Communications', which includes telecommunications and postal services as well as passenger transport by road, rail and air.
58. The table below accounts for around 27,000 jobs, significantly higher than the 11,400 estimated (by the ABI) to be employed in the *logistics* sector solely. The broad structure of these jobs can be seen in the table below:

Occupation	Number	%
1. Managers and Senior Officials	4,445	16.4
2. Professional Occupations	2,124	7.8
3. Associate Professional and Technical Occupations	1,873	6.9
4. Administrative and Secretarial Occupations	4,402	16.2
5. Skilled Trades Occupations	1,868	6.9
6. Personal Service Occupations	954	3.5
7. Sales and Customer Service Occupations	744	2.7
8. Process, Plant and Machine Operatives	6,552	24.2
9. Elementary Occupations	4,162	15.5
All Occupations	27,124	100.0

Source: Census of Population 2001

Table 5 Occupational structure of transport, storage and communications sector in Suffolk

59. The table shows that *key* occupational groups are
- *Process, plant and machine operatives*: This category obviously includes LGV drivers and the operators of mobile machinery in ports and warehouses;
 - *Managers*: We saw earlier that the logistics sector, especially the road-based sub-sector was dominated by establishments with fewer than four employees. This entails that a significant proportion of these will be owners/proprietors.
 - *Administrative and secretarial occupations*: All organisations generate administrative activities, although it is possible that the Census definition of the sector distorts the figure for *logistics*.
 - *Elementary occupations*: These will include stevedores and lower level dockworkers and packers and sorters in warehouses.

60. Thus, what the table shows is that below the senior management level, employment in the logistics sector is dominated by *operative* trades – drivers, crane and fork-lift truck operators, loaders and the like. While this will come as no surprise it is worth noting as many of the skills required by the sector will therefore be ‘vocational and practical’ rather than ‘academically’ or ‘professionally’ based. However, these ‘vocational and practical’ skills, as we have noted above, increasingly need to be supplemented by IT user, customer care and other generic skills.

Full- and part-time work and the gender balance

61. A further key feature of labour demand in the sector is that it is traditionally dominated by male employment. The ABI allows us to analyse employment in the sector by gender and full-time/part-time working. Data for Suffolk is presented in the table below:

		Male	Female	Total
Road Freight & Transport Services	Number	4,421	946	5,367
	%	82.4	17.6	100.0
Water Transport & Services	Number	3,090	548	3,639
	%	84.9	15.1	100.0
Cargo Storage & Warehousing	Number	1,823	630	2,455
	%	74.3	25.7	100.0
Total Logistics	Number	9,335	2,124	11,459
	%	81.5	18.5	100.0

Source: Annual Business Inquiry 2002

Table 6 Male and female employment in Logistics in Suffolk

62. Thus, over 80% of employment in the sector is male. The highest proportion of female employment is in the cargo storage and warehousing sub-sector, but even here around a quarter of the jobs are female. Correspondingly, full-time employment predominates:

		Full-Time	Part-time	Total
Road Freight & Transport Services	Number	4760	607	5,367
	%	88.7	11.3	100.0
Water Transport & Services	Number	3532	107	3,639
	%	97.1	2.9	100.0
Cargo Storage & Warehousing	Number	2222	232	2,455
	%	90.5	9.5	100.0
Total Logistics	Number	10514	946	11,459
	%	91.8	8.3	100.0

Source: Annual Business Inquiry 2002

Table 7 Full- and part-time employment in Logistics in Suffolk

63. Whereas in the whole economy in Suffolk, around a third of employment is on a part-time basis, the logistics sector is overwhelmingly full-time. In the case of the water transport and services sub-sector, there is virtually no part-time employment.

64. In terms of training and skills, this picture of high full-time employment can be seen as an advantage in that the workforce is likely to be more 'attached' to their jobs than one which incorporates higher levels of part-time workers.

Employment trends: demand for labour

65. Overall, the industry is believed to have a broadly stable future. The IER forecasts that at a national level, employment in the broad sector of transport and communications will remain static over the next decade at around 670,000 people, but will grow steadily in Suffolk – by around 1,300 jobs, representing a rise of around 5% - in line with the growth of the county's overall employment. However, *within* that overall shape there is a range of changes in the mode of operation, which will have significant impact on *skills*. We will return to an analysis of these in later sections.
66. Again, it must be kept in mind that, as above, the classification in the table below represents *transport and communication* which includes post and telecommunications activity):

SIC Section (1-digit)	Employment 2001 (employees)	Forecast 2010 (employees)	Change 2001-2010 (employees)	Percentage change
Primary production	5,939	5,838	-101	-1.7
Manufacturing	47,921	41,098	-6,823	-14.2
Construction	12,647	13,001	354	2.8
Wholesale, retail, reps	56,370	62,914	6,544	11.6
Hotels & restaurants	23,839	23,494	-345	-1.5
Transport & commun	26,281	27,567	1,286	4.9
Financial services	8,569	8,787	218	2.5
Business services	31,521	35,661	4,140	13.1
Public administration	15,095	15,327	232	1.5
Education	16,548	17,981	1,433	8.7
Health & social care	31,693	37,175	5,482	17.3
Other comm. & pers	14,937	16,527	1,590	10.7
Totals	291,361	305,370	14,009	4.8

Source: BMG Research estimates; employment in Suffolk

Table 8 Forecast employment change in Suffolk, by sector 2001-2010

67. In *occupational terms*, the key groups that 'employ' most of the sector's staff are *managers*, plant and machine operators(including *drivers*) and *elementary occupations*. The table below shows an estimated forecast of employment by occupation in Suffolk. What must be remembered is that the broad occupational groupings for which the forecasts are available is blunt when trying to isolate *logistics* trades.

68. Despite an overall *rise* in the predicted overall employment in the sector, for key occupational groups with a significant representation within logistics falls are predicted. Obviously, the predictions for the numbers of plant and machine operatives and elementary occupations do not apply purely to logistics (and as we have noted before the Working Time Directive imposes an *upward* pressure on the number of drivers needed). The same point can be made regarding managerial occupations. While the current proportion of managers in the sector is significant (see Table 6) it is clear that every other industrial sector has proportions of managerial staff and there is no way of apportioning these occupational changes to specific sectors. Our broad assumption is that employment in the key occupational groups in the table below in *logistics* will differ from the general pattern – particularly, in so far as the number of *drivers* ('hidden' within the 'plant and machine operatives' grade) will actually *rise* not fall:

SOC (1-digit)	Employment 2001 (persons)	Forecast 2010 (persons)	Change 2001-2010 (persons)	Percentage change
Managers	45,359	49,097	3,738	8.2
Professionals	29,618	36,401	6,783	22.9
Assoc. prof & tech.	40,017	45,999	5,982	14.9
Admin & secretarial	38,286	37,160	-1,126	-2.9
Skilled trades	43,229	41,911	-1,318	-3.0
Personal service	22,820	25,876	3,056	13.4
Sales	23,056	25,475	2,419	10.5
Plant & machine ops	30,129	28,574	-1,555	-5.2
Elementary	41,309	38,617	-2,692	-6.5
Totals	313,823	329,109	15,286	4.9

Source: BMG Research estimates; residents of Suffolk

Table 9 Forecast occupational change in Suffolk, 2001-2010

Replacement demand: recruitment and retention

69. However, the absolute numbers of jobs by sector or occupation says little about the *flows* of people through those jobs. It is, of course, the rate of mobility *between* jobs (e.g. career movers) and *out of* jobs (e.g. retirements, deaths, raising children) that actually generates most vacancies and, hence, recruitment and much workplace training. This *replacement demand* is frequently a much stronger generator of need for skills development than underlying change in the actual *number* of jobs of different types in the economy.
70. Replacement demand is difficult to calculate at a local level, because the likelihood of people leaving employment depends on the age structure of people within the local occupational group, the alternative employment available locally, and so on. However, if we assume that national rates apply (which are available from the DfES Skillsbase website, reporting CE/IER estimates), then the *net* requirement, in different broad occupational categories can be estimated in the following Table. *These data should be interpreted very cautiously.* First, the multipliers used for replacement estimates are derived from national figures, which may *not* apply locally. Second, the occupational categories used in the 'absolute numbers' estimate of change (from the local forecasting models) are not the same in all cases as those for which replacement estimates are available (IER estimates). In these cases, the 'most similar' occupation has been used in the calculation:

SOC (1-digit)	Change in absolute no. of jobs 2001-2010	Net requirements allowing for replacement demand
Managers	3,738	8,100
Professionals	6,783	12,750
Assoc. prof & tech.	5,982	12,900
Admin & secretarial	-1,126	10,250
Skilled trades	-1,318	6,500
Personal service	3,056	10,700
Sales	2,419	8,100
Plant & machine ops	-1,555	6,000
Elementary	-2,692	10,100
Totals	15,286	85,400

Source: BMG Research estimates

Table 10 Estimated recruitment demand 2001-2010 due to economic change ('absolute' employment change) and the net requirement once replacement needs have been taken into account 2001-2010

71. Despite the extremely crude calculations which underlie this data, it is probably robust in suggesting that within the sector's key occupational areas (highlighted), despite falls in the *overall* level of employment (in two of the sector's three main occupational groups), a significant amount of recruitment will take place over the remainder of the decade.²
72. Overall, therefore, as well as a slight growth in net employment in the sector, a substantial level of gross labour demand can be predicted – generated by replacement needs. However, for the water transport and services sub-sector in particular, labour turnover is very low and employers have little difficulty in recruiting.
73. As above, some replacement need is driven by *retirement*. The 2001 Census for Suffolk suggests the broad age structure for key occupational groups (again, it must be remembered that these occupational groups are not specific to logistics, but the vast majority of logistics occupations are contained within):

² Readers are asked to bear in mind that overall employment for the sector is forecast to grow (see Table 8), despite these slight falls in key occupational groups

	Managers & Proprietors in Agric. & Services		Transport & Mobile Machine Drivers & Operatives		Elementary Trades: Plant & Storage Related Occupations		All	
	No.	%	No.	%	No.	%	No.	%
16-17	63	0.5	46	0.4	468	2.8	577	1.4
18-19	127	1.1	96	0.7	759	4.5	982	2.3
20-24	596	5.0	559	4.3	1,859	11.0	3,014	7.2
25-29	855	7.1	1,021	7.8	1,730	10.2	3,606	8.6
30-39	2,589	21.5	3,207	24.6	3,890	23.0	9,686	23.1
40-49	3,101	25.8	3,112	23.9	3,476	20.5	9,689	23.1
50-54	1,895	15.8	1,877	14.4	1,891	11.2	5,663	13.5
55-59	1,487	12.4	1,718	13.2	1,602	9.5	4,807	11.5
60-64	848	7.1	1,093	8.4	965	5.7	2,906	6.9
65-79	333	2.8	243	1.9	196	1.2	772	1.8
70-74	128	1.1	71	0.5	79	0.5	278	0.7
Total	12,022	100.0	13,043	100.0	16,915	100.0	41,980	100.0
Source: Census 2001								

Table 11 Age structure of key occupational groups in the logistics sector; Suffolk residents

74. These numbers do not, of course, indicate retirement levels in themselves – since retirement is prompted by personal circumstances and pension availability not just by age.
75. However, the data shows that employment levels begin to drop away quite sharply after age 50 at all occupational levels. If we made the crude assumption that those in the workforce who are 50 or over are ‘retirement prone’ then just over a third of the workforce may be looking to retire in the near or foreseeable future. Whilst an exact retirement *rate* cannot be calculated there is obviously a significant retirement (as well as a leave-for-other reasons) *factor* driving the replacement estimates above.

Changing skill needs

76. If we have, thus, a picture of demand, with modest absolute growth being augmented by replacement needs, what of changing skill patterns?
77. A table below sets out some *local* survey findings drawn from the National Employer Skill Survey 2003:

SOC 2000 (2-digit)	General IT user	Profess. IT	Comm-unication	Cust. handling	Team working	Foreign language	Problem solving	Manag-ement	Num-eracy	Literacy	Tech. & practical
Managers & senior officials											
Corporate	18	7	3	5	3	14	4	13	6	5	7
Small busn	30	20	6	11	11	18	6	9	10	1	15
Professionals											
Science	12	7	19	19	1	8	12	30	6	6	6
Health	7	44	40	7	-	7	-	-	-	-	-
Teaching	39	39	-	41	-	20	-	7	-	-	-
Business	26	8	1	10	1	9	5	10	-	-	2
Associate professionals & technicians											
Science	61	50	-	3	10	10	39	25	22	1	26
Health	4	-	3	3	3	-	-	4	-	3	11
Culture etc.	38	-	-	5	6	8	2	49	-	-	10
Business	26	15	17	11	19	22	13	26	6	-	17
Administrators & secretaries											
Admin. occ	16	11	9	4	6	3	6	10	7	0	6
Secretarial	21	13	7	10	9	23	11	4	2	12	7
Skilled trades											
Agriculture	-	-	-	-	6	-	6	17	6	-	6
Engineer'g	17	10	8	10	21	3	13	29	5	5	5
Construct.	16	4	5	10	2	-	6	16	5	15	7
Other trade	4	2	5	4	3	11	1	13	6	9	8
Personal service											
Caring	14	6	16	4	2	9	5	18	4	5	20
Leisure	30	3	1	-	-	9	9	13	-	-	2
Sales											
Sales	16	5	3	8	8	3	8	11	1	2	5
Cust. care	28	5	7	13	5	15	6	17	1	-	5
Plant & machine operatives											
Drivers	5	2	2	3	13	11	2	15	3	3	13
Operatives	11	-	5	-	2	-	8	16	5	8	14
Elementary occupations											
Mnf & tran	9	4	8	4	4	1	16	6	15	9	6
Service	18	7	6	8	2	8	10	11	5	2	5

Source: National Employer Skills Survey 2003 (IFF Research, for LSC)

Table 12 Percentages of employers of specified staff who expect higher skill levels will be required in three years' time – highlighting percentages of 10% and above

78. If we look at the occupational groups which account for the majority of logistics employment, then the local prediction is....

- Managers: significant need for greater IT skills, customer and team working and customer handling skills and foreign language capabilities;
- Drivers: No single skill identified as being in significantly greater demand, but some need for enhanced management, practical, technical and team working skills;
- Operatives: Similar requirement as that for drivers – management and practical and technical skills;
- Elementary manufacturing and transport occupations: Notable requirement for problem solving and numeracy skills.

79. Beneath these somewhat crude survey-based approximations we can, however, observe some more specific skill drivers.
80. In terms of *skills*, the key requirements, the Skills Foresight for the Road Haulage and Distribution Industry identified the following *generic* skills that the industry's workforce need to develop and maintain in order to respond to changes that it is facing. The workforce will generally have to:
- Possess good interpersonal skills;
 - Possess IT user/application skills;
 - Be capable of applying a wide range of skills in broad work roles;
 - Demonstrate flexibility and adaptability;
 - Be capable and responsible in working to standards with no or minimal supervision;
 - Accept the need to undertake ongoing training to maintain and develop their skills (particularly in IT use/application);
 - Understand wider business functions/activities of the company.
81. These requirements are, of course, to be anticipated in an industry becoming more 'customer facing'. Underlying these general requirements are a number of other fundamental needs:
- To develop marketing skills in an increasingly competitive industry facing competition in global markets;
 - To improve the 'professionalism' of the industry via higher rates of training and qualification of staff;
 - To create a new generation of skilled managers able to take a strategic approach to their business.

Summary: labour and skills demand

- Employment in the logistics sector is dominated by operative trades – drivers, loaders, dockworkers and so on. Over 80% of the sector's employees are male and over 90% of employment is on a full time basis. This suggests a more stable and workforce than for many other sectors in the economy.
- This notion is reinforced by crude replacement demand figures that suggest that labour turnover in the sector is comparatively low (but with some exceptions, such as goods vehicle and van drivers).
- Forecasts suggest that employment in the sector in Suffolk will grow by around 5% by the end of the decade, which is in line with the County's economy as a whole.
- In terms of skills demand, it is clear that over and above specific occupational and operational skills, the logistics sector needs to develop its skills mix in response to change. These include more developed customer handling skills as the sector becomes far more client focussed and IT skills in response to the application of new technologies.

5. Labour and Skills Supply in Logistics

Introduction

82. In examining labour and skills supply into the logistics sector, a first point which needs to be recognised is that there is *no adequate 'predict and provide' model in existence* which covers the whole or even significant parts of the sector. The basic reasons include....
- The weakness in statistics on demand (evidenced in our previous chapter in which our estimates even of the *total* volume of employment in the sector have to be heavily qualified).
 - The inadequacy of forecasts – though we can offer a reasonably robust forecast of Suffolk employment by broad occupational groups, it is virtually impossible to determine how these will be spread across the various sectors of the economy. New jobs, yes – but what new jobs in what places is unknown. And even if we could produce forecasts of detailed numbers of job opportunities across the sub-sectors and relevant occupations, unknowable specific replacement rates would render them inaccurate as predictors of training or supply needs.
 - The fact that the sector (as all others), in a fairly tight, low-unemployment, labour market, is in competition with other sectors for staff. Movements in wage rates and job availability in other sectors will affect labour supply (particularly at lower levels) into logistics.

Gross labour supply

83. A first issue concerns the question of *general* labour availability. Broadly speaking, statistics suggest that the labour market in Suffolk is crudely in balance. Thus, there are around 333,000 *residents in employment* (including self-employment) and around 335,000 *jobs* (including self-employment). Unemployment is around 4% of the economically active population (or around 2% if only claimant unemployed is counted).
84. An approximately 5% increase in total employment levels (as forecast in the previous chapter) and replacement demand in a fairly tightly-balanced, low unemployment labour market might imply *gross* labour shortage.
85. However, two factors will mitigate this position.
86. Firstly, there are around 78,000 Suffolk residents who are of working age who are economically inactive. Some of these people will be drawn into the labour market if suitable opportunities at attractive wage levels become available.
87. Secondly, Suffolk's population is growing, largely as a result of inward migration from the South East, and is forecast to grow further. A forecast for population growth for the County developed by ONS suggests overall growth between 2001 and 2010 of just under 30,000 people at an annual average rate of around 3,300 people per year:

	Population 1991	Population 2001	Population 2010	Additional population to 2010
Babergh	79,632	83,451	84,700	1,250
Forest Heath	54,843	55,511	58,500	3,000
Ipswich	116,956	117,056	118,600	1,500
Mid Suffolk	78,383	86,849	90,700	3,900
St. Edmundsbury	91,731	98,197	103,200	5,000
Suffolk Coastal	107,970	115,145	131,800	16,600
Waveney	106,751	112,336	110,800	-1,500
SUFFOLK	636,266	668,545	698,400	29,900
Source: ONS				

Table 13 A population projection for Suffolk to 2010 based on a forecasting model; numbers

88. Of course, not all in-migrants will be of working-age or will want to work but, allied to some conversion into work of some of those who are now unemployed or inactive, there should be sufficient workforce growth to match the forecast employment growth of around 1,300 jobs. (And, of course, population growth from in-migration and employment growth are symbiotic – in-migration growth because jobs are available and job growth occurs because in-migration generates demand for local services.)
89. The real questions for the industry are whether it can attract applicants of the right character and skills and whether it can upskill the employees it already has, in line with the rising expectations of customers and to fit new forms of work organisation.
90. With regard to the first, it has been observed that the sector as a whole has a low-qualification/low training profile. Thus, the industry has relatively few graduates (11% compared to an all-sector average of 28%) but has a high proportion with 'other qualifications' (driving certification and so on) and NVQ Level 3 equivalents. Only 26% of employees in the industry undertook any training in 2003, compared to a 42% average for all sectors (from NESS 2003, see Table 16).
91. These differences, however, are not in themselves significant. They simply indicate (a) that the majority of occupations – drivers and other operatives – are not generally jobs held by graduates; and (b) that once these employees have their necessary certification they get on with the job they have to do.
92. The main point is that the sector does not have particularly high *basic entry* thresholds for labour, at least for driving and operative occupations. Given a basic driving or machine handling aptitude, conversion to professional driving and operating is relatively brisk and qualification needs are minimal. Some constraint arises from the restrictions placed upon certain certification (licensing regulations and insurance costs) preventing young people entering driving occupations; and, in areas of low unemployment, such as Suffolk, a source of labour on which the sector has traditionally drawn, is small.
93. Considering the wider skill needs, beyond those for drivers and machine operatives, we can observe that the sector's *training infrastructure* consists of a mixture of public and private provision and includes:

- Comparatively few universities and Further Education colleges.
 - Professional management through the *Institute of Logistics and Transport*.
 - A large number of smaller *private training providers*, some of which have a Group Training Association background.
 - Training services offered by the trade associations (*RHA, BAR and FTA*)
 - Employer *in-house training*, much of which is to meet regulatory requirements.
94. However, judging whether there is numerically sufficient supply of new entrants to the sector from this provision is difficult. Even at a national level there are simply no coherent figures concerning, for instance, the number of drivers being put through driver training for different licences/levels, nor of how many people not currently employed in the industry have relevant licences and might be attracted back into it. Equally, there are no meaningful figures for the output of other skills that are relevant to the industry – technical and logistical managers, for example.
95. As in other sectors, therefore, we have a picture in which we can see:
- A constant demand for labour.
 - A picture of demand for wider availability of particular skills to meet a changing industrial picture.
 - Some characteristics of the current workforce (size, age structure, qualification levels, and so on).
 - Some broad outlines of the machinery of supply.

Outputs: level of training

96. One crude estimate of the level of skills outputs can be gleaned from the latest National Employer Skills Survey. This entails looking at the level of employer training and the qualifications held by those working in the sector. Three tables below set out some Suffolk statistics from the NESS 2003....

	Training plan	Training budget	Annual performance review (some/all staff)	Trained staff in last year	Trained staff towards qualifications	Average training spend per establishment *
By sector ...						
Agriculture, forestry, fish	7	4	15	22	11	£890
Manufacturing	22	35	68	62	23	£3,895
Construction	29	22	38	57	25	£3,087
Wholesale, retail, repairs	29	22	56	57	26	£1,890
Hotels & restaurants	43	24	46	56	40	£522
Transport & communic'n	42	27	55	47	12	£5,111
Financial intermediation	81	50	68	68	37	£6,107
Business services	31	29	71	59	24	£2,493
Public administration	75	81	92	97	76	£5,563
Education	83	91	100	100	79	£11,648
Health & social care	89	71	99	91	90	£6,392
Other comm. & pers	57	42	48	78	44	£1,124
By unit size ...						
1-4 employees	30	26	54	55	20	£1,470
5-24 employees	54	40	71	75	52	£3,028
25-99 employees	62	62	85	85	62	£9,861
100+ employees	83	76	96	96	81	£34,564
All establishments	39	32	61	62	32	£3,111
Source: National Employer Skills Survey 2003 (IFF Research, for LSC)						
* Average training expenditure per establishment – based only on establishments that provided training in last 12 months						

Table 14 Percentages of Suffolk employers involved in specified aspects of training and development

By sector ...	Respond to recruitment difficulties by increasing training for existing staff *	Respond to recruitment difficulties by increasing programmes for trainees *	Respond to internal skill gaps by increasing training for existing staff	Respond to internal skill gaps by increasing training programmes for trainees
Manufacturing	73	21	91	70
Construction	48	11	81	30
Wholesale, retail, repairs	76	43	74	49
Hotels & restaurants	13	11	91	86
Transport & communic'n	-	-	96	77
Financial intermediation	-	-	100	100
Business services	40	51	85	67
Public administration	100	10	100	72
Education	61	61	100	43
Health & social care	48	52	100	96
Other comm. & pers	65	58	93	73
By unit size ...				
1-4 employees	65	42	83	63
5-24 employees	37	34	90	63
25-99 employees	51	38	90	63
100+ employees	65	46	94	81
All relevant establishments	52	38	87	64
<i>Unweighted base</i>	<i>103 emps. with hard-to-fill vacancies</i>		<i>359 emps with internal skill gaps</i>	
<i>Source: National Employer Skills Survey 2003 (IFF Research, for LSC)</i>				
<i>* Caution: very small respondent bases at sector level (<10 cases)</i>				

Table 15 Percentages of Suffolk employers with recruitment difficulties or skill gaps (or both), who respond by providing training

By sector ...	Percent of employees trained	Whether employer assesses skill gaps	Recognised as 'Investor in People'	In contact with local training providers	Used FE college to train staff
Agriculture, forestry, fish	28	7	4	89	0
Manufacturing	28	60	6	41	19
Construction	53	47	6	38	23
Wholesale, retail, repairs	43	45	14	37	10
Hotels & restaurants	30	58	12	44	21
Transport & communic'n	26	39	22	22	11
Financial intermediation	67	42	23	35	4
Business services	63	57	10	31	19
Public administration	83	90	55	16	21
Education	63	96	63	58	57
Health & social care	62	99	51	80	68
Other comm. & pers	51	63	32	49	15
By unit size ...					
1-4 employees	44	49	11	31	13
5-24 employees	41	67	28	52	27
25-99 employees	48	76	35	62	42
100+ employees	53	82	45	79	64
All establishments	47	56	17	39	19

Source: National Employer Skills Survey 2003 (IFF Research, for LSC)

Table 16 Percentages of Suffolk employers involved in specified aspects of training and development

97. The data shows that establishments in the transport and communications sector³, compared with the whole-economy average:

- Are less likely to have trained any staff in the past year, or trained staff to a recognised qualification.
- However, for those that *have* trained, spending on training is notably higher than whole sector average.
- Companies in the sector are more likely to respond to internal skills gaps by increasing training for existing employees.
- Overall, a smaller proportion of the sector's workforce received training (26%) compared to the whole sector average and companies are less likely to assess skills gaps.
- The sector's employers are less likely to be in contact with local training providers and also less likely to use FE colleges for training provision.

98. While it is hard to come to any definitive conclusions, perhaps the main feature is the sector's relatively high training spend. This could reflect specific bought-in tuition in relation to driving and machine operation certification.

99. If we turn to relevant training within the *FE sector* in Suffolk, we are again confronted with difficulties in isolating information on courses directly relevant to the sector. However, the table below reinforces the notion that the FE sector plays a distinctly *peripheral* role in providing training to the logistics sector, with less than 1% of vocational qualifications being related to the *transport* sector:

³ Again, it must be noted that this classification includes telecommunications and postal services as well as road, rail and air passenger transport.

	Number	%
Business administration	1,545	17.9
Sales and distribution	231	2.7
IT	2,612	30.3
Education	145	1.7
Family and personal care	473	5.5
Arts and crafts	264	3.1
Publication and media	36	0.4
Performing Arts	57	0.6
Sports and recreation	26	0.3
Leisure and tourism	680	7.9
Health and social care	770	8.9
Environment and energy	42	0.5
Science and maths	64	0.7
Agriculture	420	4.9
Construction	431	5.0
Services to industry	157	1.8
Manufacturing	126	1.5
Engineering	470	5.4
Oil/plastics/chemicals	30	0.3
Transport	46	0.5
TOTAL	8,625	100
<i>Source: DfES</i>		

Table 17 Subject area of 8,625 vocational qualifications delivered in Suffolk in 2001/2002

Summary

- Broadly, Suffolk's labour market is stable and in balance. Forecast employment growth (and replacement demand) could therefore point to a possible overall gross labour shortage. However, inward migration and tapping into economically inactive residents should alleviate this.
- There is an overall lack of robust data on which to base a substantial analysis of skills supply specific to the logistics sector. The only source of information regarding skills supply is NESS 2003, which only gives a partial picture of training activity and provision.
- NESS 2003 suggests that overall the amount of training in the sector is lower than for many other sectors, but where training does take place, spending on training is higher than average.

100. The further question which arises, therefore, in the light of this and our previous 'labour and skills demand' chapter is of how well labour and skills demand in the sector is *matched* by labour and skills supply. This question is considered in our next chapter.

6. Labour and Skills Matches and Mismatches

Introduction

101. As we have indicated throughout this report, statistics to accurately describe either side of the demand/supply equation are weak and patchy. Inevitably, therefore, it is virtually impossible to set them against each other: to say, in essence, the sector needs people with skill set y and actually has or is in course of producing z people with that skill set – and that latter number is or is not adequate.
102. Rather we have to rely on survey or anecdotal evidence of *mismatches* – high vacancy rates, recruitment difficulties, skills shortages, skills gaps, and so on. (Note: there is unlikely to be evidence, in conditions of generally low unemployment, of mismatches in the other or ‘surplus’ direction in which people with relevant sector skills are unable to find jobs in the sector).
103. This type of evidence is considered below. Firstly, the table below suggests that vacancy rates are high in a key occupational group, operatives and drivers – it is clear that driver recruitment represents a significant challenge to the sector:

	Transport	Whole economy
Managers and senior officials	3%	8%
Professionals	2%	9%
Associate professionals	3%	14%
Administrative staff	18%	16%
Skilled trades	3%	14%
Personal service staff	13%	12%
Sales and customer service staff	8%	19%
Machine Operatives/Drivers	54%	9%
Elementary Staff	9%	16%

Source: National Employers' Skill Survey 2003 (IFF Research, for LSC)
Base: All employers

Table 18 Vacancies in England

104. This is emphasised further by data that shows that, not only are driver vacancies very frequent, but they contribute a huge source of recruitment *difficulty*:

	Transport	Whole economy
Managers and senior officials	2%	7%
Professionals	2%	8%
Associate professionals	1%	12%
Administrative staff	8%	9%
Skilled trades	3%	20%
Personal service staff	10%	14%
Sales and customer service staff	6%	15%
Machine Operatives/Drivers	67%	9%
Elementary Staff	4%	15%

Source: National Employers' Skill Survey 2003 (IFF Research, for LSC)
Base: All employers with hard to fill vacancies

Table 19 Hard to fill vacancies in England

105. Further at national level, the broad indication is that vacancies are much more frequently due to *skill shortage* rather than other causes (such as wages or conditions) – simply there are not enough drivers with the relevant licences and experience to meet demand:

	Transport	Whole economy
Managers and senior officials	10%	5%
Professionals	1%	9%
Associate professionals	1%	14%
Administrative staff	7%	7%
Skilled trades	4%	18%
Personal service staff	4%	13%
Sales and customer service staff	4%	11%
Machine Operatives	67%	12%
Elementary Staff	3%	11%
All vacancies	6,693	135,295
Source: National Employers' Skill Survey 2003 (IFF Research, for LSC)		
Base: All skill shortage vacancies		

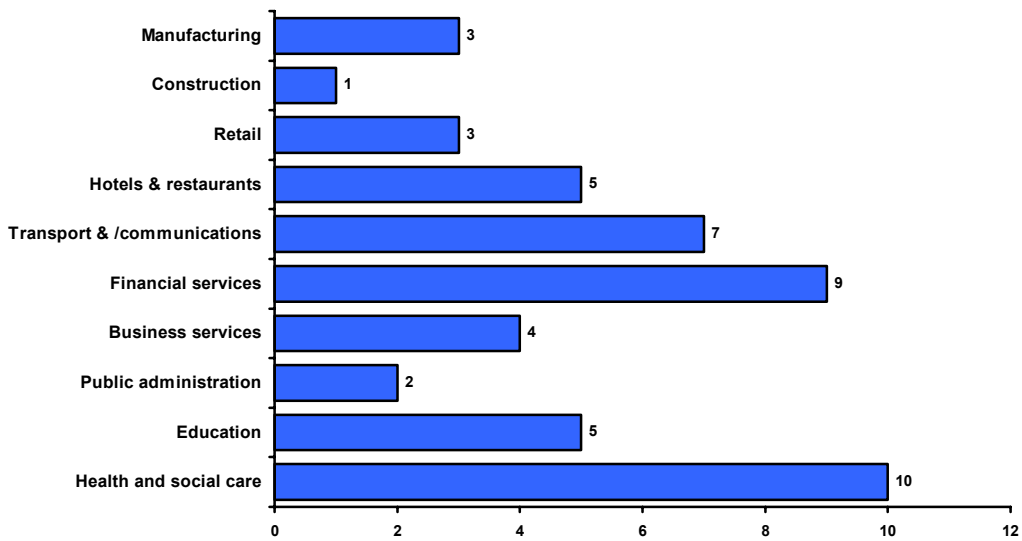
Table 20 Skill shortage vacancies in England

106. However, when *internal* skills gaps (amongst existing workforces) are examined, transport firms have no greater problem than is average for the economy. Clearly, once drivers with the right (and, of course, essential) skills *have* been recruited, there is not then a particular problem with their skill levels...

	Transport	Whole economy
Managers and senior officials	4%	5%
Professionals	1%	3%
Associate professionals	1%	3%
Administrative staff	7%	5%
Skilled trades	1%	4%
Personal service staff	2%	2%
Sales and customer service staff	5%	6%
Machine Operatives	5%	1%
Elementary Staff	3%	4%
Any skills gaps	20%	22%
No skills gaps	80%	78%
Source: National Employers' Skill Survey 2003 (IFF Research, for LSC)		
Base: All establishments		

Table 21 Incidence of skill gaps in England

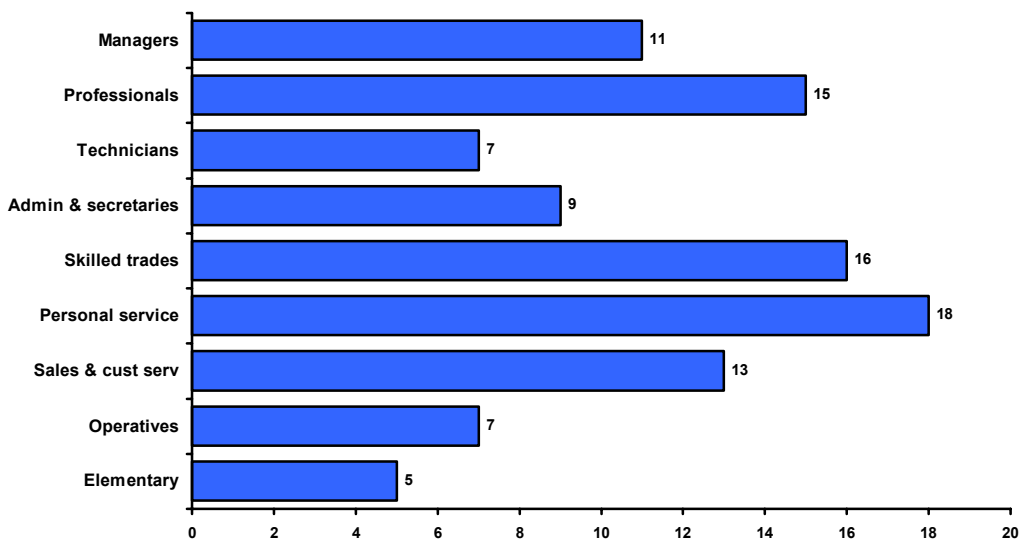
107. The 2003 National Employers Skills Survey also found that, at *local* level, the transport and communications sector had the third highest incidence of skill shortage vacancies in Suffolk:



Source: National Employer Skills Survey 2003 (IFF Research, for LSC)

Figure 3 Percentages of establishments with a skill shortage vacancy (Suffolk)

108. In *occupational* terms, operative occupations do not figure as significantly as other occupational groups such as personal service and skilled trades, but at this level of analysis a whole range of ‘operative’ occupations, not just drivers and operatives in the *logistics* sector, are bundled together:



Source: National Employer Skills Survey 2003 (IFF Research, for LSC)

Figure 4 Profile of skill shortage vacancies (percentages of all skill shortage vacancies) Suffolk

109. In a more *detailed* analysis, listing the highest-ranked ‘skill shortage’ occupations, transport drivers and operatives came in 14th and transport associate professionals 29th:

Rank	Percent of skill shortage employers	SOC code	Occupation
1	10	523	Vehicle trades
2	7	611	Healthcare & related personal services
3	7	711	Sales assistants & retail cashiers
4	6	113	Functional managers
5	4	421	Secretarial & related occupations
6	4	212	Engineering professionals
7	4	213	ICT professionals
8	4	543	Food preparation trades
9	3	721	Customer service occupations
10	3	114	Quality & customer care managers
11	3	123	Managers & proprietors in other service industries
12	3	612	Childcare & related personal services
13	3	311	Science & engineering technicians
14	3	821	Transport drivers & operatives
15	2	415	Administrative occupations - general
16	2	913	Elementary process plant occupations
17	2	531	Construction trades
18	1	922	Elementary service occupations
19	1	354	Sales & related associate professionals
20	1	524	Electrical trades
21	1	623	Housekeeping occupations
22	1	241	Legal professionals
23	1	412	Administrative occupations - finance
24	1	231	Teaching professionals
25	1	411	Administrative occs - govt. & related organisations
26	1	323	Social welfare associate professionals
27	1	622	Hairdressers & related occupations
28	<0.5	243	Architects, town planners, surveyors
29	<0.5	351	Transport associate professionals
30	<0.5	353	Business & finance associate professionals
31	<0.5	356	Public service & other associate professionals
32	<0.5	522	Metal machining, fitting & instrument making trades

Source: National Employer Skills Survey 2003 (IFF Research, for LSC)
(Respondent base = 54 unweighted employers with skill shortage vacancies)

Table 22 Most frequent skill shortage occupations (SOC 3-digit minor group, where sufficient detail to code), based on employers who report skill shortage vacancies (Suffolk)

110. Earlier Employer Skills Surveys (reported in the sector Skills Dialogue for the sector) additionally observed *managerial* skills gaps and found difficulties with *communication*, *customer handling*, and *team-working* skills in the sector. The Skills Foresight report for the road haulage industry (Road Haulage and Distribution Training Council) asserts that 'recruitment of drivers is a problem in most areas of the country' but gives no quantitative validation of this view. It is also widely believed (by over half of road haulage employers in an RHDC survey) that the industry suffers from poor *basic skills*.

111. Generally, then, the sector argues that skills needs are growing and that recruitment is often difficult. Supporting evidence even at national level is, however, often based on out-of-date, insufficiently detailed national surveys, on relatively small industrial consultation exercises, or on anecdotes.
112. Thus, when the *haulage sector* suggests that 'The sector is experiencing critical shortages of competent goods vehicle drivers and is failing to attract young people' (Chairman, RHDTIC, Foreword to Workforce Development Plan) and presents its analysis of critical issues for the industry as....

Addressing current and future skills gaps in the workforce

Objectives

1. ensure the supply of LGV drivers increases by 20,000 per annum (nationally)
2. identify, set out and promote clear career paths for employees in the sector
3. raise the levels of literacy and numeracy in the sector.

Raising the skills of managers and supervisors in the sector

Objectives

4. provide a recognised and well-regarded career path for developing new managers in the industry, supported by a qualifications framework
5. ensure owners and managers in the sector undertake continuous professional development that meets business objectives.

Supporting the expansion of high quality, responsive training infrastructure

Objectives

6. ensure the training infrastructure has the capacity to deliver the volume, range and quality of training provision required to meet industry demands.
113. we can only *assume* that the analysis is still current and that it broadly applies to Suffolk.

Summary: labour and skills matches and mismatches

- The fit between labour/skills demand and supply in the sector cannot be measured by 'counting each side' and comparing the results. Statistics are nowhere near accurate enough for that. Rather degree of fit has to be estimated from evidence of shortage and gaps.
- This evidence, at 'broad survey' level, can indicate that skill shortages and gaps are evident in the sector's predominant occupational group – drivers and machine operatives. While overall staff turnover appears to be lower than for many other sectors, that for drivers, allied to general skill shortage, produces severe recruitment difficulties.
- In an industry with a comparatively low qualification profile there is an acceptance that there is likely to be a significant *basic skills* issue to be addressed.
- Industry bodies are well aware of the sector's shortcomings with regards to attracting new recruits and developing a training infrastructure appropriate to changing industry demands.

7. Discussion: Skills Issues in the Logistics Sector

114. Based on the above analyses we can offer a tentative range of skills and intervention issues regarding the logistics sector in Suffolk and the LSC's relationship with it.
115. Perhaps even more so than for many other sectors, the quality of the information available is poor, especially at a local level. There are several reasons for this.
116. First, the industry, in terms of data gathering, is fragmented. While the operation of ports and water transport can be easily isolated (although even then data is sparse) the road haulage and warehousing and distribution sub-sectors are more complex. While the road haulage industry itself is varied between in-house company fleets, contract haulage, local van deliveries and courier services it is hard to pin down definitive information covering all of these aspects. Additionally, this industry is often grouped with passenger transport and communications, including telecommunications and postal services. The warehousing and distribution sub-sector is often grouped with retailing and wholesale trades which render analysis in terms of warehousing and distribution difficult.
117. Second, we have been unable to identify much local analysis of the sector. Most of our analysis is based on the assumption that what is true nationally is broadly true *locally*. Indeed, the available national analyses themselves appear to be weaker in this sector than in some others. We have, therefore, been obliged to project national perspectives which are themselves not always wholly convincing or evidence-based.
118. As with other sectors, any LSC and partner engagement with the logistics industry would necessarily start with a reality check on what we have presented here to ensure that what seem to be 'the issues' do, in fact, apply in Suffolk.
119. However, even recognising data limitations, it would appear that there are a small number of key skills issues affecting the sector:
 - Firstly, and most obviously, it is likely that in Suffolk there is a problem with the recruitment and retention of LGV drivers. The problem is one which does not only involve skill shortages but also wage levels in a highly competitive industry. The problem is further compounded with tight regulation, particularly on driver hours, and the need to employ drivers who are able to cope with increasing technical demands on their operations sometimes, for example, requiring IT user skills.
 - Second, 'logistics' is a sector in which the distribution and delivery of a complex array of goods down supply chains to retailers and individual customers is increasingly sophisticated. Pressure is put on the requirement for skilled logistics professionals at managerial and supervisory levels and on IT specialists to maintain and operate complex materials handling systems. Generally, statistics are not good at capturing the extent to which Suffolk has an adequate supply of skills in these areas, but, if the county follows the national pattern, it seems possible that this is not the case.

- Thirdly, the county's logistics sector has a particularly major operator, the port of Felixstowe, whose operations are important not only to local but to regional and national prosperity. The port is a substantial contributor to the local economy as a generator of income and employment. The port has an array of storage and distributional functions with container handling at its core. However, a paper such as this has not been able to ascertain from broad public statistics the extent to which skill levels in, and skills supply to, the port are adequate or otherwise. A particular need is to investigate in some detail whether or not there are particular limitations in Felixstowe (and, perhaps in Suffolk's smaller ports) and, more particularly, whether the LSC through its Further Education and other budgets has the capacity to assist with any imitations which became evident.
- Fourthly, the logistics industry – particularly in its transport and materials handling sections – is one which has traditionally relied on fairly low-qualified people (in an academic sense) for its workforce. Indeed, LGV and forklift driving have been a traditional route into gainful employment for those with low formal qualifications from school but with practical aptitudes. However, the industry is, through regulation and increasing pressure on logistical efficiency, requiring higher levels of numeracy, literacy, IT and other generic skills than was sometimes the case in the past. The question is whether the LSC and partners can effectively bring resources to bear on the development of these essential skills in a workforce which is often employed in small haulage companies, of which the managers may not be particularly responsive (given delivery pressures) to such intervention, and whose members may themselves be similarly reluctant.