GLAECONOMICS

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London's logistics sector

By **Spencer Thompson**

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GLA Economics provides expert advice and analysis on London's economy and the economic issues facing the capital. Data and analysis from GLA Economics form a basis for the policy and investment decisions facing the Mayor of London and the GLA group. The unit is funded by the Greater London Authority, Transport for London and the London Development Agency.

Contents

Introduction

This report provides a descriptive overview of the logistics sector and its importance to the London economy. Logistics refers to the management of the flow of goods and other resources between the point of origin and the point of consumption in order to meet the requirements of consumers. Although a relatively small direct employer within the London economy, an efficient logistics sector is essential to supporting the wider London economy and is required to sustain future economic and demographic growth within and around London.

Developments in legislation (eg, the Low Emission Zone), logistics practice (eg, greater use of Light Goods Vehicles; use of consolidation centres) and customer requirements (eg, just-in-time deliveries; internet shopping) have all impacted on how the logistics sector is structured and performs.

Within the London Plan, Policy 3B.4 underscores the need to make provision for logistics functions serving the city. The London Plan also emphasises the interrelationships with neighbouring regions and the need for a coordinated approach to logistics provision across the wider South East region[1].

Building on the directions of the London Plan, this report seeks to provide a better understanding of the logistics sector to London and the types of jobs that are generated, both directly and indirectly, by the sector. It is intended to support policy development relating to logistics, particularly for the GLA Group as well as boroughs and other stakeholders. The report also aims to ensure that the specific characteristics of the logistics sector in London are identified, particularly given the unique needs of London as the UK's largest city and its role within the global economy.

There are a number of important activities happening that will impact on the logistics sector including:

- The approval of London Gateway, DP World's proposal for a Deep Sea container Port alongside Europe's largest logistic park in the Thames Estuary just over the border of London in Thurrock;
- Proposed new rail-freight handling terminals in the Greater South East. Locations include Howbury Park in Bexley, recently approved at inquiry, and Radlett in St Albans, where plans were refused by the local authority but have recently been resubmitted;
- Interest by operators in using land at London Riverside for rail-based freight and associated logistics including the potential to deliver a high speed rail freight facility linked to High Speed 1 (Channel Tunnel Rail Link (CTRL));

[1] Mayor of London (2008) 'The London Plan (Consolidated with alterations since 2004)', GLA, Policy 1.2, paragraph 1.20 and Policy 5H.1

- The emergence and mainstreaming of new ways of operating by major logistics companies and customers (increased use of IT, use of the river for freight, focus on sustainable movement of goods including the use of electric vehicles by business); and
- The focus on freight and logistics as a central part of the south east economy by the London, South East and East of England Development Agencies.

Although a variety of previous studies about the logistics sector exist they are often sponsored by the sector and do not always focus specifically on London. The quality of information is variable and is difficult for policy makers to gain any clear understanding of the existing and future trends of the industry.

This report seeks to inform a better understanding of the role of the logistic sector within the wider economy (particularly in relation to proposals being led by the LDA to promote the Thames Gateway as a location for "green" jobs within which logistics could play a large role).

The report will explore how the sector operates in London compared with the rest of the UK, the geographic extent of logistics jobs across London, the nature of logistics businesses (size, occupations, qualifications, skill requirements, labour market) as well as specifically covering the sectors contribution to GVA and employment in London.

Logistics activity in London

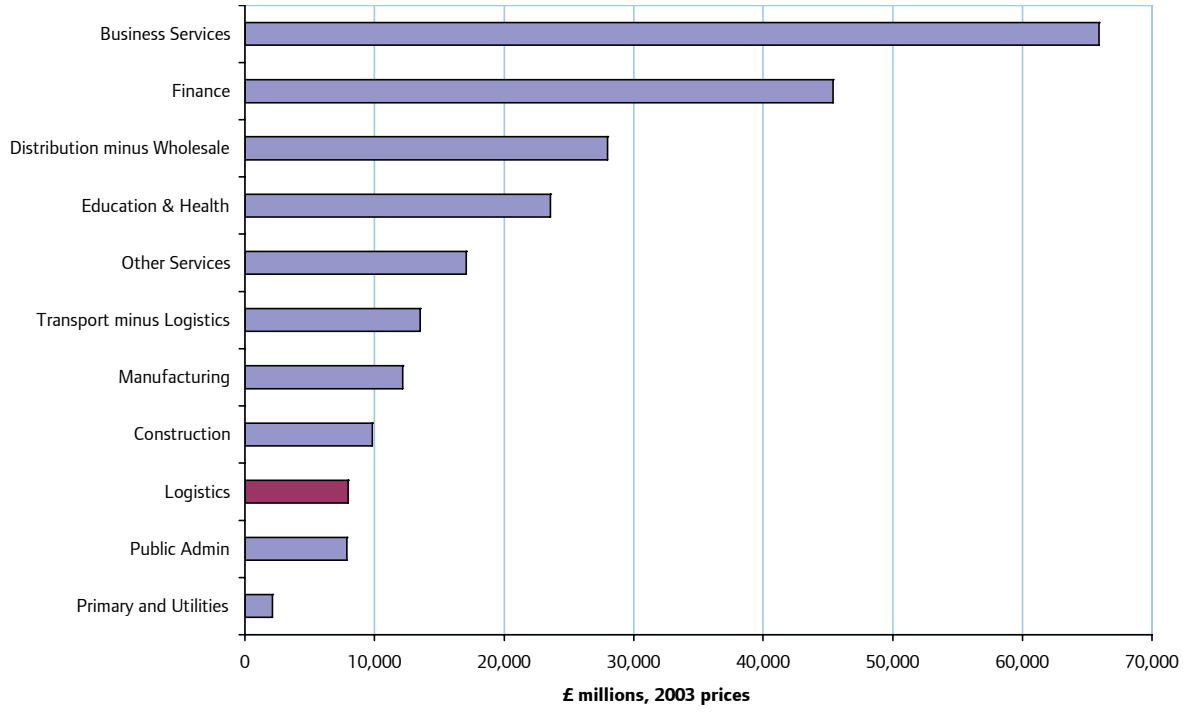
Logistics output and employment in London

This section looks at the size of the logistics sector in terms of output and employment in order to show the significance of logistics to London's economy.

Current position

The London logistics sector's annual output, measured by gross value added (GVA), is £8 billion, or 3.4 per cent of London's output (see Figure 1.1). Combining this figure with the output of those workers performing logistics functions in other industries gives £8.8 billion.

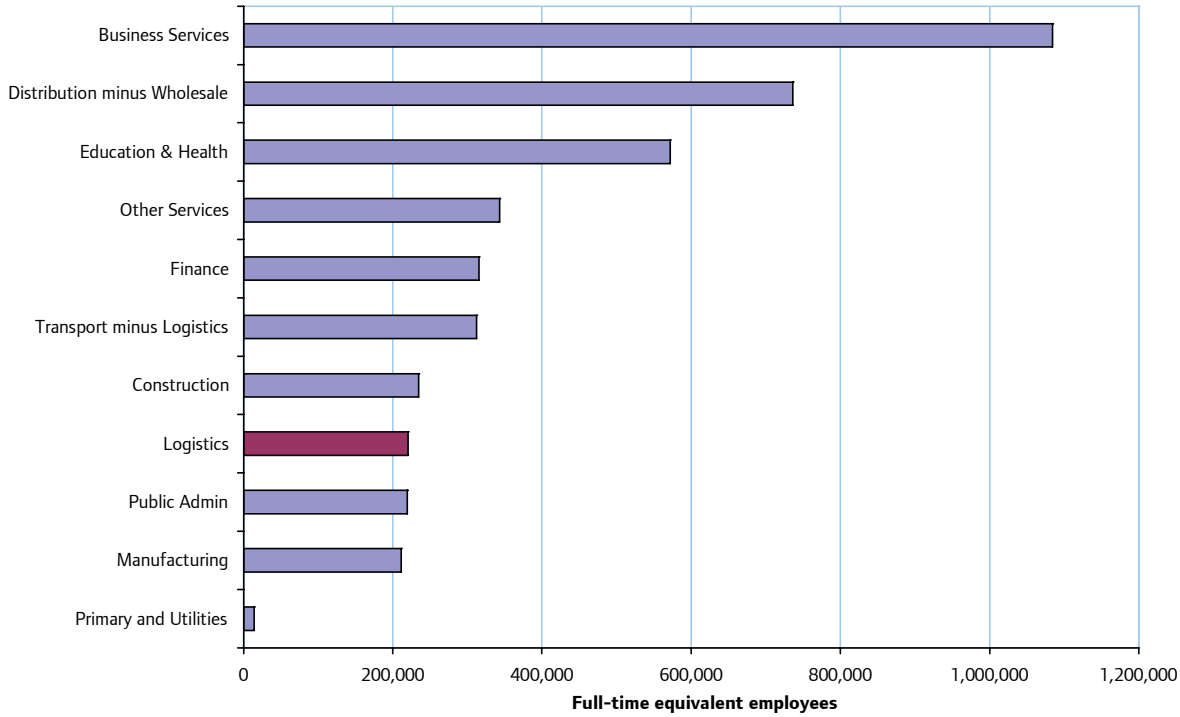
Figure 1.1: Logistics output in 2007



Source: Experian Business Strategies (2009) & Inter-Departmental Business Register (ONS crown copyright)

There are approximately 221,000 full-time equivalent employees working in the London logistics sector (see Figure 1.2). That is 5.2 per cent of all London's employees.

Figure 1.2: Logistics employment in 2007



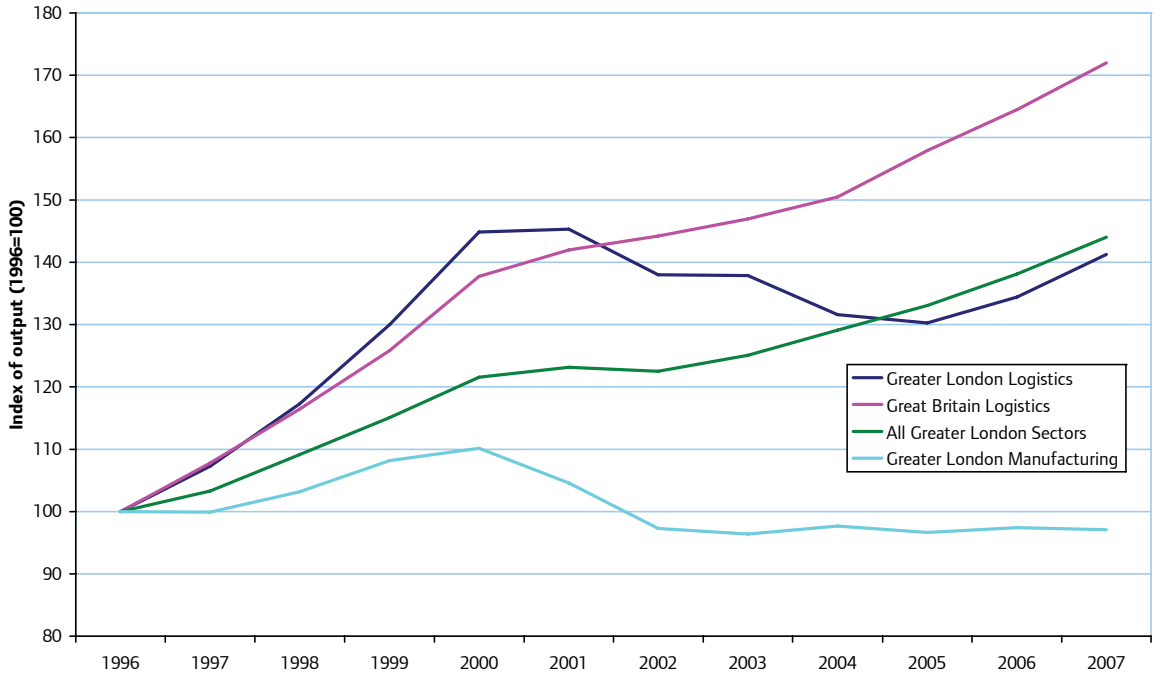
Source: Experian Business Strategies (2009) & Inter-Departmental Business Register (ONS crown copyright)

Past performance

This section looks at the change in the London logistics sector's output and employment over time to assess how its significance to London's economy has changed.

London's logistics sector grew by 41 per cent between 1996 and 2007 (see Figure 1.3). In the last years of the 1990s, London's logistics output grew faster than the national sector. Starting in 2001, London's logistics output fell or grew little for a number of years and had not recovered its 2000 level by 2007, the last year for which we have data. The sector's output grew at a slower rate over the period than both London's economy and Great Britain's logistics sector, but had strong growth when compared to London's manufacturing sector.

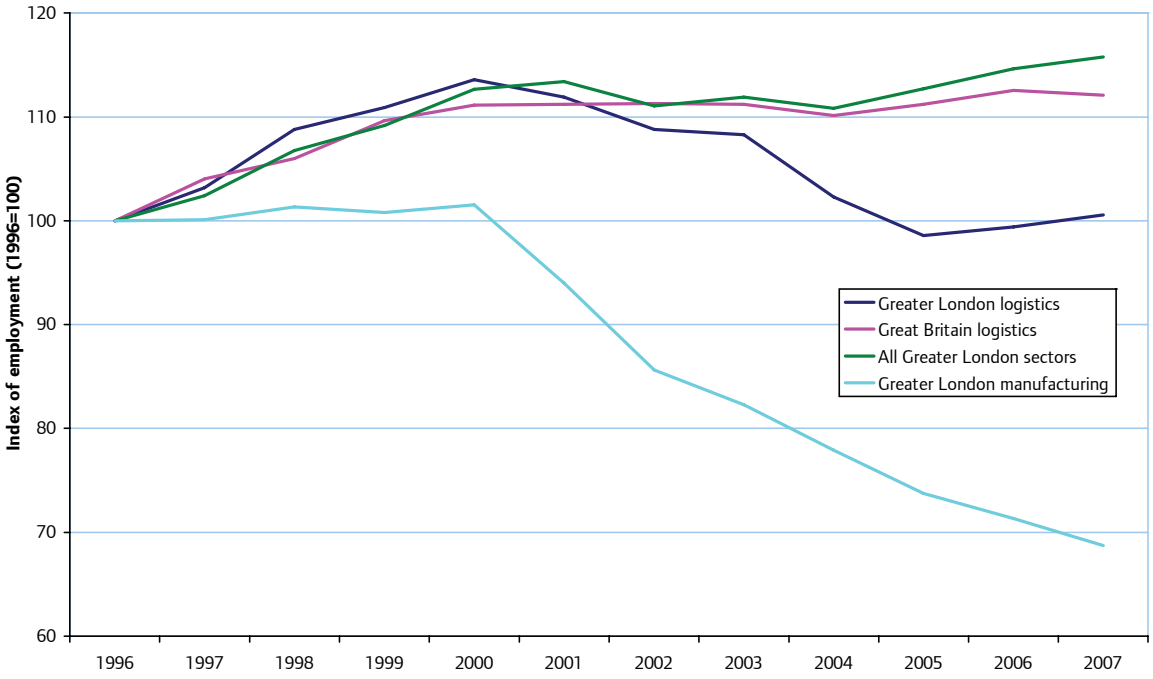
Figure 1.3: Logistics output (1996-2007)



Source: Experian Business Strategies (2009) & Inter-Departmental Business Register (ONS crown copyright)

From 1996-2000 the number of logistics employees in London grew by 14 per cent but by 2007 was at approximately the same level as in 1996 (see Figure 1.4), whilst employee numbers in London as a whole and the Great Britain logistics sector grew over this period. Manufacturing in London experienced a decline in employees, falling to 69 per cent of their 1996 level in 2007.

Figure 1.4: Logistics full-time equivalent employees (1996-2007)



Source: Experian Business Strategies (2009) & Inter-Departmental Business Register (ONS crown copyright)

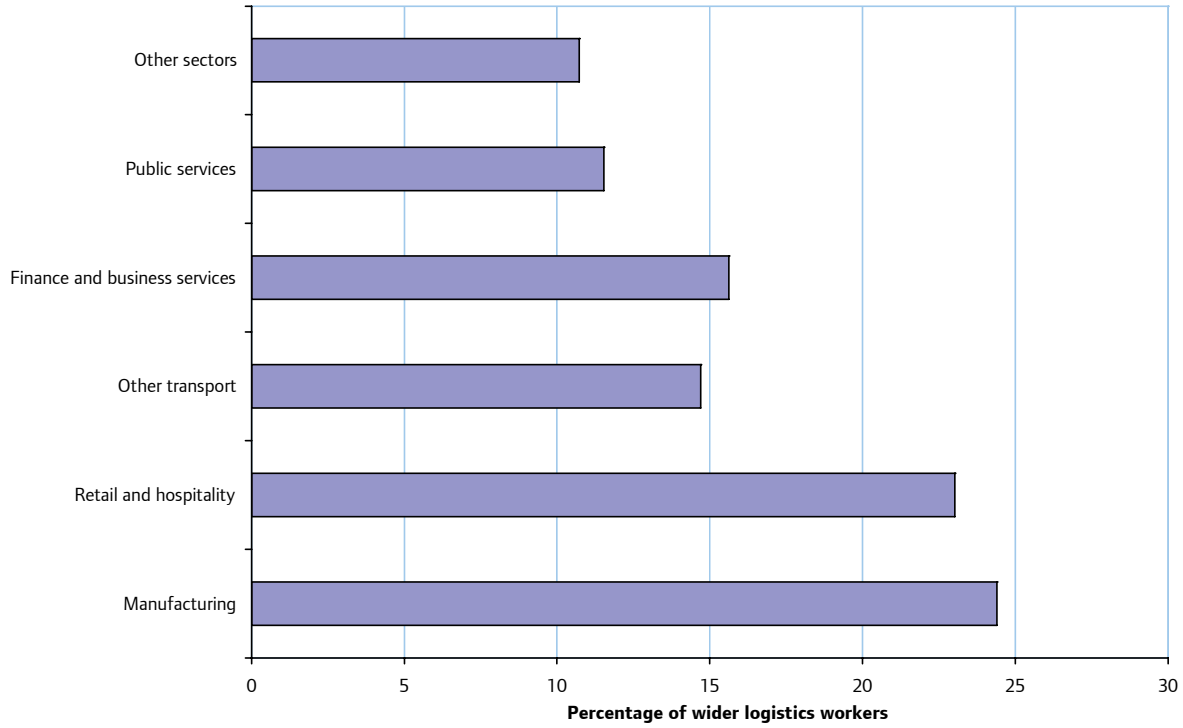
Increasing efficiencies in the London logistics sector may be driving this downward trend in employee numbers, with fewer workers needed to produce a higher level of output in 2007 relative to 1998. Data from the London Annual Business Survey (LABS) for 2007 shows that approximately 28 per cent of logistics businesses experienced an increase in productivity although this is lower than the 33 per cent of all London businesses[2]. The reduction in employee numbers could also reflect business relocation from within the Greater London boundary to outside it. Data from the ONS shows that the number of workplaces in the London logistics sector declined by 14 per cent between 1998 and 2007. Anecdotal evidence from those in the sector suggests that high land prices in Greater London have forced out those firms who cannot justify the increased cost[3]. It is likely the above data does not fully capture these longer-term shifts in the logistics sector as it focuses on the short period of a decade. Data from Experian Business Strategies suggests that between 1982 and 2007 the share of London employees in the broader transport and distribution sector fell by a quarter.

[2] LABS (2007) London Development Agency
[3] Correspondence with Transport for London Freight Unit

Indirect employment

Figure 1.5 looks at workers in logistics occupations but working in industries other than logistics. There are approximately 85,000 employees who fit into this category. Of these almost half work in retail, hospitality and manufacturing.

Figure 1.5: Logistics workers in other industries, 2007



Source: GLA economics calculations using Annual Population Survey (ONS Crown Copyright)

To conclude this section, the latest data shows that logistics accounts for 3.4 per cent of London's output and 5.2 per cent of its employees. In the last decade logistics employment in London remained stable whilst economic output in the sector grew. This may imply the sector has experienced an increase in productivity with fewer workers producing a larger amount of output.

The nature of London's logistics sector

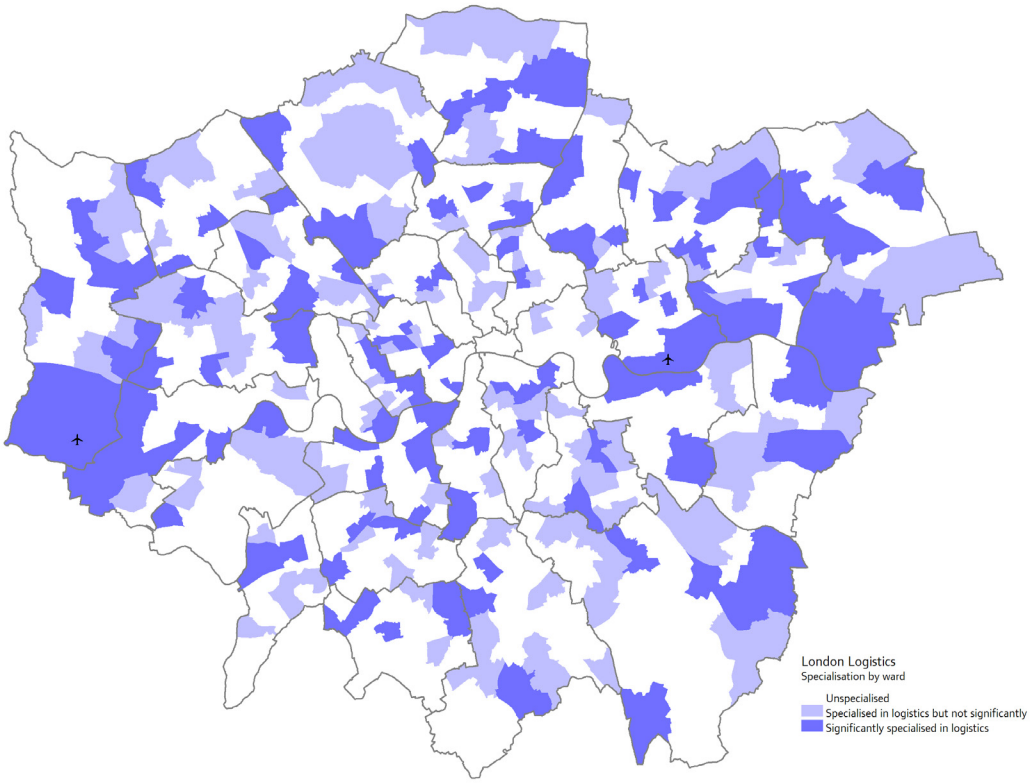
Geographical distribution of London's logistics sector

Businesses that perform a similar function tend to agglomerate in specific locations within an economy. An index of specialisation can be used to analyse their geographical distribution, which compares the proportion of employees that work in an industry at a regional level to the same proportion in all regions. If the ratio of the two is greater than one, then that activity is relatively more concentrated in that region than in all regions[4]. In some small regions with a low total employment but some logistics employment the index of specialisation will be large. Tests can be performed to account for this and divide out those regions with an index significantly greater than one from those with an index greater than one but not significantly so, as described in Guimaraes et. al (2008).

Map 1.1 shows which London wards specialise in logistics activity. It divides wards into three categories. Firstly those whose logistics index of specialisation is less than one, so are unspecialised in the sector, are coloured white. Those whose index is larger than one but, when subjected to a test of statistical significance, proved to be insignificantly greater are coloured light blue. We can only say with confidence the sector is located in these wards to the same extent as in Greater London as a whole. Finally those whose index is significantly greater than one are coloured in dark blue. Map 1.1 shows several areas in which logistics employees are concentrated. The area surrounding Heathrow airport in west London is significant, with large parts of Hillingdon and Hounslow having a concentration greater than 3.5 times that of London as a whole. The rest of these boroughs and nearby Ealing and Brent also appear to be more concentrated than London as a whole.

[4] Index of specialisation = (Proportion of region workers in industry x/Total number of workers in region)/(Proportion of all region workers in industry x/Total number of workers in region). Map 1.1 takes London as a baseline. Map 1.2 takes the Greater South East, comprising London, the South East and the East of England as a baseline.

Map 1.1: Logistics employees in London, 2007, at ward level



Source: Annual Business Inquiry (ONS Crown copyright)

Large proportions of employees in the Thames Gateway boroughs (especially Barking and Dagenham, Newham, Bexley and Havering) work in logistics. Enfield, as well as parts of Haringey and Waltham Forest in North London also have a strong concentration of logistics employment in a small geographical area.

In South London those wards that have a high index of specialisation are not clustered together in the same way as elsewhere in the region and are dispersed across a number of boroughs. The same is true in Inner London with Queenstown in North East Wandsworth having a particularly high index of specialisation for logistics employees. This is understandable given a number of prominent logistics locations there such as New Covent Garden market and a concentration of courier and postal services.

What Map 1.1 does not show is whether London and its boroughs specialise in logistics when compared to Great Britain as a whole. Against all GB logistics employees, London's index of specialisation is 0.86, implying it has a lower share of its employment working in the logistics sector.

Why do we find that London has less logistics employment than we would otherwise expect? The answer is likely to be related to land values. Other uses of land such as office and retail

benefit more from the agglomeration economies gained by locating in large cities. This means they are willing to pay more to locate in London. Similarly, a large demand for housing combined with constrained supply will increase the value of developing land for residential use more than for a logistics use. This suggests that logistics and other industrial businesses do not gain enough from being located in London to justify the high land costs; they are priced out of the market and forced to locate elsewhere.

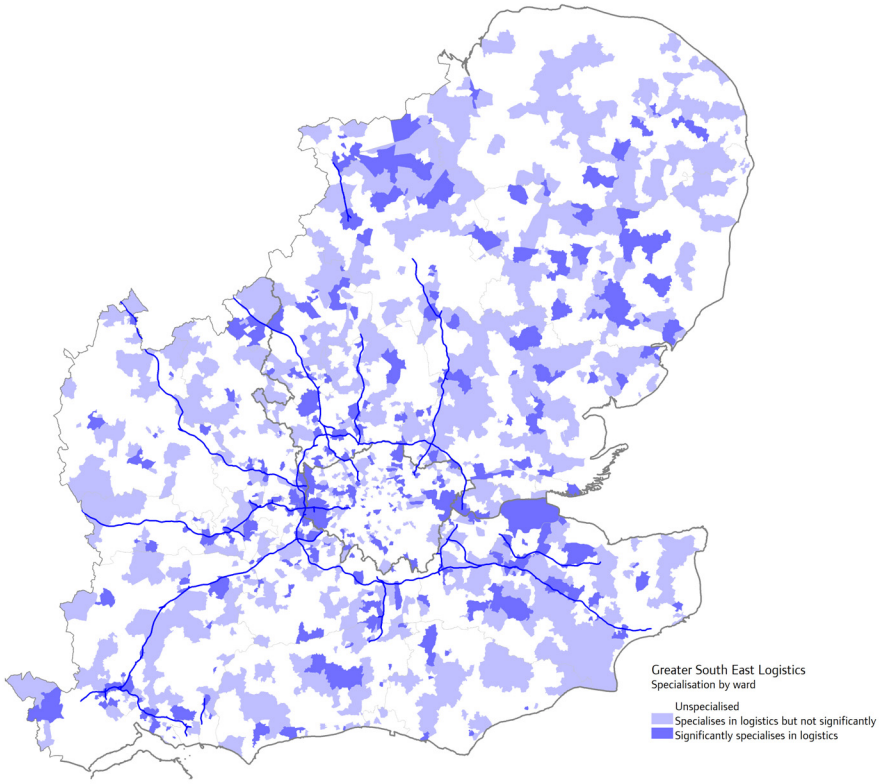
This argument is supported by data from the valuation office. In a sample of three inner London boroughs' property markets (Hackney, Southwark and Greenwich), residential land values were respectively 3.3, 4.4 and 2.3 times greater than industrial land values per hectare[5]. In Hammersmith, rental values for a typical office were 3.0 times larger than rental values for industrial land and warehouses. This relationship is seen in outer London property markets as well. In Romford the premium of office over industrial rental values is 1.8, and in Croydon 2.7[6].

This is likely to have substantial environmental effects, particularly in the road freight sub-sector. If logistics businesses serving the London market are forced to locate outside of the region, their vehicles will have to travel further to reach their customers, leading to increased pollution and congestion.

Map 1.2 shows the wards that specialise in logisitics in the Greater South East, comprised of London, the East of England and South East regions. The reason for showing this wider geographical area is that the market for logistics in London is spread over these three regions and logistics activity in London is dominated by goods whose origin is within them[7].

[5] Valuation Office *Property Market Report* (January 2009)
[6] Valuation Office *Property Market Report* (January 2008)
[7] The Department for Transport publishes annual regional transport statistics and for the latest year available, 2006, 89 per cent of goods whose destination was within London originated in the Greater South East (DfT, '*Regional Transport Statistics 2007 Edition*')

Map 1.2: Logistics employees in the Greater South East, 2007, at ward level



Source: Annual Business Inquiry (ONS Crown copyright)

Looking beyond London, logistics employment tends to concentrate in areas adjacent to motorways, as we would expect given the nature of work carried out by the sector. Several locations of logistics concentration in other regions are noticeable and many are adjacent to those areas of London where it is also prominent. These areas correspond with those identified in GLA-commissioned research into the logistics property market[8]. The study used both statistical and anecdotal evidence to identify locations prominent for the sector. The principal areas identified encompass London boroughs but also continue out beyond the Greater London boundary, reflecting the pattern seen in Map 1.2.

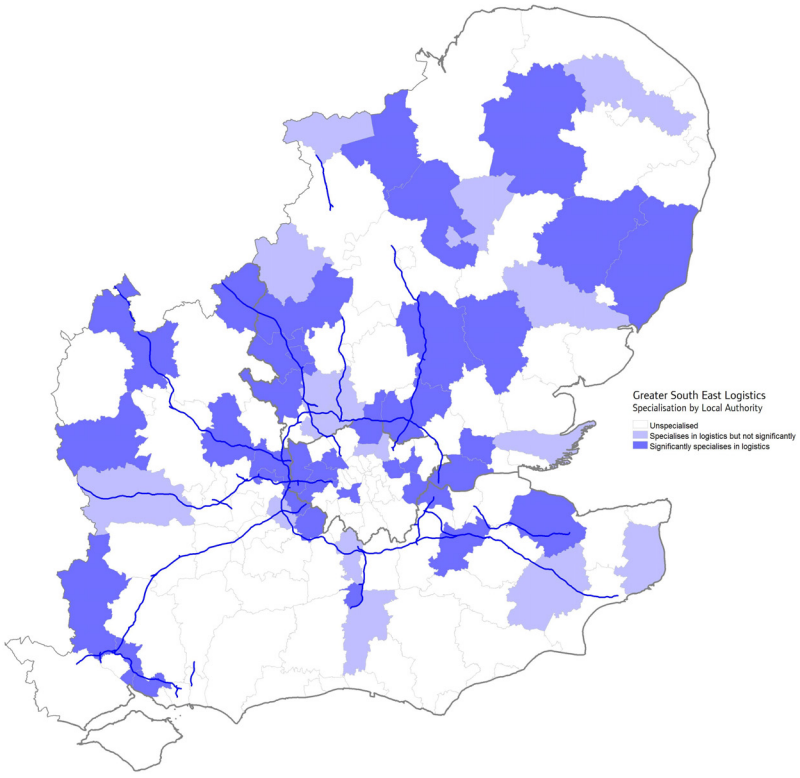
In the west of London both Heathrow and the Park Royal area, and along the M40 into the South East region were identified, principally for retail and food product distribution activities. The Thames Gateway, comprising east London boroughs as well as Thurrock and parts of Essex, is used for a large and diverse range of logistics functions. The Lea valley in north London, extending along the A10 corridor, is also identified as a prominent logistics property market.

[8] GLA and URS limited *Demand and Supply of Land for Logistics in London* (April 2007)

Elsewhere in the Greater South East, logistics activity tends to cluster along motorways. The M3 corridor to Southampton and M27 to Portsmouth and the M20 to Folkestone are likely to be related to port functions along the South coast. The M4 corridor to Bracknell and Reading and the M10 through Luton and Milton Keynes also show significant logistics concentration. In the South East region there is significant logistics activity around Crawley, reflecting Gatwick Airport, as well as Medway in Kent. In the East of England, logistics activity is found in wards dispersed throughout Suffolk and Cambridgeshire.

Map 1.3 shows the data for Map 1.2 grouped into local authorities. The Thames Gateway and Enfield boroughs particularly appear as centres of logistics in the East and North of London. In West London, Hillingdon, Hounslow, Ealing and Harrow all have significant concentrations of logistics employment in the Greater South East. In the South and Inner London, except Wandsworth, there is a less clustered logistics sector.

Map 1.3: Logistics employees in the Greater South East, 2007, by local authority



Source: Annual Business Inquiry (ONS Crown copyright)

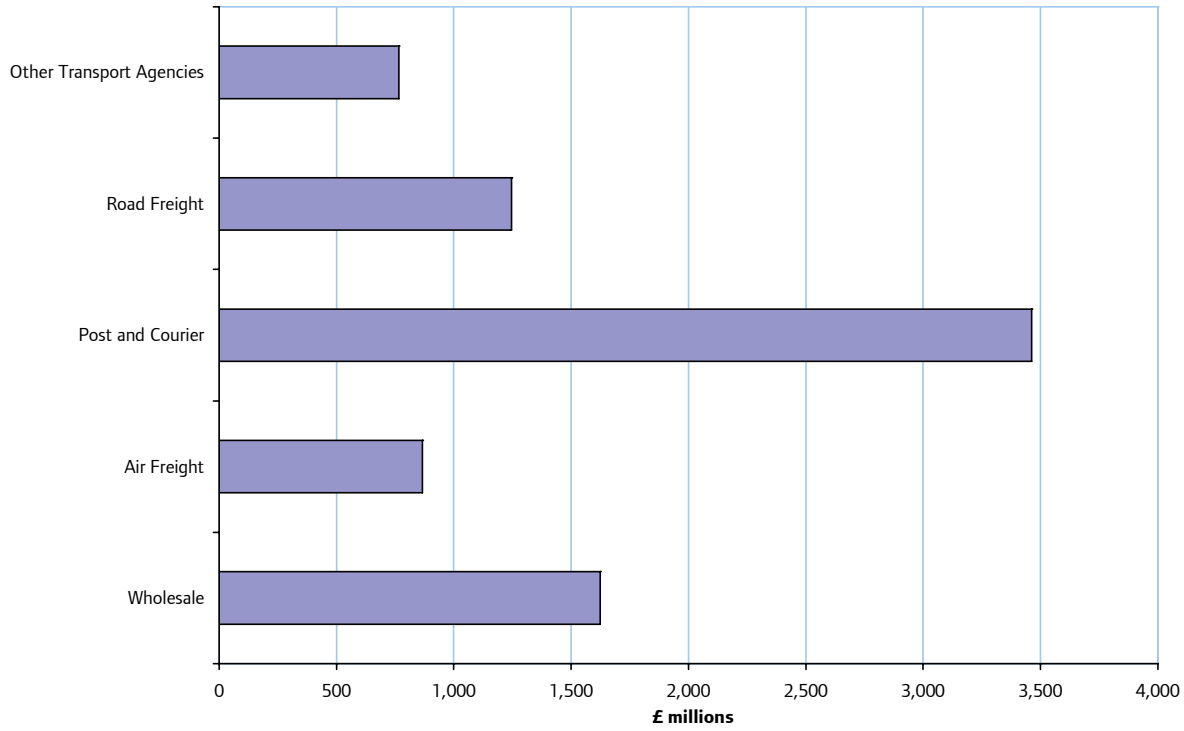
Logistics sub-sectors[9]

This section analyses the split of logistics output and employees by sub-sector. This is useful since within the definition of logistics there is a wide range of different business activities. Assessing the relative importance of each of these sub-sectors shows how London logistics differs from the sector in Great Britain.

Output

Figure 1.6 shows that post and courier services are the largest sub-sector, accounting for almost £3.5 billion of logistics output in London. The next largest sub-sectors are wholesale and road freight, contributing respectively £1.6 billion and £1.3 billion of logistics activity. Air freight and other transport agencies are the smallest sub-sectors, together comprising £1.6 billion of logistics activity.

Figure 1.6: London's logistics activity, 2007

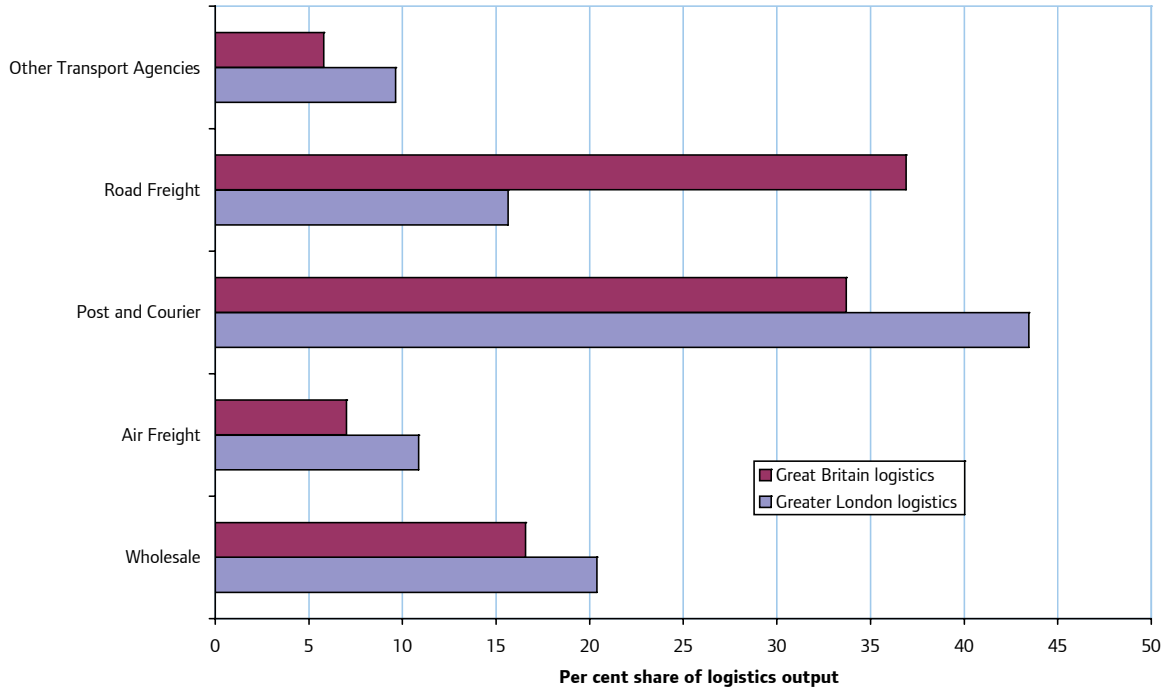


Source: Experian Business Strategies

The Great Britain logistics sector differs in terms of output composition to the sector in London. Figure 1.7 shows that post and courier activities are more prominent in London, with 10 per cent more than the national share of output. Conversely, road freight is significantly less important a contributor to London logistics output. This sub-sector accounts for almost 40 per cent of logistics activity in Great Britain. Other sub-sectors are relatively larger in London than Great Britain.

[9] See Appendix 1 for an explanation of the sub-sector classifications used in this section.

Figure 1.7: Composition of London and Great Britain's logistics activity, 2007

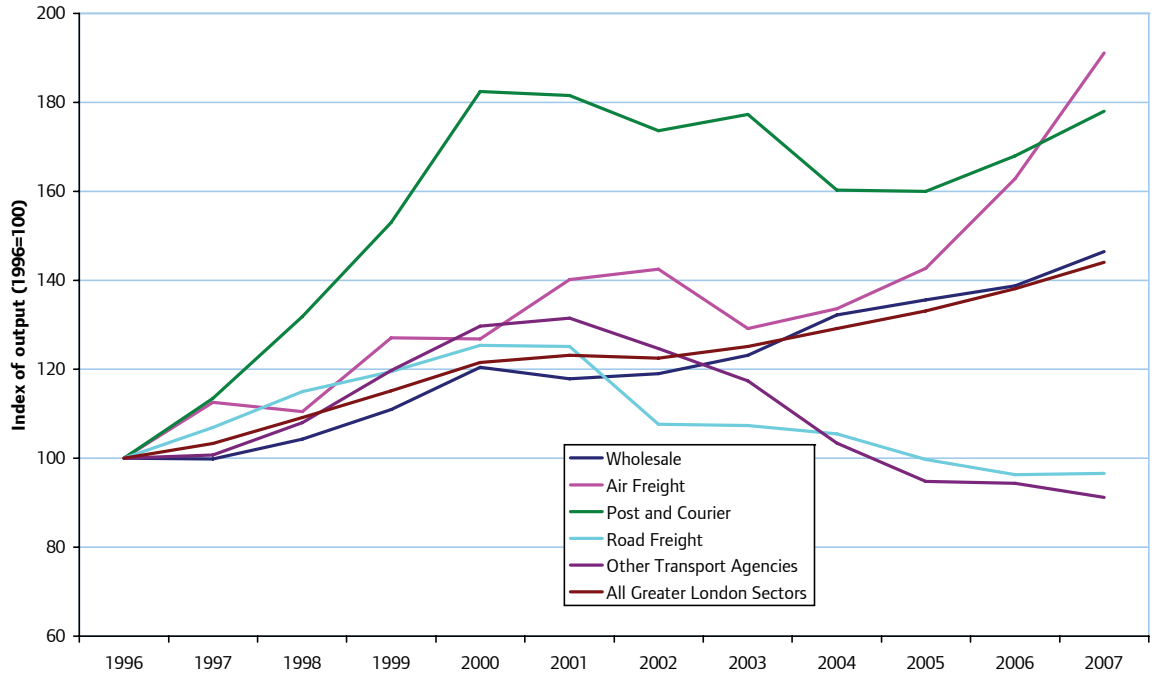


Source: Experian Business Strategies

As noted, one of the most striking differences between the London and Great Britain logistics sectors is in road freight, which is much less significant in London. Map 1.2 shows that there are areas of logistics concentration adjacent to Greater London. Part of this activity could be freight terminals locating outside the Greater London boundary and servicing London. If this is the case those road freight businesses will not be included in the above figures for the sector in London even though it is their principal market. In terms of employees, London's index of specialisation for the road freight sub-sector in relation to the Greater South East region is 0.57, implying London is not specialised in road freight. The corresponding index of specialisation for those districts in the M25 corridor is 1.41.

This may explain to some extent the low proportion of logistics employees and output in London that is attributable in the freight sub-sector, although it is also likely that areas of logistics concentration elsewhere in the East, South East regions of England and even further afield contain freight businesses that service London.

Figure 1.8: Change in logistics sub-sector output



Source: Experian Business Strategies

Figure 1.8 shows an index of output for logistics sub-sectors from 1996 to 2007. The sub-sectors whose output grew the most in this period were air freight (an 84 per cent increase) and post/courier (78 per cent increase). The distribution over time of their gains differs with air freight output growing strongly in all years except 2001 and 2002 and post and courier growing at a fast rate and peaking in 2000 then falling or growing slightly in subsequent years. Wholesale output also grew over the period, closely following the growth rate for London's economy as a whole. In 2007 output stood at a level 46 per cent higher than its 1996 level. Although, until 2001, other transport agencies and road freight were growing faster than London's economy, declines in output since then meant a contraction of 9 per cent and 3 per cent respectively.

London's logistics labour market

This section compares London's logistics labour market with the overall London labour market on a number of measures. Firstly, looking at its composition by gender and ethnicity shows whether the logistics sector is making full use of available labour resources. An analysis of the sector's qualifications structure gives an idea of the levels of educational attainment in the logistics workforce. Finally, comparing earnings amongst logistics-related occupations with London as a whole may explain any skills shortages and gaps that are present in the sector.

Skills for Logistics, the sector skills council for the logistics industry, has reported on many of these indicators in their 'Greater London Logistics Sector Regional Profile' (2007). This section builds on and updates their work through using the latest versions of the Annual Population Survey (APS) and the National Employers Skills Survey (NESS).

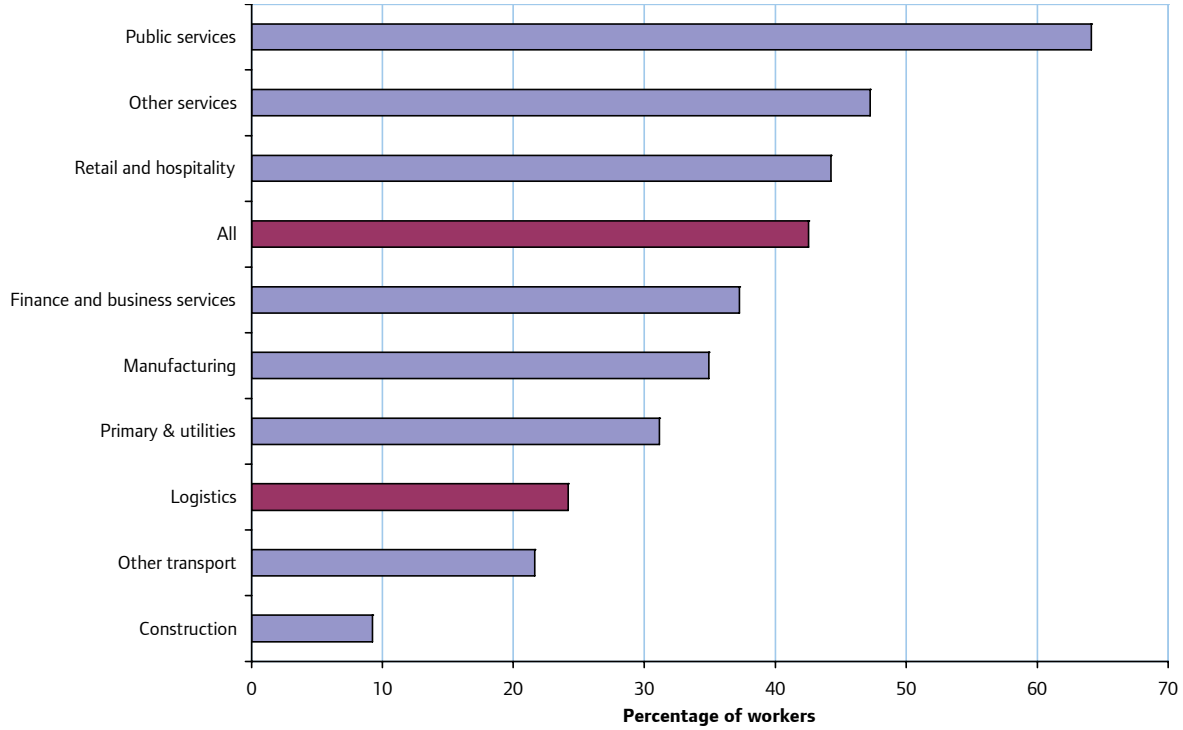
Profile of London's logistics workforce

Logistics in London employs approximately 221,000 people, equivalent to 5.2 per cent of the total London workforce. Data from the APS on those who work in the logistic sector or in logistics occupations as their main job allows a comparison of some of the sector's key headline characteristics with those of other London workers[10].

[10] The following data includes those workers in logistics occupations in other industries, using ONS Standard Occupational Classification (SOC) codes and Skills for Logistics definition of logistic occupations (See Appendix 1). It excludes the code 62109 as the dataset used does not have the level of disaggregation required.

There is a concentration of males in the London Logistics workforce, with 24 per cent of workers being female compared to 43 per cent for all industries (see Figure 2.1). The only sectors with a lower proportion of women are construction and other transport.

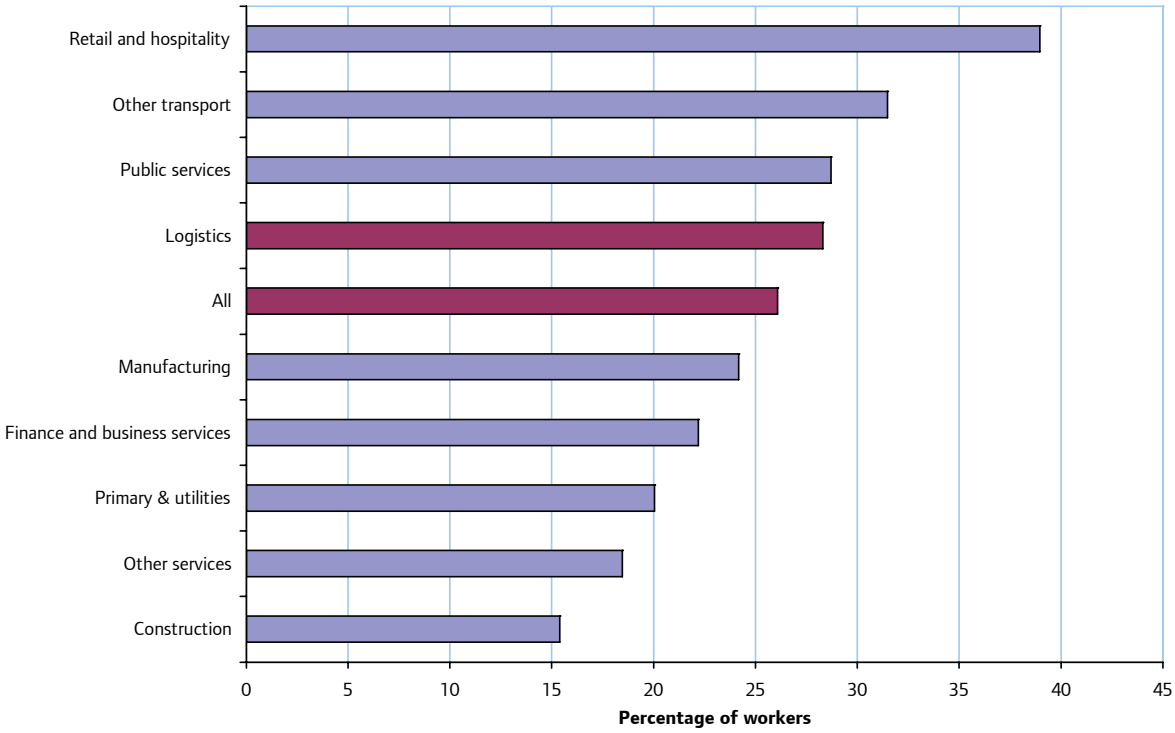
Figure 2.1: Percentage of female workers in the logistics sector



Source: Annual Population Survey (ONS Crown copyright)

Black, Asian and Minority Ethnic (BAME) groups are more concentrated within the sector than in the overall London employment profile, with 28 per cent of workers in the sector from a BAME group, compared to 26 per cent for all industries (see Figure 2.2).

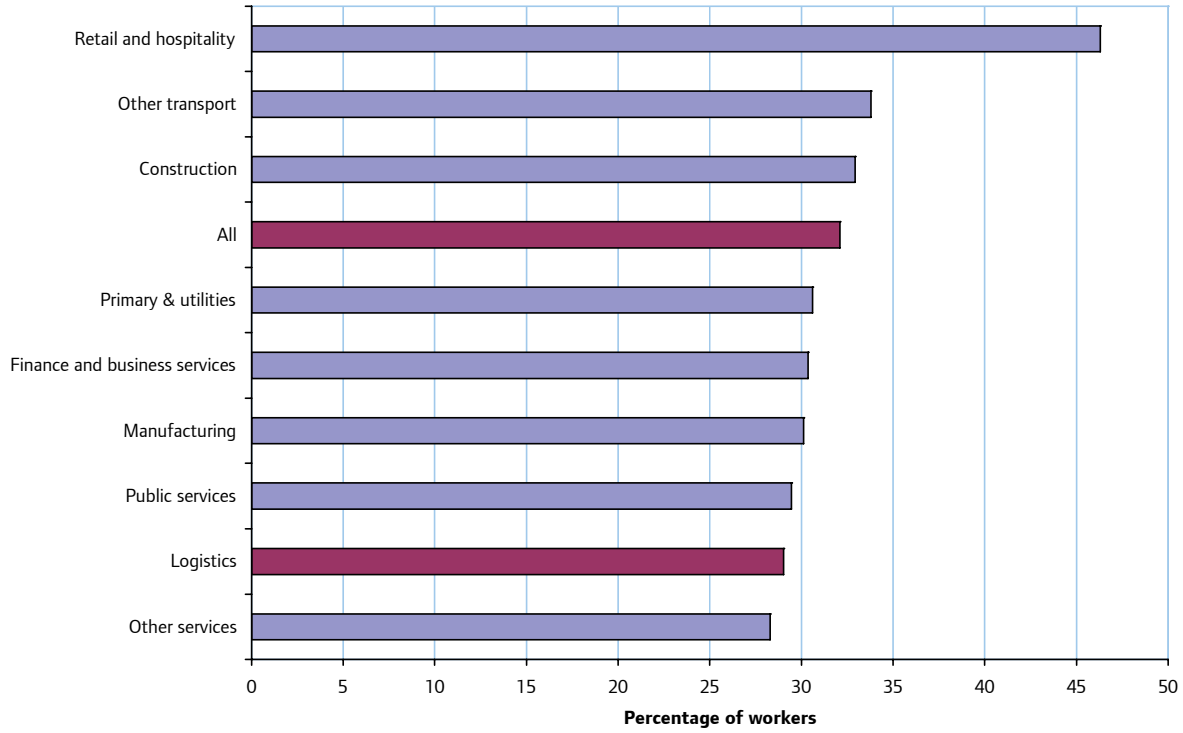
Figure 2.2: Percentage of BAME groups in the logistics sector



Source: Annual Population Survey (ONS Crown copyright)

Figure 2.3 shows that logistics has a similar proportion of international migrant workers to London as a whole and most other sectors. 29 per cent of logistics workers were not born in the United Kingdom.

Figure 2.3: International migrants in the logistics sector

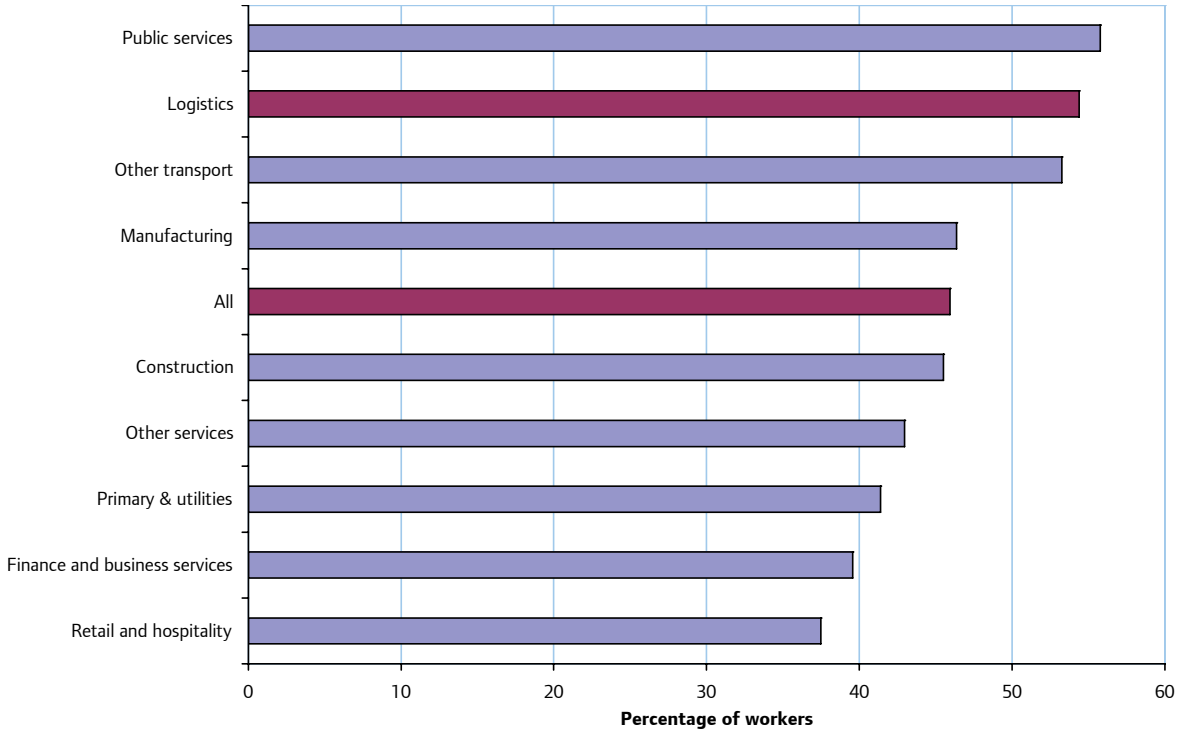


Source: Annual Population Survey (ONS Crown copyright)

The proportion of the logistics workforce whose workplace is in London but live elsewhere in the UK is 27 per cent. This is higher than London's labour force as a whole, which has a proportion of 19 per cent. The majority of these individuals come from those regions adjacent to London, the East of England and the South East. This group is likely to include both commuters and people involved in the delivery of goods outside London, but whose registered place of work is within the Greater London boundary.

Logistics has an ageing workforce when compared to all London industries, with approximately 54 per cent of workers aged over 40 against 46 per cent for all industries (see Figure 2.4). This is a potential issue as, once these individuals retire, the sector may be faced with a shortage of workers with adequate training. Public services and the rest of the transport industry are the only other sectors with over 50 per cent of workers aged 40 or over.

Figure 2.4: Workers over 40 years old in the logistics sector



Source: Annual Population Survey (ONS Crown copyright)

The Annual Population Survey (APS) shows that 12 per cent of the London logistics workforce self-assess as DDA disabled, meaning they have a physical or mental impairment that has a substantial and long-term adverse effect on their ability to carry out day-to-day activities. This figure is above the all industry average of 10 per cent.

Approximately 8 per cent of the London Logistics workforce is self-employed and 14 per cent is part time. This is lower than the 15 and 19 per cent, respectively, of all workers in London (APS).

Occupation and Qualifications

The APS allows comparison of the qualification levels of logistics workers and all London workers to show which qualification levels are over or under-represented in the logistics workforce, and then whether logistics seems a 'highly' skilled industry.

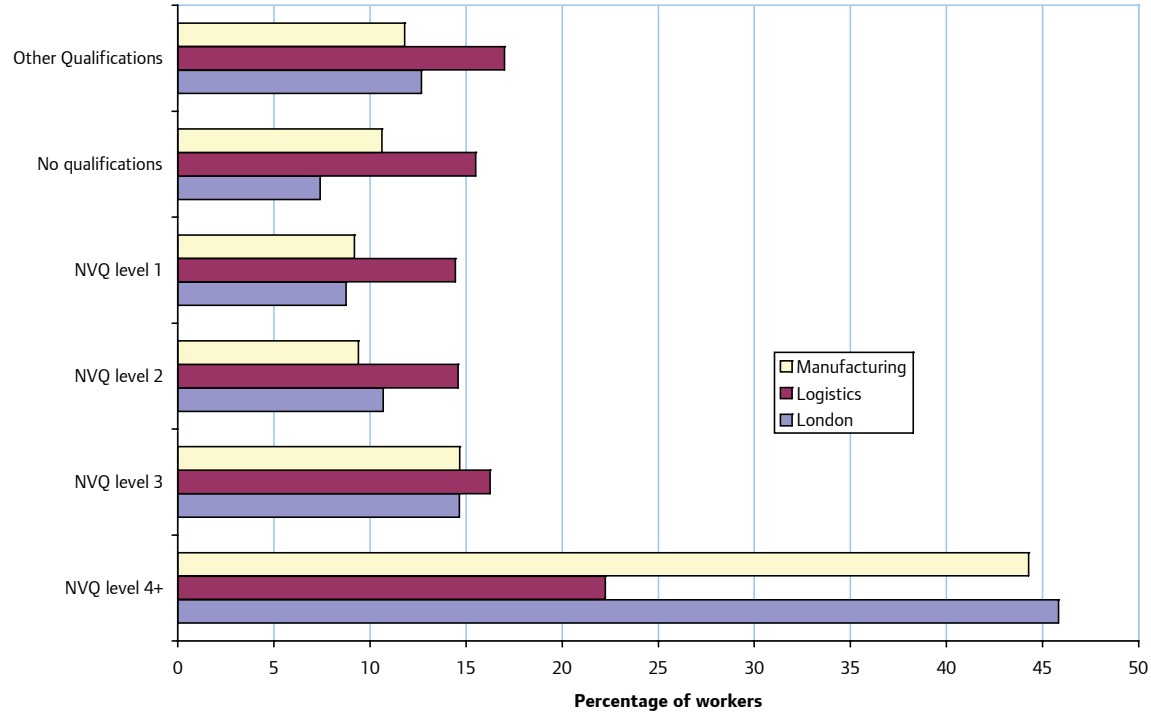
APS uses a system of NVQ equivalence to describe an individual's qualification level. All qualifications map to one of five NVQ levels. NVQ4/5 equates to first and higher degrees, NVQ3 to two or more A-levels or equivalent, and NVQ2 to five or more GCSEs (grades A to C). Trade apprenticeships are ranked between NVQ2 and NVQ3. NVQ1 equates to one or more GCSEs (any grade).

Figure 2.5 shows that, within the London context, logistics is a relatively low-qualified industry. Around 22 per cent of the logistics workforce has a degree or higher, considerably lower than the all-London figure of 46 per cent. Conversely, logistics is over-represented by those of NVQ level 3 or lower, and has double the all-industry level of 7 per cent with no qualifications whatsoever (15 per cent).

One issue with applying this framework to the logistics sector in London is that the skills present in the industry may not be reflected in its NVQ equivalent profile. As we have seen, the sector contains a high proportion of older workers who may not have had their skills formalised and so would score poorly in terms of NVQ equivalence but may have a wealth of skills developed through experience in their jobs. Also, workers in the sector who were born outside the UK may have qualifications that don't fit into the NVQ equivalence framework easily.

This substantial caveat aside, logistics depends relatively more on workers with low qualifications, particularly those with NVQ level 2 and below, which together make up 45 per cent of the workforce compared to 27 per cent of London's workforce.

Figure 2.5: Logistics workforce by qualification levels

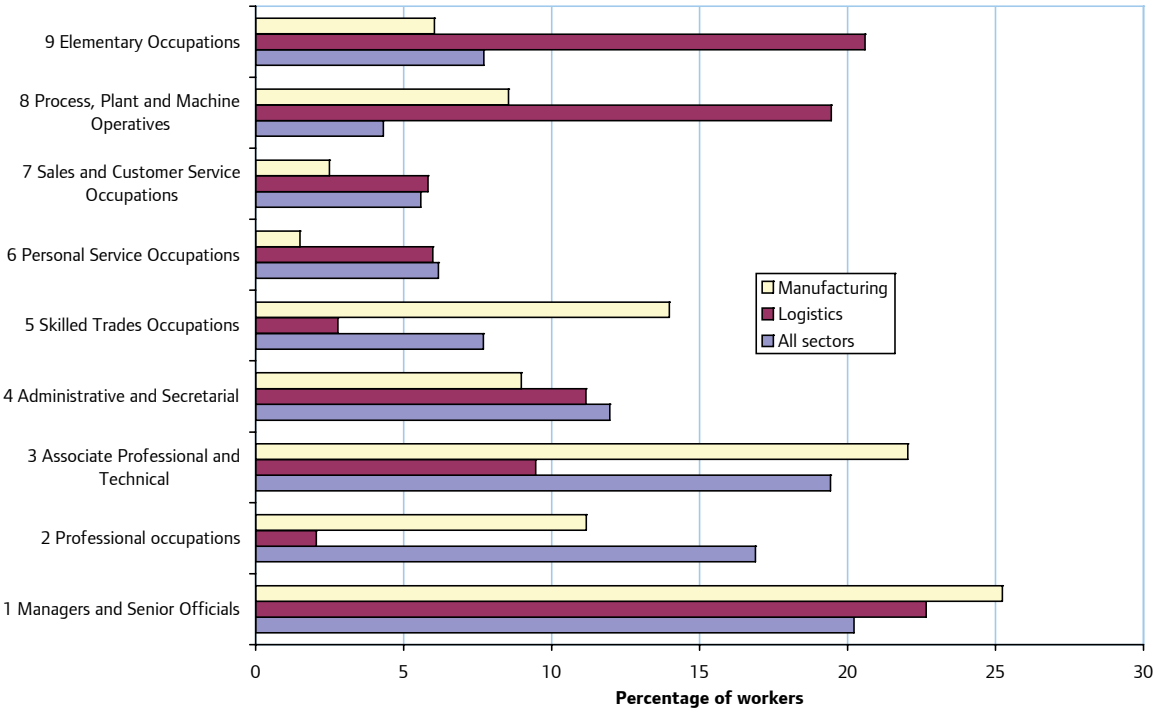


Source: Annual Population Survey (ONS Crown copyright)

Figure 2.6 shows the logistics workforce broken down by Standard Occupational Classification (SOC) codes and excluding those that work in logistics occupations in other industries. Around 23 per cent of logistics employees are managers, higher than the all industry proportion of 20 per cent. Also striking is the over-representation of operatives and elementary occupations in the sector, which make up 40 per cent of the workforce. By breaking this group into more specific occupations, we find the majority of this figure is comprised of heavy goods and van drivers. Sales occupations are also over-represented in the logistics sector.

As a sector, logistics is substantially less dependent on professional and associate professionals, which together account for 13 per cent of the workforce, less than half the 36 per cent share of the whole London workforce.

Figure 2.6: Logistics workforce by occupation



Source: Annual Population Survey (ONS Crown copyright)

Table 2.1 shows the percentage of workers in each qualification category, broken down by broad occupational groups. In the logistics sector 40 per cent of managers and professional workers have a degree, considerably lower than the 66 per cent of managers in all industries. A larger proportion of managers in logistics have an NVQ equivalent level of 2 (14 per cent) than in all industries (7 per cent). Ten per cent of logistics managers have no qualifications. By this measure it appears that logistics managers and professionals are relatively less qualified than managers and professionals in other London industries.

Administrative, personal service and sales occupations in the logistic sector show a similar pattern with a low proportion of workers with NVQ equivalent level 4 (20 per cent) when compared to all industries (27 per cent) and similar proportions in other categories. Those logistics workers in trades, operative and elementary occupations tend to be less highly qualified when compared to all sectors, with 42 per cent of them having qualifications equating to below NVQ level 2 or no qualifications at all, higher than the 38 per cent in all industries.

To summarise, when compared to London's workforce, logistics has a higher percentage of managers, but they are less highly-qualified than managers in other sectors. A greater proportion of its workers are classified as being in operative or elementary occupations, and again these are less skilled. We find a higher proportion of workers at all qualification levels except NVQ equivalent level 4/5 in logistics than in London as a whole.

Table 2.1: Percentage of workers by broad occupational groups and qualification level

		NVQ Level 4	NVQ Level 3 & Trade Apprentices	NVQ Level 2	Below NVQ Level 2	None	Other
Managers and Professional	Logistics	40	17	14	10	10	9
	All industries	66	12	7	5	8	2
Admin, Personal & Sales	Logistics	20	20	21	14	15	10
	All industries	27	19	19	15	13	8
Trades, Operatives and Elementary	Logistics	10	14	12	18	24	24
	All industries	11	18	11	13	25	21

Source: Annual Population Survey (ONS Crown copyright)

National Employer Skills Survey[11]

The National Employer Skills Survey (NESS) 2007 provides information on the extent to which companies have reported labour shortages, skills shortages and skills gaps.

In the survey 13.4 per cent of logistics employers report that they have vacancies, less than London as a whole where 20 per cent of businesses report vacant posts. Only 28 per cent of logistics employees work in operative and administrative occupations but the two groups account for 66 per cent of vacancies. Thirty-eight per cent of logistics vacancies are labour shortages (hard-to-fill vacancies) and over half of these are for operative positions. Eighty-seven per cent of these hard-to-fill vacancies in the logistics sector are due to a skill shortage – a low number of applicants of the required skill level – slightly higher than the 83 per cent of all London businesses. This difference is likely to be caused by the low wages paid in logistics when compared to London's labour market as a whole, which would make potential employees less inclined to work in the sector (see Figure 2.7).

The skills the logistics sector most frequently cited as difficult to obtain were customer handling skills (54 per cent of those businesses experiencing skills shortages), and literacy skills and technical/practical or job-specific skills (both 51 per cent). Less often mentioned but still prominent were oral and written communication skills (both 46 per cent). In terms of types of skills reported, one of the main differences between logistics and all industries is that in the London economy as a whole, literacy is much less identified as lacking in potential employees (27 per cent of those businesses experiencing skills shortages) than in the logistics sector. Skills such as IT proficiency, team-work, problem-solving and language skills are reported as hard to find in potential employees relatively more often in all London sectors as a whole than in logistics.

Eighteen per cent of logistics companies in London report skills gaps, defined as inadequate skills in their existing workforce. The professions for which gaps were most reported within the logistics sector were admin/clerical staff (41 per cent of shortages) and managers (25 per cent). Of the main causes for skills gaps by far the most frequently cited was 'lack of experience or their being recently recruited' which accounted for 72 per cent of employers'

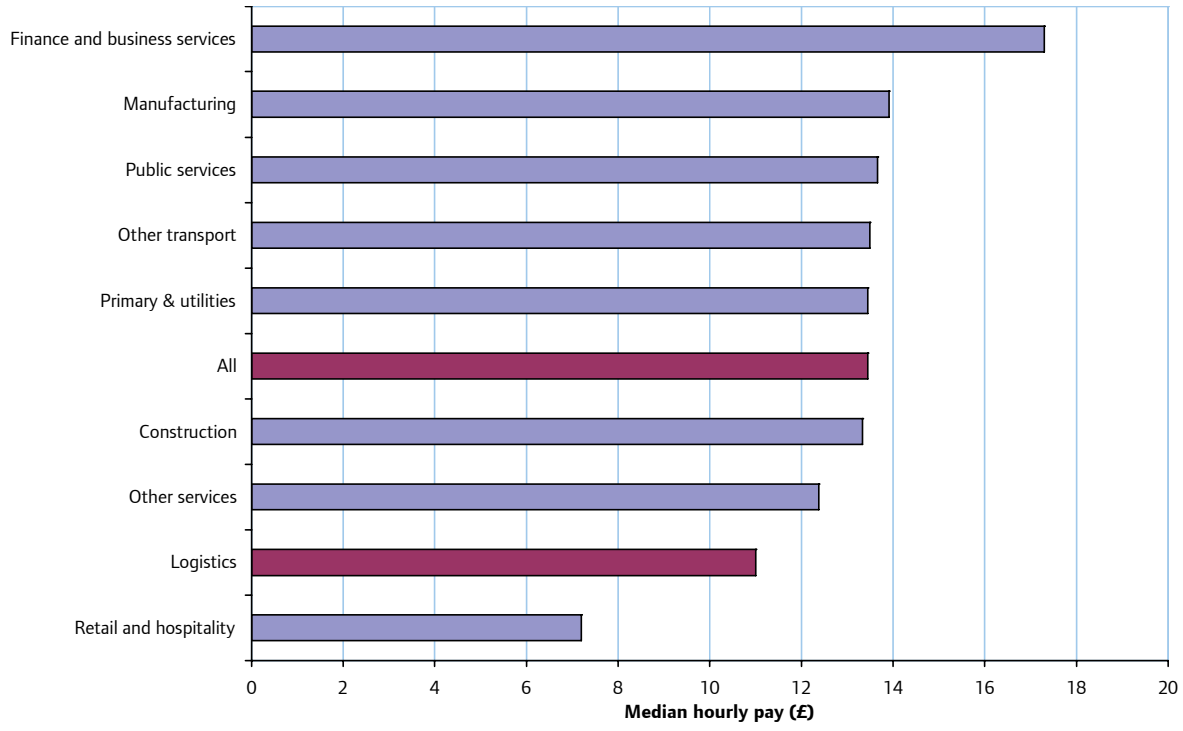
[11] Please note the data in this sub-section does not include the wholesale sector

responses. When we compare this to the skills gaps present in all industries we find the percentage of companies reporting gaps broadly the same (17 per cent). Managers, clerical /admin and sales/customer service occupations all show high proportions of skills gaps (30, 28 and 28 per cent of gaps, respectively). The proportion of employers who cited a main cause of lack of work proficiency being lack of experience or being recently recruited is the same (72 per cent) for all industries as for logistics. Conversely, logistics employers do not cite 'a failure to train', 'inability for the workforce to keep up with change' or 'a lack of motivation' as main reasons for skills gaps to the same extent as all industries.

Wages in the logistics sector

The APS also permits examination of workers' wages by sector. Figure 2.7 shows median gross hourly pay for all London's sectors. By this measure logistics has the second lowest median wage of approximately £11 per hour, higher than retail and hospitality at £7.20 per hour. Most other industries seem to cluster around the all-industry median of £13.45 per hour except finance and business services, which is higher at £17.30 per hour, reflecting the specific characteristics of the sector.

Figure 2.7: Median gross hourly pay by industry



Source: Annual Population Survey (ONS Crown copyright)

The data in Figure 2.7 provide a blunt measure of pay in the logistics sector. As skill levels seem to be lower than the all industry average in the logistics sector, we would expect wages to be lower. Of greater interest is the comparison of wages in similar occupations with similar levels of qualifications. Table 2.2 shows median hourly pay for the London logistics sector and all London industry, by both qualification level and broad occupation group.

This presents a mixed picture of pay in the sector. Workers in the logistics sector with NVQ equivalent qualifications of level 3 or above earn less than their counterparts in other industries in all occupations except degree level workers (NVQ level 4+) in operative and managerial/professional positions. Those with qualifications equivalent to NVQ level 2 can earn substantially more within the logistics sector than in London's labour market as a whole. Workers with no qualifications can earn more working in the logistics sector than in London's labour market as a whole.

Table 2.2: Median gross hourly pay (£) by occupation and qualification level

	Managers and Professional		Admin, Personal & Sales		Trades, Operatives and Elementary	
	Logistics	All industries	Logistics	All industries	Logistics	All industries
NVQ Level 4	18.75	18.56	9.85	10.98	10.64	9.22
NVQ Level 3 & Trade Apprentices	16.02	16.83	8.57	8.61	9.30	10.37
NVQ Level 2	18.02	15.64	12.81	9.14	9.25	8.59
Below NVQ Level 2	13.18	14.56	9.20	9.37	8.83	8.21
None	19.23	16.17	10.00	7.95	9.25	8.00
Other	14.53	11.53	7.14	7.70	7.50	6.92

Source: Annual Population Survey (ONS Crown copyright)

Conclusion

This report has presented statistics on the logistics sector in London. The sector accounts for approximately 3.4 per cent of London's output and 5.2 per cent of its employees. In the last decade logistics output has grown at a similar rate to the London economy but employee numbers have remained stable in the sector whilst growing across London as a whole. The sector is geographically concentrated, particularly in West and East London, around Heathrow airport and the Thames Gateway boroughs. Air freight is more prominent and road freight a much less prominent logistics sub-sector in terms of output in London than in Great Britain as a whole.

The logistics labour force in London is relatively less qualified than London's as a whole, although there are measurement issues that make it hard to say how skilled the sector is. It is comprised more of workers in manager, operative and elementary occupations and less in professional occupations than London's labour force. Skills issues in the sector are primarily related to low numbers of applicants of the required skill level and lack of skills amongst recent recruits, and the skills lacking are often literacy, customer handling and oral and written communication skills. It is low paid when compared to other sectors, although low skilled logistics workers can earn more in logistics than in other sectors.

The findings of this report are a first step to inform potential further research that will explore issues impacting on the logistics industry. For example, what is the efficiency of the locational distribution of logistics and its environmental impact? There is a tension between wishing to locate logistics depots closer to delivery points in London compared with the environmental impact caused by locating depots further from the City centre at cheaper locations.

Appendix 1: Defining the logistics sector

The standard methodology for defining sectors is the Office of National Statistics Standard Industrial Classification (SIC) coding in its 2003 version. This was updated in 2007 to better reflect the industrial structure of the UK but as datasets such as the Annual Business Inquiry (ABI) and the Annual Population Survey (APS) still operate on a 2003 basis, for this report the sector has been defined on a 2003 basis as well. SIC codes divide businesses by type of activity engaged into broad industrial sectors as a one-digit letter (eg, F; Construction) then breaks these down into two-digit (eg, 45; Construction) three-digit (eg, 45.1; Site preparation) and four-digit (eg, 45.11; Demolition and wrecking of buildings). Many industries, such as construction, are thus defined in SIC codes. Logistics is not defined as simply since it crosses the boundaries between different broad sectors.

Skills for Logistics is the sector skills council for the logistics industry. Its remit is to raise awareness of skills issues and offer support for training in the logistics sector, which they define as "companies involved in moving, handling or storing goods". In terms of SIC codes broad industrial group 'I: Transport, Storage and Communication' appears to correspond to this description, but within 'I' there are a number of SIC codes that appear to refer to activities outside the above definition such as '64.20 Telecommunications', which describes business involved with the moving and handling of information electronically & not physical goods. Also a number of activities that could be described as logistics are not contained within broad group 'I'. Wholesale businesses handle and store goods but are classified under 'G: Wholesale and Retail Trade' so would not be included in any analysis that uses just 'I'. To solve this issue Skills for Logistics use a definition of the industry by SIC code that includes a selection of activities classified under both broad sectors 'G' and 'I'. Table A1 shows those three and four digit SIC codes that make up the Skills for Logistics definition of the logistics sector, with the exception of 6210: Scheduled air transport, which has been replaced by 62109: Scheduled air freight, to reflect the transport and storage of goods as opposed to passengers.

Table A1: Logistics SIC codes

51	**Wholesale trade and commision trade**	
511-517	Wholesale	Wholesale of goods
60	**Land Transport**	
6024	Freight transport by road	All road haulage and commercial vehicle rental
62	**Air transport**	
62109	Scheduled air freight	Freight air transport
6220	Non-scheduled air transport	Air charter services
63	**Supporting and auxiliary transport activities**	
6311	Cargo-handling	Container handling, passenger baggage and stevedoring
6312	Storage & warehousing	Warehouse operation and storage of all goods
6323	Other supporting air transport activity	Air terminals operation, air traffic control, refuelling, BAA
6340	Activities of other transport agencies	Freight contracting and forwarding, goods handling, customs clearance, packing of goods
64	**Post and telecommunications**	
6411	National post activities	Sorting offices, parcel distribution and delivery
6412	Courier activities	All parcel delivery not post office

Source: ONS 2003

In this report the logistics sector is also analysed in terms of its sub-sectors. Table A2 shows the five logistics sub-sectors and which activities are included in each.

Table A2: Logistics SIC sub-sector codes

	Wholesale
511-517	
	Air transport
62109	Scheduled air freight
6220	Non-scheduled air transport
6323	Other supporting air transport activity
	Post and courier
6411	National post activities
6412	Courier activities
	Road freight
6024	Freight transport by road
6311	Cargo handling
6312	Storage and warehousing
	Other transport agencies
6340	Activities of other transport agencies

Source: ONS 2003

One issue associated with using SIC classifications to analyse sectors is that only those businesses whose primary activity is one of the codes used will be included. A great deal of logistics activity takes place in other industries. A retailer, for instance, that has its own fleet of vehicles and warehousing operations will be included under retail and not under the above codes.

To account for this we can include in our analysis those workers who perform a logistics function in their occupation but work in a sector other than those defined in the above table. Skills for Logistics has identified those occupations that are related to logistics activities. These use ONS Standard Occupation Classification (SOC) codes, analogous to SIC codes but used to describe an individual's job not industry. These are divided into nine broad groups, from management (defined under broad group '1:managers and senior officials' to elementary ('9: elementary occupations') and then further into more specific occupations (e.g. '1161: transport and distribution managers'). Table A3 shows the Skills for Logistics definition of logistics occupations.

Table A3: Logistics Occupations by SOC code

1	**Managers and Senior Officials**	
1161	Transport and distribution managers	Plan activities for the movement of passengers and freight
1162	Storage and warehouse managers	Plan activities for the receipt, storage and warehousing of goods. Maintenance of stocks
3	**Assosciate Professional and Technical Occupations**	
3536	Importers, exporters	Buy commodities overseas for domestic sale, sell domestically-produced commodities to overseas markets
4	**Administrative and Secretarial Occupations**	
4134	Transport and distribution clerks	Various clerical functions related to transport and distribution
8	**Process, Plant and Machine Operatives**	
8212	Van drivers	Collect, transport and deliver goods in vehicles up to 7.5 tonnes in weight
8211	Heavy goods vehicle drivers	Collect, transport and deliver goods in rigid vehicles over 7.5 tonnes and lorries in weight
9	**Elementary Occupations**	
9211	Post worker, mail sorter, messenger or courier	Collect, receive, sort or deliver packages within or between establishments
9149	Other goods handling & storage occupations	Convey goods in warehouses/goods depots, accompany drivers, prepare despatch/requisition notes

Source: ONS 2000

In order to promote closer policy working GLA Economics uses the Skills for Logistics outline to define the sector in this report.

Table A4 shows in greater detail the positions commonly found in a typical logistics company.

Table A4: Labour composition of a typical logistics company

Sector	Position	Responsibility
Managerial	Contract manager	Profit and loss, driver staff and operational efficiency
	Transport manager	Organising delivery routing and ensuring maximum efficiency is achieved within budget
	Warehouse manager	Co-ordinating operations within the warehouse
	Operations manager	Prime responsibility for logistics operations, inc. staff development, business performance and strategic planning
	Freight forwarder	Movement of freight across international borders
	Logistics manager	Overall management of the supply chain
	Inventory specialist	Ensuring that the right stock is available at the right time
Non-managerial	LGV driver	LGV (light goods vehicle) operation
	LGV instructor	Ensuring that potential LGV drivers achieve the required proficiency level
	LGV technician	Maintaing an organisations fleet of vehicles
	Warehouse operative	Part of a team responsible for handling goods through from receipt to dispatch
	Fork-lift truck operator	Safe transportation of goods around warehouses
	Courier	Ensuring expedient delivery of urgent packages
	Transport clerk	Day to day responsibility for administration of the transportation operation
	Customer service assistant	Representing an organisation to its customers
	Removals porter	Working with a small team helping people to relocate
	Packers	Responsible for ensuring products are contained within suitable packaging to provide protection during transit

Source: Skills for Logistics council: Careers in Logistics

Further reading

Development of a practical strategy for planning and delivering sustainable logistics facilities in London – Stage two report London Thames Gateway Development Corporation, Transport for London (2009)

Industrial and warehousing land demand in London Roger Tym & Partners, King Sturge and C2G Consulting for the Greater London Authority (2004)

Demand and supply of land for logistics in London URS Corporation Limited for the Greater London Authority (2007)

Regional transport statistics: 2008 edition Department for Transport (2009)

Guimaraes, Figueiredo and Woodward *Dartboard Tests for the Location Quotient* (2008)

Making and moving: the future prospects for British Industry GVA Grimley and Cranfield University School of Management (2007)

Focus on freight: 2006 edition Office for National Statistics and Department for Transport (2006)

London freight data report Transport for London Freight Unit (2008)

London freight plan Transport for London Freight Unit (2007)

London logistics factsheet Skills for Logistics (2009)

Assessment of current and future skills needs in the logistics sector Skills for Logistics (2005)

Industrial capacity supplementary planning guidance London Plan (2008)

Useful websites

Skills for Logistics (sector skills council): www.skillsforlogistics.org

Transport for London Freight Unit: www.tfl.gov.uk/businessandpartners/freight/1280.aspx

Other formats and languages

For a large print, Braille, disc, sign language video or audio-tape version of this document, please contact us at the address below:

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Vietnamese

Nếu bạn muốn có văn bản tài liệu
này bằng ngôn ngữ của mình, hãy
liên hệ theo số điện thoại hoặc địa
chỉ dưới đây.

Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος εγγράφου στη δική σας γλώσσα, παρακαλείστε να επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυδρομικά στην παρακάτω διεύθυνση.

Turkish

Bu belgenin kendi dilinizde
hazırlanmış bir nüshasını
edinmek için, lütfen aşağıdaki
telefon numarasını arayınız
veya adrese başvurunuz.

Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਹੇਠ ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

Hindi

यदि आप इस दस्तावेज की प्रति अपनी
भाषा में चाहते हैं, तो कृपया निम्नलिखित
नंबर पर फोन करें अथवा नीचे दिये गये
पते पर संपर्क करें

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি
(কপি) চান, তা হলে নীচের ফোন্ নম্বরে
বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Urdu

اگر آپ اِس دستاویز کی نقل اپنی زبان میں
چاھتے ھیں، تو براہ کرم نیچے دئے گئے نمبر
پر فون کریں یا دیئے گئے پتے پر رابطہ کریں

Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، يرجى
الاتصال برقم الهاتف أو مراسلة العنوان
أدناه

Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં
જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર
ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.

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