



The Voice of The UK Logistics Industry

# Labour Intensive



**UKWA Logistics Users Group**  
Round Table Report

**On the morning of UKWA's Annual Parliamentary Luncheon at the House of Lords, leading members of the Association's Logistics Users group gathered along with selected logistics service providers to discuss the major issues currently facing the industry. Brexit apart, dominating the conversation was the looming labour crisis, which according to delegates has further intensified over the last year...**



Welcoming all delegates to One Great George Street, UKWA CEO Peter Ward said that the remit of the Association had expanded as preparations for Brexit has driven increased levels of engagement with the government.

UKWA has taken a prominent role in voicing the views and concerns of the industry, he added, notably feeding into the Cross-Government Border Delivery Group and logistics steering committee.

Round Table discussion topics ranged from the likely effects of supply chain interruption and shortage of warehousing space to the cost-to-serve sustainability of online order fulfilment, but initially focused on the rapidly escalating problem of labour.

### **Labour shortage a looming crisis**

All the retailers expressed similar experience in struggling

to recruit and retain workers, but the picture is complex with different pressures exacerbating the situation, not least the 'Brexodus' of Eastern Europeans and the disinclination of young British workers to put in the hours.

Dan Curran of Debenhams raised the issue of pay, noting that Amazon's announcement of wage increases is likely to ripple through the industry. Agreeing, Robert Redmile of Dixons Carphone admitted to real wage pressures, particularly in the South. "We're OK in the North, but in the South, people join us, but then they just leave," he said.

Simply increasing pay is not the answer, argued Ben Farrell of John Lewis Partnership, who said that his company needs up to 1000 extra workers in key sites at peak season and is working hard to build more sophisticated relationships with its temporary staff, based on more than just pay levels. ↻



Simply increasing pay is not the answer



Ben Farrell, John Lewis

This led neatly into a discussion about 'Generation X', those young people joining the workforce, perhaps for the first time, with an entirely different work ethic from their predecessors. 'Generation X' put work-life balance as top priority and are simply not prepared to work long hours for relatively low pay.

"Young British workers aren't interested in working full weeks or long shifts - so we offer a 'choose your own hours' option, which works for them and to some

commitment to work retire but young talent is not coming through. "They simply don't have the same lifestyle expectations as previous generations," he said.

Keith Forster explained that Boughey Distribution had introduced a multiple shift pattern to broaden appeal to younger workers and found that workers proved more amenable to overtime if their work schedule meant 3 days off - "flexibility definitely attracts younger workers," he said.



degree for us, after all we have customers who want deliveries at all hours of the day," Robert Redmile explained.

Tom Williams of Maritime Transport said that reduced shifts had meant losing productivity where younger drivers won't work the hours needed. He added that exit interviews revealed reasons for staff moving were often lifestyle related, "They don't like the long hours, they often have young families and want to live nearer to home and spend more time with the kids," Tom said.

Pentland Group's Global Logistics Director Chris Warn observed that succession planning is also becoming more difficult as older workers with a strong

### **The 'Brexodus' effect**

Import Services have found Eastern European labour to be a pool of bright, talented people prepared to work hard, according to Mike Thomas. "It's increasingly hard to find the extra talent we need as the company grows," he told the group. "The number of immigrant workers has dropped to around 60% currently from 85% last year. We have undoubtedly suffered the 'Brexodus' effect. While some immigrant workers have settled here and are staying, we have seen a drop in productivity as many leave, which we deem to be a result of there now being a greater proportion of British workers at a warehouse operative level, who are not as productive as their Eastern European counterparts."



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Mike Thomas, Import Services

Picking up on Mike's point and similar comments from Jack Wills' Tim Allinson and Chris Williams of Denby Pottery, Peter Ward said that the government had 'got it completely wrong' on immigration. "Clearly there needs to be control on immigration, but we must make it clear that the logistics industry depends on immigrant workers - it's not just about healthcare and construction! Accordingly, we are working with the CBI and REC (Recruitment & Employment Commission) to get the message across to government that our industry needs low-level, low-skilled workers. Work permits for level 5 educated employees on salaries over £30k will simply not help our sector."

### **Training: Investment or Cost?**

The question of training home-grown talent and investing in Apprenticeships was considered next. Broadly, the Apprenticeship Levy was seen as flawed, particularly by larger companies who felt the levy was no more than a stealth tax. ➔

Those retailers who were investing in Apprenticeships reported that these were being offered on the trading side of the business rather than in logistics, although Tim Allinson said Jack Wills had used the Apprenticeship Levy as part of making the company an attractive place to work.

Some, including John Lewis, said they undertook their own training, others said that it took too long to recoup the investment or that it was pointless as workers often left after their training.

Peter Ward highlighted the Warehouse Manager and Warehouse Supervisor CPC courses offered by UKWA and said that UKWA had tried to drive forward a 'passport' scheme for warehouse workers. He explained that the scheme would provide basic induction training by an independently accredited body, which would issue the equivalent of the construction industry's CIS card to certify workers fit to work in the industry. Peter suggested this would address the problem of wasted hours spent in repeated induction training of temporary or agency staff each time they moved to a different company.

On retraining, Peter said, "As retailers move to online sales and close high street stores, many shop workers are finding themselves without a job. On the other side of the equation more labour is required to fulfil online orders. Clearly, this imbalance should drive retraining initiatives, enabling staff working in traditional retail roles to migrate across to efulfilment and potentially helping mitigate the labour crisis in logistics. Retraining is high on the UKWA agenda."

It was noted that while robotics and automation were not a panacea for the labour



crisis, their wider use would drive a need for retraining and upskilling staff. As Craig Moore of DP World London Gateway pointed out, "The future looks to be more automated, including warehouses, platooning and ports, so it's more difficult to attract younger people in to jobs that might not be there in the future. We need to up-skill our current work forces to embrace technology and automation, thus making supply chain jobs more appealing."

Young people thinking about becoming crane drivers, for example, may well fear that such a role will not exist as automation takes over – but the crane drivers of today will be the technicians of tomorrow.

Ben Farrell of John Lewis Partnership agreed. "Clearly we require fewer people to work in the high street and the world has moved on from the outdated 'dusty' image of a warehouse," he said. "The nature of employment is fundamentally changing. The new world is fulfilment and the ways in which we operated in the past are not fit for purpose for the future." ➔



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Craig Moore,  
DP World London Gateway.

**High street vs online:  
Cost to serve**

As the move from high street to online sales shows no sign of slowing, is cost-to-serve fully understood and under control or are retailers engaged in a race to the bottom at whatever cost, Peter Ward wondered.

Ben Farrell said that for John Lewis, sales were growing, but profits were down. "We're on the horns of a dilemma," he commented. "It's more expensive to make a sale online, so we're trying to drive customers back to the high street - we put an ice rink on top of our Oxford Street store, for example - and are offering next day delivery - it's about sharing the costs with consumers."

Speaking for Mamas & Papas, Heather Ellis suggested that retailers have themselves created the problem of online costs by offering ever shorter delivery times and later cut off deadlines to customers. Now they can't fulfil their promises because they can't get the staff, she said.

Robert Redmile of Dixons Carphone responded that he sees retailers are increasingly pulling back from unrealistic delivery times. "Previously, 85% of our online sales were for next day delivery in the UK, but we couldn't

sustain it and were failing our customers. Consequently, we have rowed back from that and now we impose 7pm closure on order taking," he said.

"We want to offer our customers everything, but we can't. Now we've changed our route to market, our customer service rating has improved as result. It's not about promising everything and failing, but about certainty of delivery - that's what customers really want."

The Wine Society is seeing demand for shorter delivery cycles, Tim Grist reported, despite their customer demographic of 80% male with an average age of 59. "They're not Generation X, but they are influenced by retail practices elsewhere. I'd say online has blurred the lines between 'distress' and 'non-distress' purchases."



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Tim Grist, The Wine Society

Chris Williams acknowledged that Denby is unable to match the next day delivery offering of the big retailers but reflected that their customers don't need it anyway. Speed is less important than goods arriving safely, undamaged and in the expected timeframe, he said.

Chris Williams added that Amazon and ASOS were still setting the bar unbelievably high and that retailers would have to find other ways to compete. "Otherwise, we're moving towards a situation where the consumer choice is between Amazon and everywhere else," he warned.

Dan Curran noted that while three quarters of high street retailers were struggling, online retailers were struggling too. He added that there is a big issue with banks not backing retailers, which he said is adding to the pressures.

"There has definitely been a change in the banks' attitude to retailers; they are starting to pull out of the high street, forcing short termism on retailers," Dan remarked, "The banks should be supporting the British retail industry, but they're not doing so."

Dan reported that Debenhams have already announced a warehouse closure, while Paul Burns said M&S were downsizing their network and reducing stock, in part due to what he called the 'collision' of online vs instore. According to Paul, the two streams not being joined up has resulted in overstocking, hence the move to streamline - to do anything else flies in the face of being lean, he stated. ➡





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Mike Thomas, Import Services

Paul went on to challenge the 3PLs, asking for better support and more innovation in tackling the fulfilment and delivery challenges.

For their part, Dixons Carphone are increasing their footprint, Robert Redmile said; they have increased the number of depots in their network to cope with final mile deliveries and reduce trunking costs.

There was some debate around more collaboration in distribution, it was noted that retailers were mostly serving

the same locations, used the same ports and modes of transport, and that better rates could be achieved by consolidation within supply chains.

Keith Forster from Boughey responded, saying that logistics 3PLs already offer this on a shared service principle, but added that problems included customers' different requirements, agendas and different delivery times, with 3PLs left to sort it all out.

"We need to defend our profit margins, but we are happy to work with retailers and share trunking routes," he said.

Mike Thomas observed that there are 'pretty good things going on, where it makes sense' in this area. He said 3PLs should amplify communication, "Niche retail logistics companies must offer much more than a rigid contract logistics model; clearly there is a need to articulate this and the flexibility on offer through collaborative shared-user services.

This is a huge opportunity in our fast-moving sector for innovative thinking now and for 3PL companies to step up to provide valuable supply chain IT combined with necessary agile services," he remarked.

### **The 'elephant in the room'**

Finally, the conversation turned to Brexit and the likely impact on supply chains. Peter Ward stated that UKWA

expected some degree of supply chain interruption, whatever the outcome of Brexit. His expectation is that British industry will move to mitigate this by holding more stock close to markets. Indeed, he said, members were already reporting an upsurge in demand for warehousing space.

Peter welcomed the news of rising demand for warehousing but highlighted the severe shortage of high-quality fit for purpose facilities of the right size, located in the right place. Additional fully functional warehousing space cannot be built overnight, he pointed out, even if development land were available.

"We are an under-warehoused country, with archaic planning policies, which we hope to get changed," he said. "Even where brownfield sites near to populations and close to the national grid have been identified, the waiting list to connect to power runs to months."

According to Tim Grist, The Wine Society plans to hold more stock - in outsourced storage space - and would be working closely with suppliers in Europe and freight forwarders to prepare for potential delays at the ports. ↻



The Voice of The UK Logistics Industry

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Craig Moore of DP World London Gateway said the port was seeing a shift to deep sea by customers seeking to avoid customs delays, while Tom Williams of Maritime Transport revealed that a major customer was already transitioning to ship through regional ports to escape congestion at Dover.

Jack Wills is looking to bring stock into the UK through different ports too, as 40% of its stock comes into the UK by road from Portugal. "We can't afford delays and neither can we afford to hold high levels of stock," Tim Allinson said.

Dan Curran agreed, saying the banks won't fund extra stock in any case.

Mike Thomas reported that stockpiling is manifest in Import Services' retailer customer base, so much so that the company now operates 6 sites. "We're doing things we wouldn't have seen before - such as collaborating with other 3PLs and retailers over space. UKWA's MarketSpace portal, which helps companies find space, is very relevant right now."

Fresh food can't be stockpiled, Peter Ward pointed out. Ro/ro ports such as Dover do not have adequate inspection facilities and therefore are unable to complete food inspections within port boundaries, as is the case for Rest of World food imports. A change of legislation may be required to allow for inland inspections, and to encompass inland customs clearance depots, he suggested.

Peter added that UKWA had already approached selected members to gauge appetite for adapting warehousing to accommodate inspection facilities and to date



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Tim Allinson, Jack Wills

had met with positive response that he would convey to government.

It was clear that retailers had a shared concern about continued uncertainty around Brexit and were frustrated by the apparent failure to understand the likely impact on supply chains.

"A new car park, a couple of burger vans and some portaloos down the M20 won't cut it," Tim Allinson observed. "We need to get across that Brexit will have immediate consequences for us and make the details and practicalities understood."

Concluding, Peter Ward said he had been impressed by the level of engagement between the government and the leading trade associations.

"The government is listening," he said. "Our role now is to work together to communicate the challenges for our industry to policy members and provide constructive support in developing practicable solutions for managing the uncertainty ahead."

My thanks go to our Logistics User Group for providing a valuable sounding board, context and evidence for the key issues, and for allowing us to represent their collective views as the voice of the industry." ■

#### Delegates:

**Peter Ward**  
UKWA

**Dan Curran**  
Debenhams

**Ben Farrell**  
John Lewis

**Chris Warn**  
Pentland Group

**Paul Burns**  
M & S

**Heather Ellis**  
Mamas and Papas

**Chris Williams**  
Denby Pottery

**Robert Redmile**  
Dixons Carphone

**Tim Allinson**  
Jack Wills

**Tim Grist**  
The Wine Society

**Neil Bowker**  
Bowker Group

**Graeme Undy**  
Stobart Group

**Mike Thomas**  
Import Services

**Craig Moore**  
DP World London Gateway

**Tom Williams**  
Maritime Transport

**Keith Forster**  
Boughey Distribution

**Logistics Users**  
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