

Targeting the sectors vital to the economy of Suffolk

## Introduction

This paper outlines the workforce dynamics and skills and training issues in key sectors in the Suffolk economy.

The paper sets out:

- The demographics of the workforce
- The skills and qualifications profile of the workforce
- The likely demand for and supply of new skills and workers, now and in the future
- The local business drivers

## Definition of the Sector:

The Logistics sector is the UK's fifth largest industry, employing over 1.7 million people<sup>1</sup>. Efficient freight transport is vital to the UK economy. Broadly, it can be defined as the movement of goods or materials from source point to point of consumption, and as such, touches every business and household in the country.

Key sector groups include road freight and transport services, port operations, and cargo handling storage and warehousing.

The Sector Skills Council is Skills for Logistics.

## Logistics in the Suffolk economy

The defined Standard Industrial Classification Codes (SIC) for the sector<sup>2</sup> would suggest that, in Suffolk, the sector employment numbers around 14,500 in just over 1,250 workplaces. The breadth of activity under this sector does however make it difficult to assess with total accuracy the number of employees or businesses, as many logistics functions are hidden within other industries. For the purpose of this report only SIC codes, as set out below will be used. Also, it is not possible to accurately assess the number of self employed haulage contractors, (working as, say, independent haulage contractors) who work in the sector, but it could add a further 1,000 people in employment, in Suffolk.

The majority of establishments (85%) are 'micro businesses' employing between 1 and 10 people. This accounts for around 8,000 of the workforce out of a total of around 14,500 for the sector<sup>3</sup>.

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<sup>1</sup> Source: LANTRA SIC Codes

<sup>2</sup> SIC Codes: 60.24, 63.1, 63.4, 64.1

<sup>3</sup> Source: Annual Business Inquiry 2005

According to the same source, there is a male/female ratio of 85% to 15% and more than 85% of workers are full time employees.

The importance of micro businesses in the logistics sector has implications for workforce development initiatives. Historically, stakeholders have found it difficult to encourage owners and managers of establishments of this kind to engage in workforce development or their own lifelong learning. This is unfortunate in that some micro businesses may grow to be significant employers in the future. However, the reality for many small and micro businesses is that they cannot provide cover for people engaged in learning away from the workplace and this time represents lost income in addition to the direct costs of the training.

### **Key messages for Suffolk**

- Geographically within Suffolk, employment is weighted towards Suffolk Coastal District, which has an estimated 40% of all logistics employment (compared with the same districts 16% of employment of all types) Mid-Suffolk also has a larger share of logistics employment than its 'all employment' share.
- Two thirds of workplaces employ fewer than 5 people. These are predominantly small freight transport operators but 50% of logistics employment is concentrated in just 16 workplaces, employing 100 or more people and three-quarters of sector employment is within 74 workplaces employing 25 or more people.
- Because of Suffolk's port functions the sector employs a significantly higher proportion of the County's workforce (4.4%) than is the case nationally (logistics employing 2.1% of the UK workforce as a whole).

## **The National and Regional Context**

### **Background**

The East of England has some of the most important logistics clusters in the UK based around the ports, airports and key transport links. As a result, an extensive logistics network has grown up around the region servicing the needs of the sub regional, regional economies and the UK economy as a whole. Three of the key hubs, the Thames Gateway, Haven Gateway and Stansted Airport are developing fast. All of these plan to increase existing capacity with the ports doubling the total UK container handling capacity.

Regional sector employment is estimated to be in the region of 170,000<sup>4</sup> people however other estimates raise this to nearer 230,000 if people in logistics-related employment in other sectors are included.

Activity covers a range of occupations, including cargo handling, courier services and national post activities but by far the largest number of employee's work in freight transport and storage and warehousing.

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<sup>4</sup> SIC Codes 60.24, 63.1, 63.4, 64.1

## **Key drivers of change**

National government and European Union policy has had an important impact on logistics businesses in recent years and it is likely that this will continue to drive the sector in the future.

Policies in response to environmental and safety concerns are important for the sector. The UK government and the EU are developing strategies to encourage sustainable transport and as part of this, they are seeking to encourage a shift in freight transport away from roads and towards rail and water, and at the same time improve the efficiency of the road haulage industry.

The EU working time directive is also likely to have significant implications for the sector, as it will place caps on permissible working hours per week. This may lead to a change in working practices and/or demand for additional drivers.

Changes in technology are also having an impact on the sector both directly and indirectly. Increased use of e-commerce and the development of home shopping will further change the way logistics businesses operate. This will lead to increased demand for deliveries of goods to be made directly to the customers' door- this will have a particular impact on mail and courier services and road freight transport companies.

Technology has directly influenced the way work is done through computerised delivery tracking navigation and stock management systems. Advances such as radio frequency identification chips which can provide office staff with information about a vehicle on the road and its cargo have the potential to help operators to become more efficient.

However in order for the sector to benefit fully from technological changes, workers in the sector will need the skills to be able to use them effectively.

## **Workforce development priorities**

The logistics sector has changed significantly in recent years and some staff lack the skills they need to be fully proficient in their role<sup>5</sup>. Technology is much more important than it once was, and employers identify IT skills as a priority area for staff development.

Communication, team working and customer service skills have also been identified as an area where improvement is needed.

The sector suffers from a high level of staff turnover and there is a need to promote clear progression routes.

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<sup>5</sup> NESS 2005

Attracting new entrants is also important, and it needs to be promoted as a fulfilling career choice especially among women and ethnic minorities.

A perennial issue for many employers is attracting competent young people to join the sector.

### **Strengths**

- A strategically important sector in Suffolk, serving many other parts of the economy
- Haven Gateway – the 5 haven ports of Felixstowe, Harwich International, Harwich Navyard, Ipswich and Mistley.
- Growth in delivery services being driven by e-commerce and home shopping

### **Weaknesses**

- A traditional perception of the industry as offering poor working conditions, unexciting work and little prospect of career progression
- High concentrations of workers in older age groups
- Skills shortages, particularly for HGV drivers
- Increasing need for customer service skills and IT

### **Opportunities**

- The location of Suffolk, with good access to major road, rail and air transport routes
- Haven Gateway Partnership
- Train to Gain and Skills Pledge

### **Threats**

- Working time directive
- Fuel costs and green taxes

## **The Current Workforce**

### **Key messages**

- The logistics sector is dominated by male full-time employment
- The sector has higher levels of people qualified to below L2 and with no qualifications than the total regional workforce (49% compared to 31%). Approximately 20% of the workforce are qualified to L2 (Source:APS).
- The sector employs a large number of relatively low skilled process, plant and machine operatives (this group includes LGV and van drivers) and elementary occupations (this includes warehouse staff). These groups account for just under half of all employment<sup>6</sup>.
- Staff turnover is high and this deters some employers from investing in training their staff - training levels are low and is often the bare minimum to comply with Health and Safety requirements.

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<sup>6</sup> Annual Population Survey 2006

- Team working, communication skills are the areas most in need of improvement in elementary occupations
- Main barriers to training are lack of funding, lack of time, and lack of cover for training
- Managerial skills gaps are also widespread and management training provision for the existing work force needs to be extended
- Key reasons for skills gaps are cited as inability of workforce to keep up with change, lack of experience and new to the job<sup>7</sup>

## The Logistics Sector - Suffolk<sup>8</sup>

Table 1: Number of businesses

Employer Size band	Number of Businesses
Number of employees	
1-10	1,037
11-49	180
50-199	~
200 +	~
Total	1,274

Source: Annual Business Inquiry, 2005  
~Figures withheld for reasons of confidentiality

Table 2: Total number of sector employees

LLSC	
Suffolk	14,750
Total East of England	88,500

Source: Annual Business Inquiry, 2005

Table 3: Number of employees by gender

Employees by Gender	Number
Male	11,335
Female	3,415
Total	14,750

Source: Annual Business Inquiry, 2005

Table 4: Number of part time/full time employees

Employees Part time/Full time	Number
Full Time	12,050
Part Time	2,700
Total	14,750

Source: Annual Business Inquiry, 2005

<sup>7</sup> National Employers Skills Survey 2005

<sup>8</sup> Using SIC Codes 60.24, 63.1, 63.4, 64.1 ( Sector Skills Almanac 2007)

## Skills shortages and gaps

The National Employer Skills Survey 2005 (NESS) offers some insight into the sectors skills shortages<sup>9</sup> and skills gaps<sup>10</sup>. NESS does not include the self-employed or businesses with only one employee. NESS data is regionally based and cannot be brought down to local level with any degree of certainty of information.

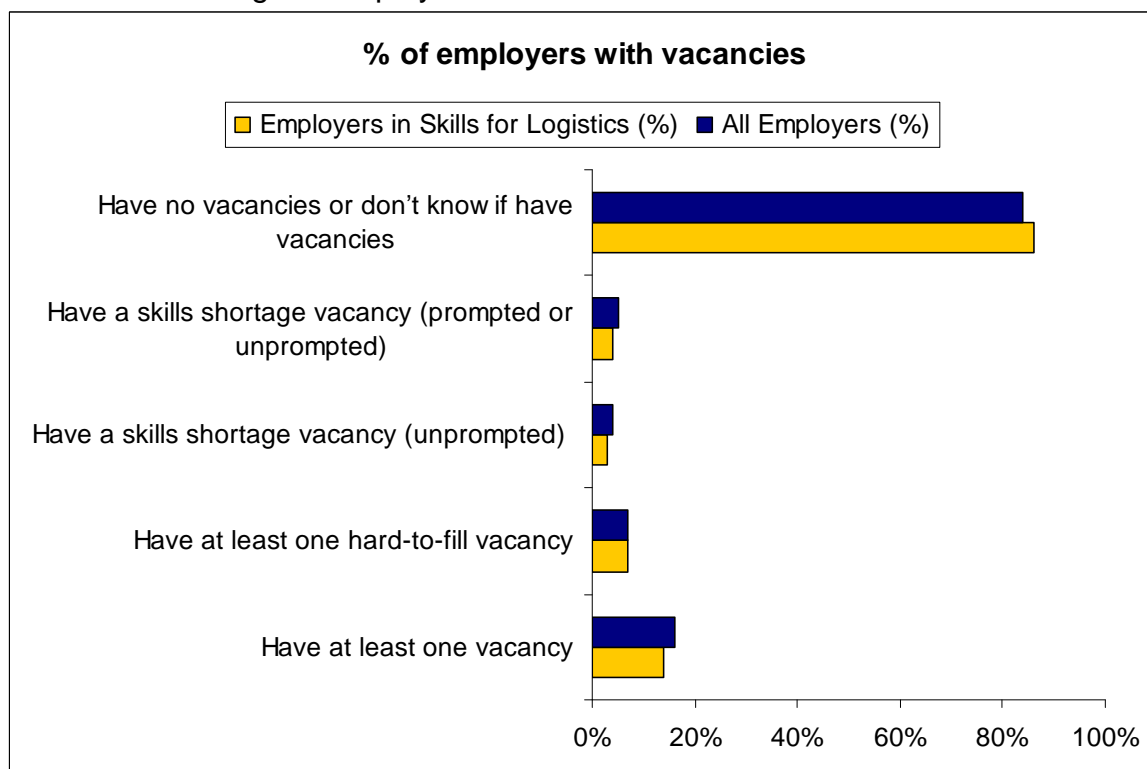
Table 5: Skills Gaps

Formal assessment of whether individual employees have gaps in their skills		
	Employers in Skills for Logistics	All Employers
Yes	52%	54%
No	45%	44%
Don't know	3%	2%

Source: National Employer Skills Survey, 2005

Skilled-trades people showed the highest incidence of skills gaps (47%) with machine operatives at 21% being the second highest. Lack of experience, or being new to job was the major factor cited amongst employees in the East of England.

Chart 1: Percentage of employers with vacancies

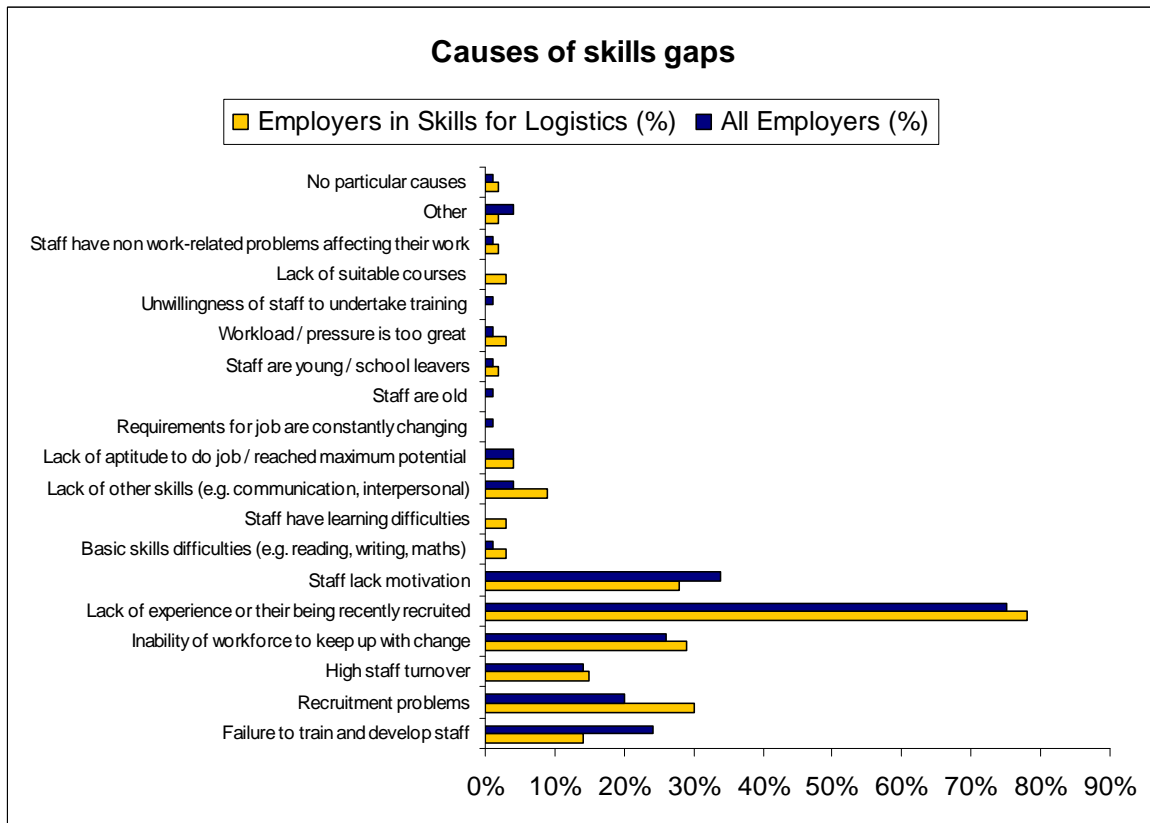


Source: National Employer Skills Survey, 2005

<sup>9</sup> a lack of suitably skilled people in the labour market

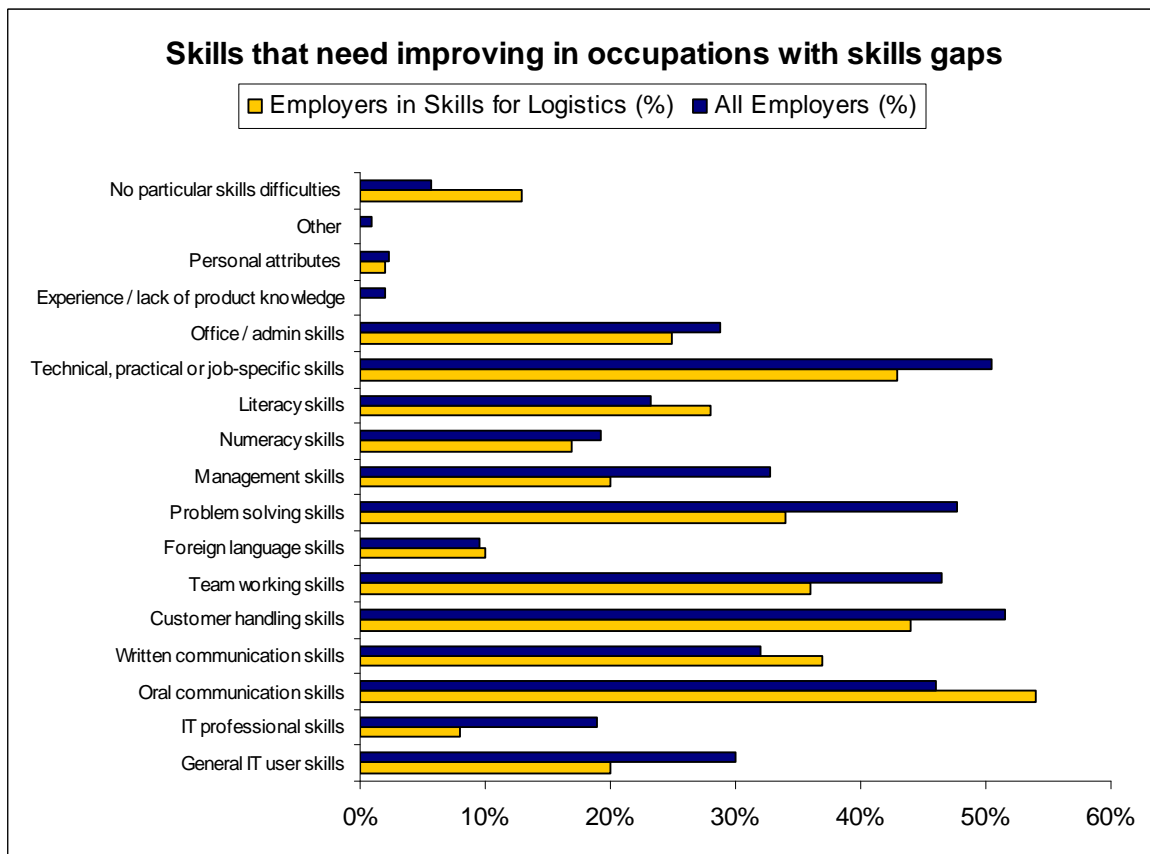
<sup>10</sup> skills deficiencies in the existing workforce

Chart 2: Causes of skills gaps



Source: National Employer Skills Survey, 2005

Chart 3: Skills that need improving in occupations with skills gaps



Source: National Employer Skills Survey, 2005

## Employment Forecasts

It is widely acknowledged that there is a shortage of goods vehicle drivers and this is expected to grow as a result of the EU Working Time Directive<sup>11</sup>. Estimates vary as to the annual additional requirement for drivers however some estimates suggest a UK shortage of almost 50,000.

Other factors of concern to the industry in Suffolk include

- a shortage of dock-workers
- lack of management skills – the sector has difficulty in attracting staff at degree level
- an increased need for written and oral communication skills
- a workforce with a high proportion (around 45%) of the workforce over 40 And this reflects growing concerns of future workforce supply for the sector.

Employment predictions<sup>12</sup> suggest a strong increase in management roles in the East of England. This reflects the changing nature of the sector with increased focus on customer management skills, communication and technological advances.

There is also a predicated increase in administrative and clerical roles.

The same source also predicts a growth in the number of women working in the sector within the East of England, from around 23% at present to nearer 35% in 2014.

According to Working Futures, over 50,000 jobs will be created in the distribution and transport sector between 2004 and 2014, with the largest source of employment growth in the retail distribution sector- with an additional 35,000 jobs.

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<sup>11</sup> Gateways: Baseline Sector Study, Anglia Polytechnic University, (2004)

<sup>12</sup> Working Futures 2 ( Regional Estimates)

**Supply Data**  
**LSC Funded WBL Provision**

Table 8: LSC funded WBL provision

	Average in Learning		
	Retail(Warehouse/Distribution) and Engineering & Manufacturing (Transport Ops and Maintenance)		
Programme Group	2004/5	2005/6	2006/7
Advanced Apprenticeship	84	75	65
Apprenticeship	133	121	149

Source: Sharepoint WBL V14

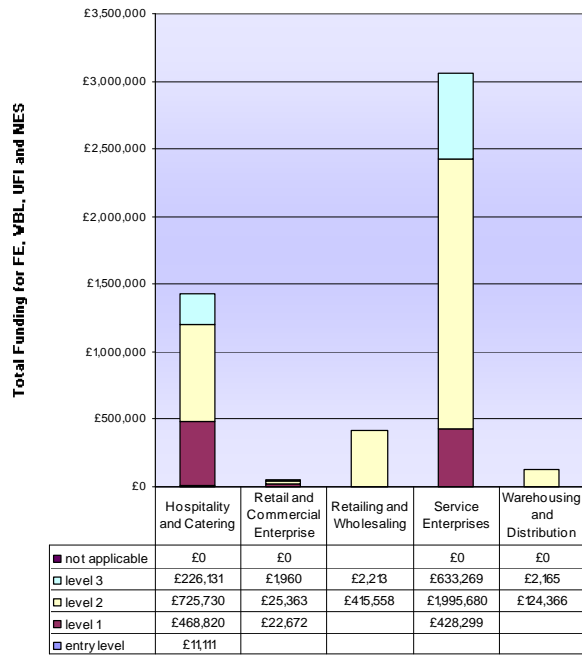
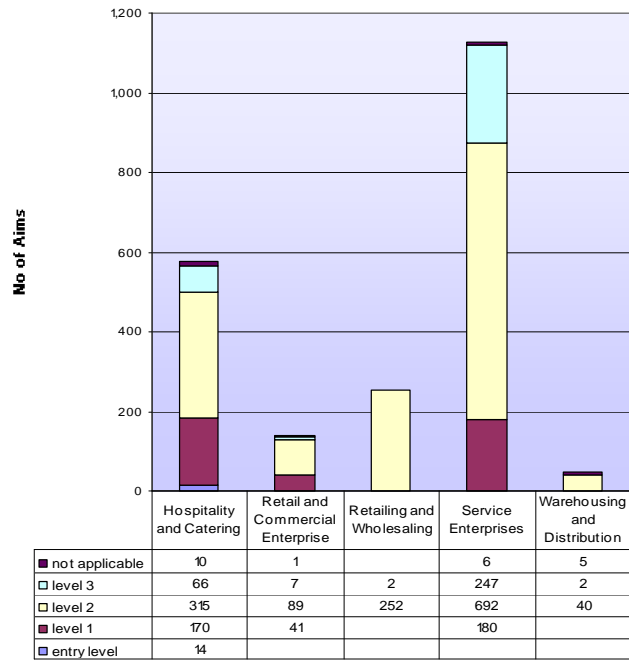
**Train to Gain**

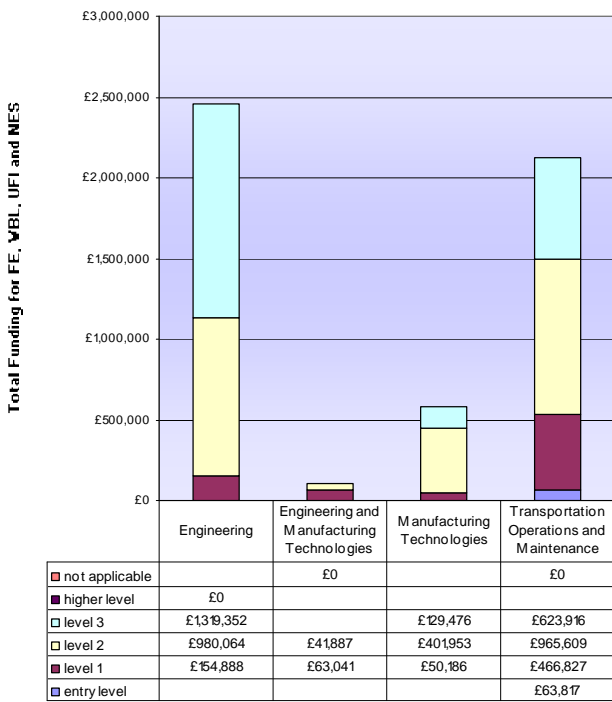
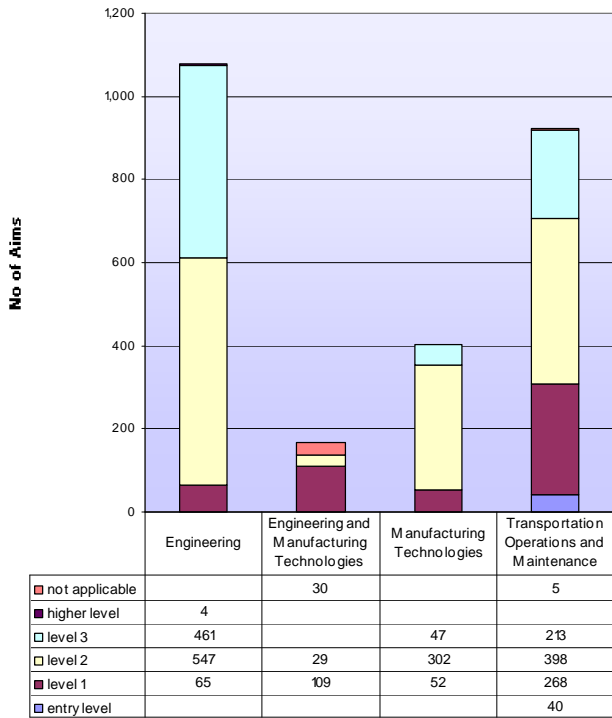
A total of 9 starts have been achieved for Logistics

Source: Sharepoint P12 (06/07 starts)

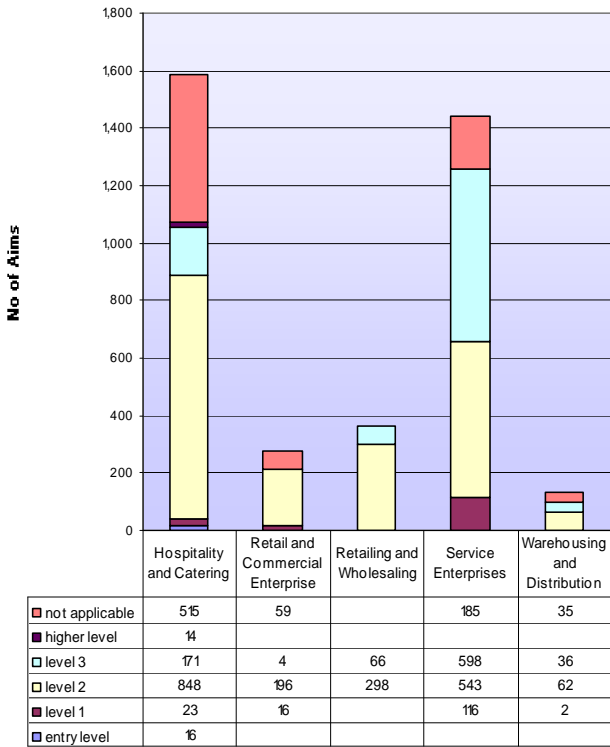
**FE provision 16-18**

2005/2006

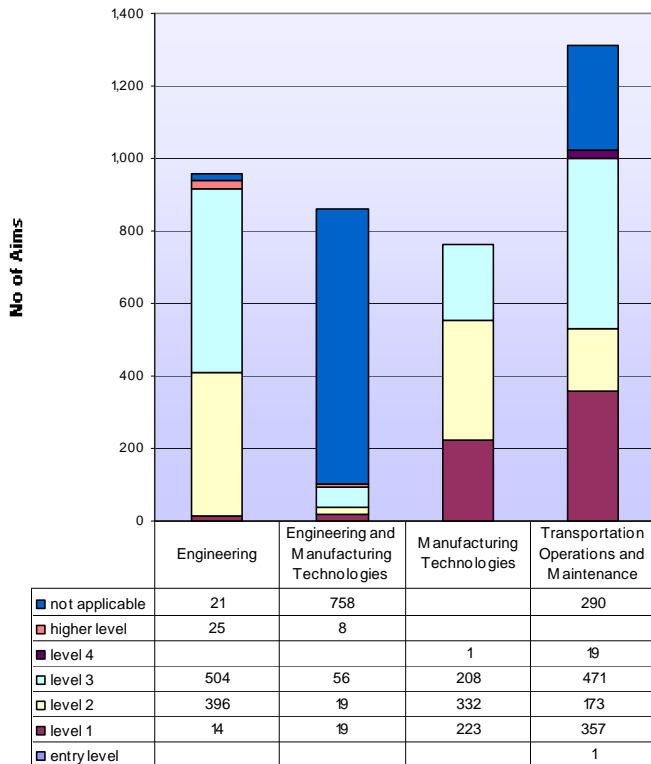
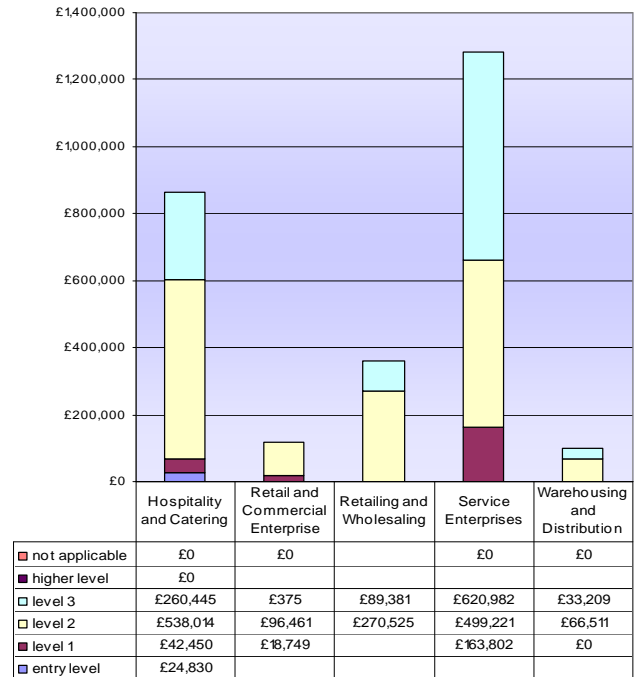




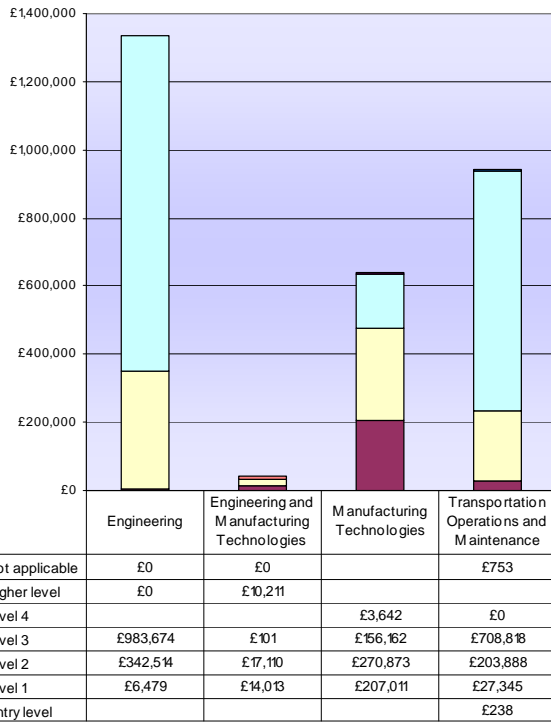
# FE provision 19+ 2005/2006



Total Funding for FE, VBL, UFI and NES



Total Funding for FE, VBL, UFI and NES



## Key Findings and Conclusions

There is intense competition in a highly price sensitive market (not only from competing UK ports but also from the Channel Tunnel and European ports).

This high volume/low margin industry needs to be increasingly reactive to customer's time-sensitive demands. The sector needs to meet the need for lean, effective supply chains that keep costs down yet maintain customer choice and satisfaction, maximise access to new markets, to service the demand for all year round product availability, whilst respecting the highest possible safety and environmental standards, and maximising the use of assets and drivers.

These challenges demand new and/or improved skill sets, such as:

- Sales and negotiation
- Fuel management
- People management, interpersonal and team working
- Customer service skills
- Knowledge of legislation and environmental change
- Analytical and data skills
- IT skills
- Improved communication skills (oral and written)

A growing shortage of qualified HGV drivers in the UK shows no sign of slowing down, unless steps are taken to dramatically expand training and recruitment programmes. The number of drivers is declining just as general logistics business is growing.

Road congestion is affecting route and delivery planning and this has a knock-on effect on employees and skills as employers need to consolidate loads, improve driver skills, use larger vehicles, and increase route planning efficiency.

## Recommended Priorities for Workforce Development

The Sector needs to:

- Acknowledge the need to change skills sets to meet the demands of the sector in the 21<sup>st</sup> century
- Improve management skills – the sector needs new methods of management where direct supervision is not possible, and encourage succession planning
- Invest in training and development and establish career progression routes
- Promote the sector as a career of choice – and target young people, women and under-represented groups. With changing work patterns and technological innovation, the traditional stereotypes of employees in the sector are no longer valid. Work in partnership with schools, colleges, and universities to promote the wide range of career options within the sector.
- Use technological changes as an opportunity to encourage literacy, numeracy and IT training in the sector (Increasing sophistication of logistics systems is leading to requirement for better numeracy and literacy skills)
- Focus on increasing L2 qualifications through Train to Gain and Skills Pledge
- Provide flexible provision to meet needs of 'mobile' and shift workers
- Focus on retention of the existing workforce through effective people management practices, and reduce high staff turnover levels
- Improve supply of information on available training
- Work in partnership with Sector Skills Council and Sector partnerships (such as Haven Gateway partnership).

## Appendix

Definition of Sector		
Sector Skills Council	Sector activity	SIC Codes - Description
Skills for Logistics <a href="http://www.skillsforlogistics.org">www.skillsforlogistics.org</a>	Freight transport by road	6024
	Storage and warehousing	631
	Activities of other transport agencies	634
	Courier services	641
	Sea and coastal water transport	

Source: The Sector Skills Almanac UK 2007 (Skills for Business)

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