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After many delays, the UK formally left the European Union, one of the largest trade blocks in the world, just before the begin of the COVID-19 pandemic. This historic breakup had major implications for its supply chain, as it left the EU Single Market in January 2020 and The Customs Union one year later. This also had repercussions on the right to work of the roughly 3.5 million EU citizens (mid-2020) living in the UK and prospective workers from the EU who were still abroad but planning to move to the UK.



Labor shortages in the UK warehousing and logistics sector

The warehousing/logistics sector is one of the most important and fastest growing in the UK, employing over two million people in the UK. With a contribution of £139 billion Gross Value Added (GVA) it also plays a significant part in the UK economy.⁽¹⁾

Challenges to recruit labor in this sector are also a common problem in the UK, especially for forklift truck drivers and [elementary storage occupations](#). According to a Research Briefing by UK Parliament, around [18 percent of EU nationals work in warehousing and support for transport](#). With [the introduction of stricter immigration rules with Brexit which favor highly-skilled workers](#) and due to jobs in warehousing not falling under the category of highly-skilled labor, this has posed an even bigger challenge to this sector.

As a result, [the transportation and storage sector has lost around 8.5 percent of EU workers between 2020 and 2022](#), which in turn has exacerbated labor shortages. The situation was further complicated by the pandemic leading to an increase in online shopping and hence significantly higher demand for those occupations.

The truck driver crisis

In 2022, the [truck driver shortage made the news](#) with the industry being roughly 100,000 drivers short, although this had already been a problem long before COVID or Brexit.

Before the pandemic online shopping boom in 2020, it was still possible for businesses to maintain the supply and meet the demand of new drivers with low wages and often long working hours. However, the latter was also often the reason why most left the workforce – especially given wages had been stagnant over the previous 15 years.

In March 2023, shortages were reported to be [down to roughly 60,000 drivers](#). This was achieved by:

1. Employers creating better working conditions.
2. Reduced demand due to an economic slowdown.
3. Government actions around easier testing processes and recruiting more driving examiners to facilitate more driving tests. Additionally, the government offered [free HGV Skills Bootcamps to attract more talent](#), which alleviated the concerns about costs involved in becoming a qualified driver. This encouraged many to upskill. With salaries starting from upwards of £40k, it also clearly improved the wages which had been stagnant for too long.

However, [according to the UK Warehousing Association \(UKWA\)](#), this has pulled away workforce from different areas of the supply chain and exacerbated especially the problem with the lack of forklift truck drivers. [In a blog article from November 2021](#), Clare Bottle, CEO of the UKWA mentions that while 15% of truck drivers were EU nationals in 2019, this percentage was even higher for forklift drivers: 32%.

More warehouse space, more needs

The UKWA reports that in 2015, [brick-and-mortar \(“high street”\) retailers were the majority of warehouse occupiers with roughly 84m square feet](#). By 2021, however, this shifted towards Third Party Logistics Companies (3PLs) with roughly 106m sq ft of stock. Most notably, however, online retailers increased their warehouse space from 8m sq ft to 60m ft - an astonishing boost of 614 percent thanks to the online boom. Additionally, between 2015 and 2021, there has also been a 32 percent increase in the number of warehouses over the size of 100k sq ft.

What does the logistics industry say about the shortages?

According to the [2022 Logistics Confidence Index published in October](#), an annual survey among 100 senior decision-makers in the logistics industry, staff shortages and increased labor costs were seen by 78 percent as a current challenge that had a significant impact on their business' performance. Moreover, 80 percent also saw it as the greatest challenge over the next 12 months. Professionals also ranked truck drivers, warehouse and office-based staff as the shortages that had the biggest negative impact on their company.

One professional says: "If there is no change in labor availability then there is undoubtedly going to be an increase in labor costs for the sector, which will have a knock-on effect with costs to our customers across multiple sectors. This in turn will have to be passed on to consumers, which will continue to drive inflation."

It is noteworthy, however, that professionals have recognized where technology can come into play to streamline operations: 52 percent of survey respondents said they will be making greater use or investment in technology to drive efficiencies in the next 12 months as opportunities for profit growth. This is not least down to the fact that automation technologies [are becoming more affordable](#).

Chances and challenges for labor in the supply chain – the verdict

According to [labor market data obtained by the UKWA](#), job postings for forklift truck drivers have increased by 72 percent from February 2020 to March 2023. Moreover, advertised key warehousing occupations saw an increase of 102 percent – with records clerks and assistants, elementary storage occupations and stock control clerks and assistants' positions seeing the most growth – a total of almost 60,000 unique job postings.

Where does this leave us? On the one hand, it shows how much potential there is for employment within the logistics sector. It is a crucial industry that never sleeps. [Prologis UK's study](#) also established that salary in the logistics sector is above the median average salary across other industries – an incentive that should hopefully attract more talent into the sector.

to make a positive impact on their business. With the advancements of robotics in the warehouse field, professionals now have a range of robotics (more specifically [autonomous mobile robots](#)) to choose from depending on their needs. That could be a goods-to-person solution like our customer [Ariat](#) uses, a person-to-goods solution like it's being used at our customer [evo](#) or – since the forklift truck driver shortage is so prominent – a [driverless VNA forklift such as offered by BALYO](#). They also offer the benefit of flexibility to scale the number of robots up or down depending on how busy operations are.

While it is impossible to predict how the shortages will continue, the past has shown that the challenges to hire enough staff for the warehouse linger. And while there is always a concern about technology such as robots or AI replacing humans – they always need a ‘helping hand’ from their human counterparts. So rather than replacing them, robots will make work in the warehouse more interesting and smarter, reduce exertion and hence decrease the risk of long-term damage due to heavy lifting. And as a bonus, it will increase the number of jobs for robotics experts.

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