

# DRIVER REQUIRE THINK TANK

## UPDATED: The Answer to the UK's HGV Driver Shortage

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3<sup>rd</sup> MARCH 2022

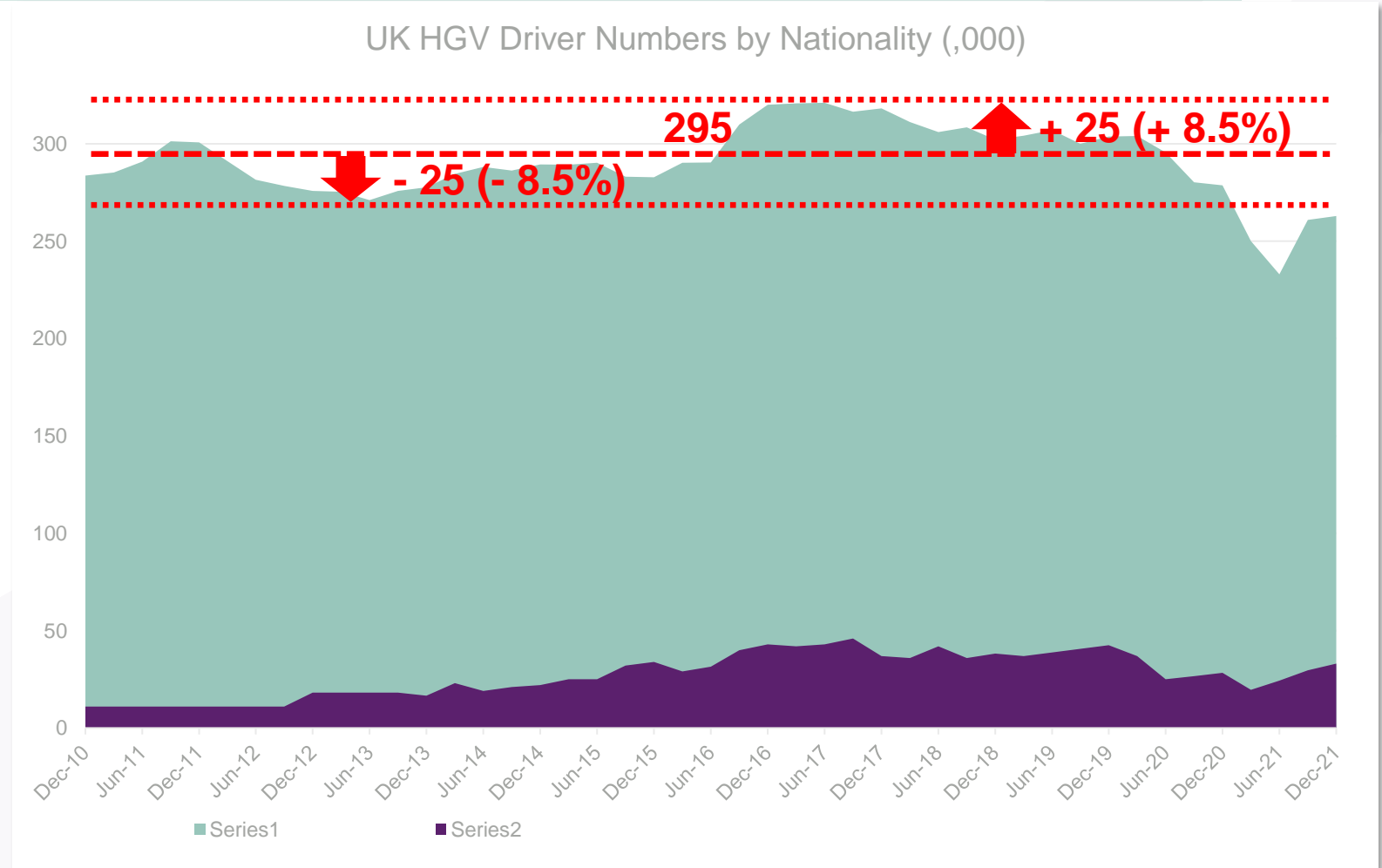


# Pre-Pandemic Dynamics



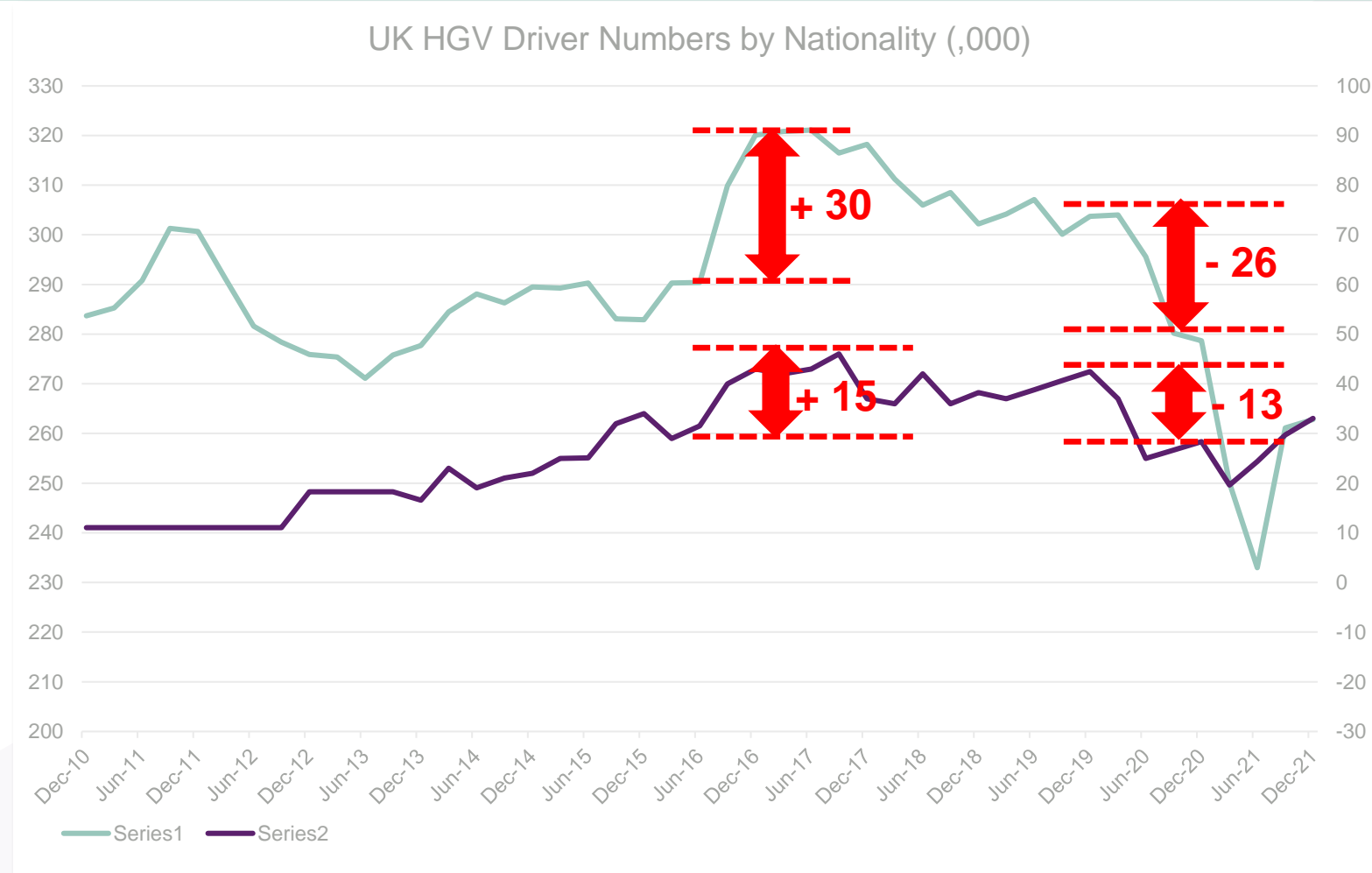
# The workforce remained stable over the past decade

- ▣ The workforce varied around an average of 295,000 by +/-25,000
- ▣ EU workers represented only a small fraction:
  - Up to 14%



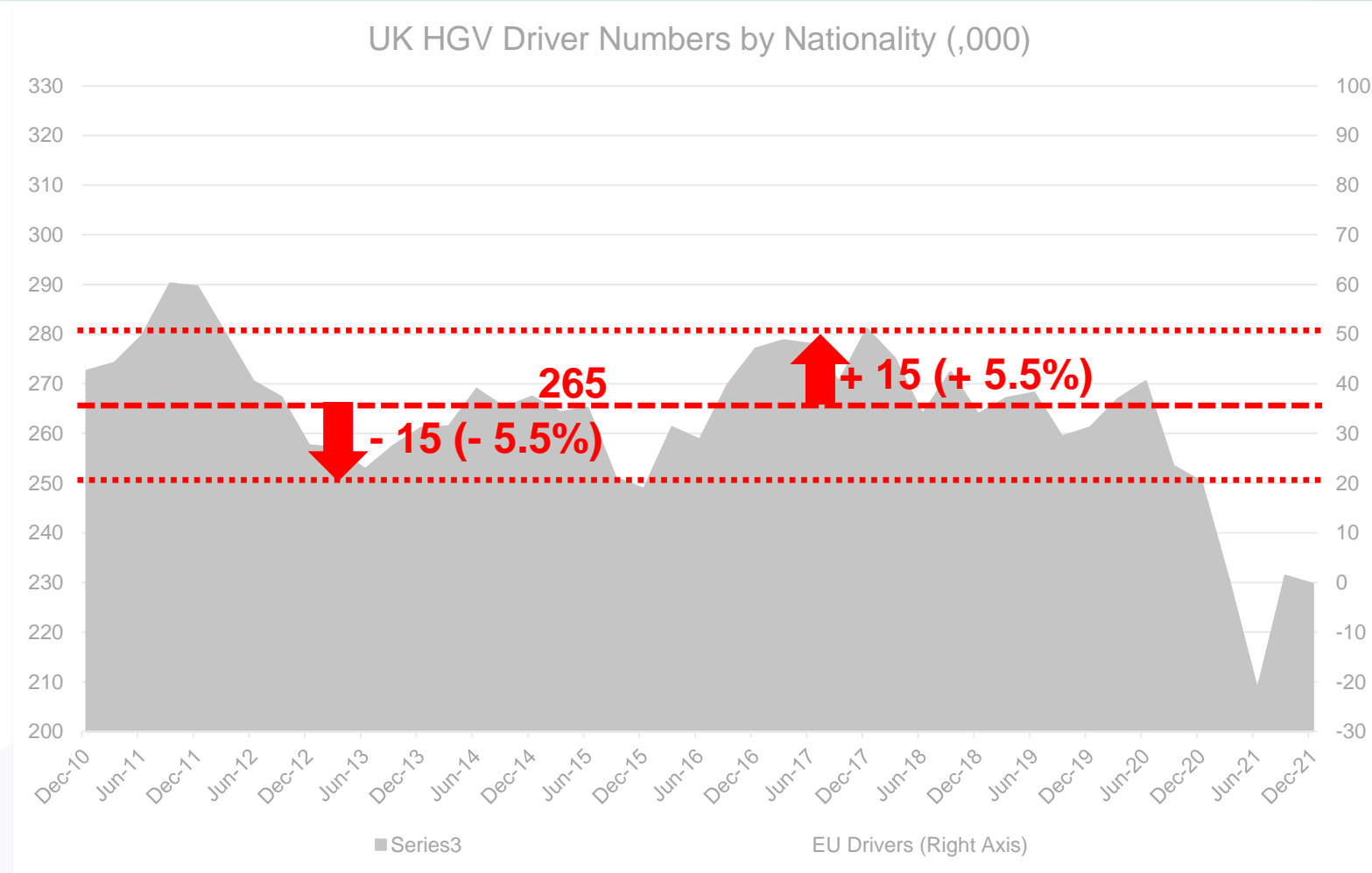


# EU drivers helped cover large changes in demand...





# So the British driver pool remained very stable





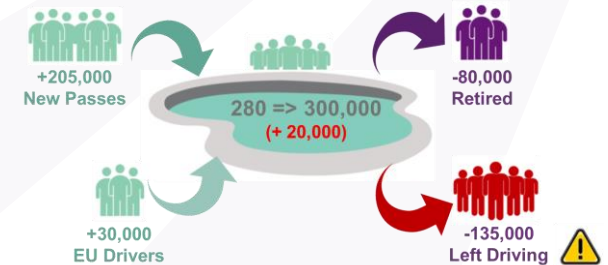
# Pre-pandemic HGV driver pool dynamics

## ➤ In the decade 2010 – 2019

- The pool increased from 280,000 to 300,000
- 235,000 new entrants less 80,000 who retired
- **135,000 left the workforce for other reasons – “churn”**

## ➤ When we examined the Under 45 age group, we discovered that:

- The pool decreased from 115,000 to 100,000
- 295,000 new entrants less 70,000 who moved to the Over 45 age group
- **140,000 left the HGV delivery workforce for other reasons – “churn”**
- 84,000 stopped driving and 56,000 went into other driving roles



***This means that all the “churn” came from the Under 45 age group***



# Our problem was oversupply, not a shortage

- Extremely powerful buyers:
  - Retail giants, grocery suppliers and supermarkets, construction companies, etc.
- Highly fragmented and super-competitive haulage market
- Led to intense competition and cost cutting to win haulage business
- HGV driver costs range between 30% and 60% of haulage charges, so naturally the haulage sector suppressed HGV driver wages and working conditions

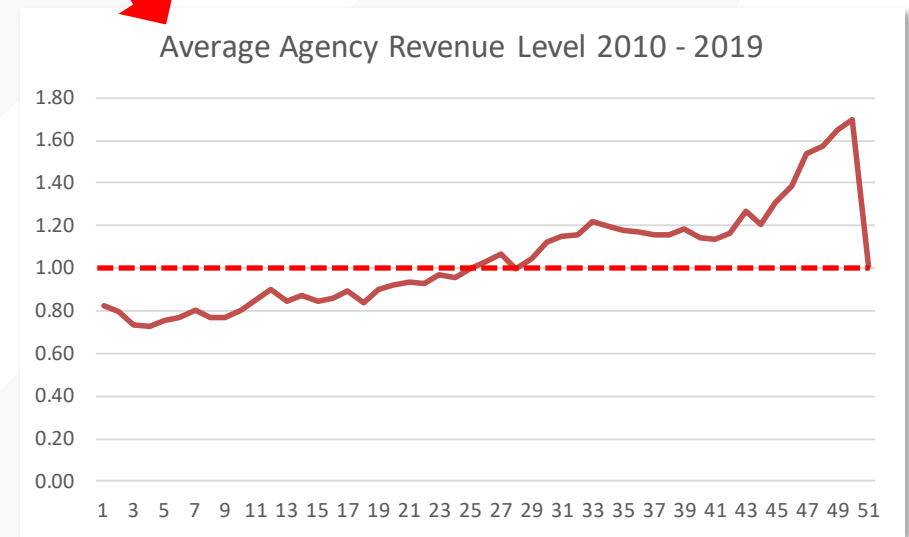
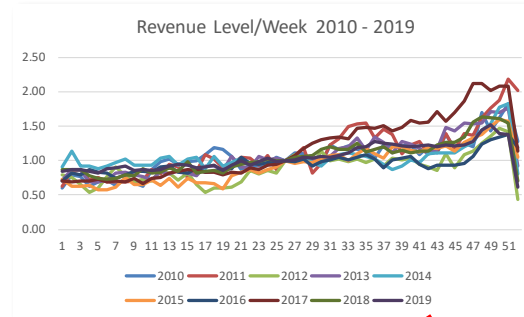
***This resulted in high churn, stabilising at exactly the level to match average demand***



# We experienced a “shortage” every year at peak

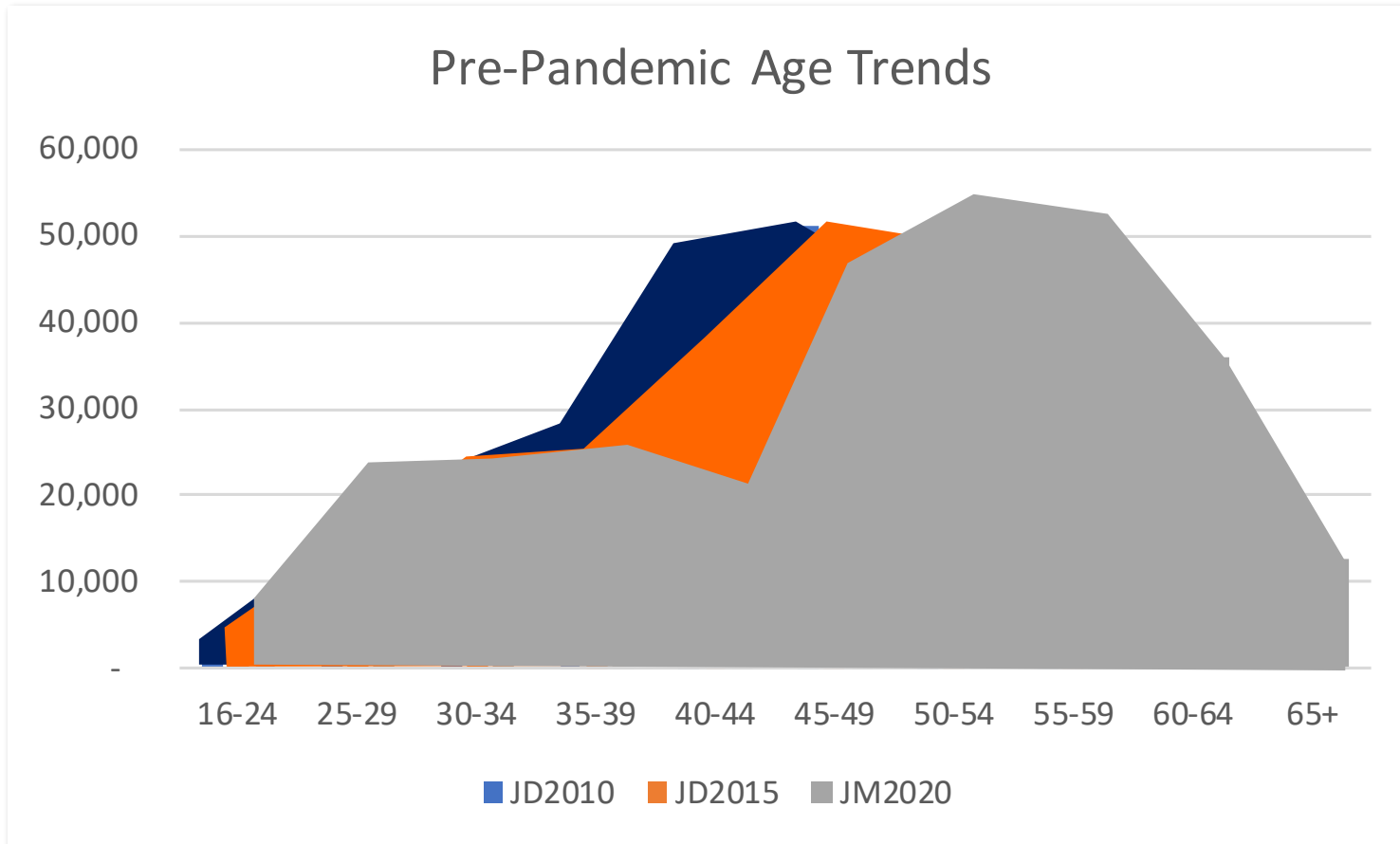
## ■ The UK haulage sector is seasonal:

- H1: Off-Peak from late January to the end of June with the exception of Easter holidays:
  - Every year there are excess HGV drivers in the market
- H2: Peak with a short dip from mid-September to late October:
  - Every year there is a shortage of HGV drivers, leading to loyalty bonuses and incentives
  - Not long enough to cause systemic HGV wage increases





# We have an aging workforce ... is this really an issue?

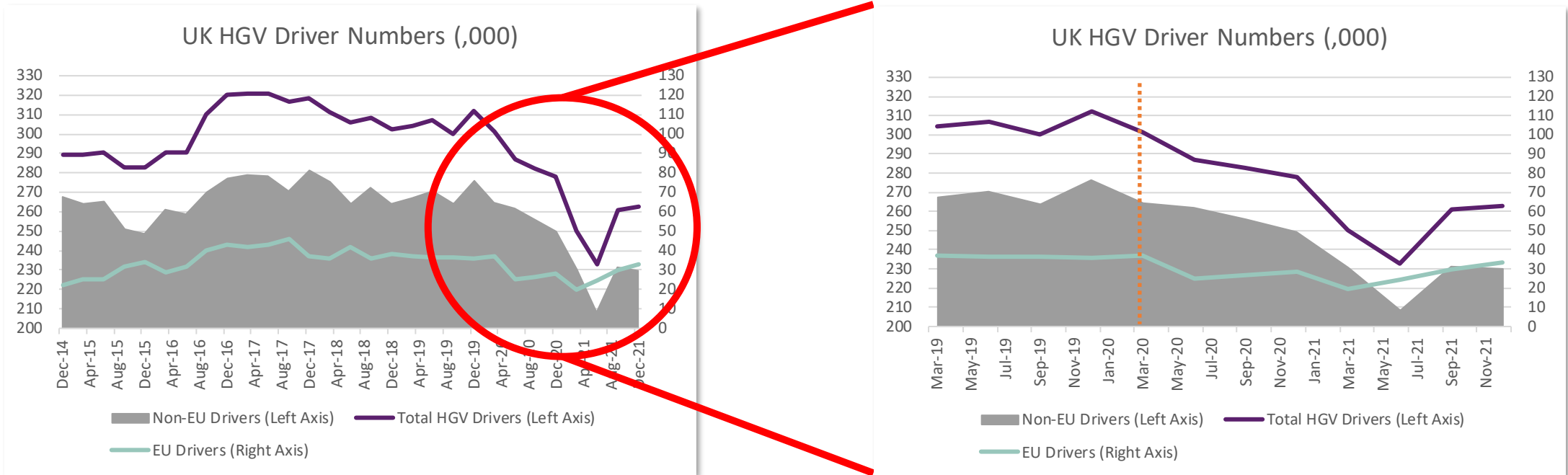


- We have a plug of aging drivers that has now reached retirement age
- The retirement rate has increased by **3000/year**:
  - 7500/yr in 2010 to 10,500/yr in 2020
- This isn't the disaster everyone considered it to be...
- We could easily recover from this dynamic by retaining more drivers



# Pandemic Dynamics

# Analysis of the Pandemic period

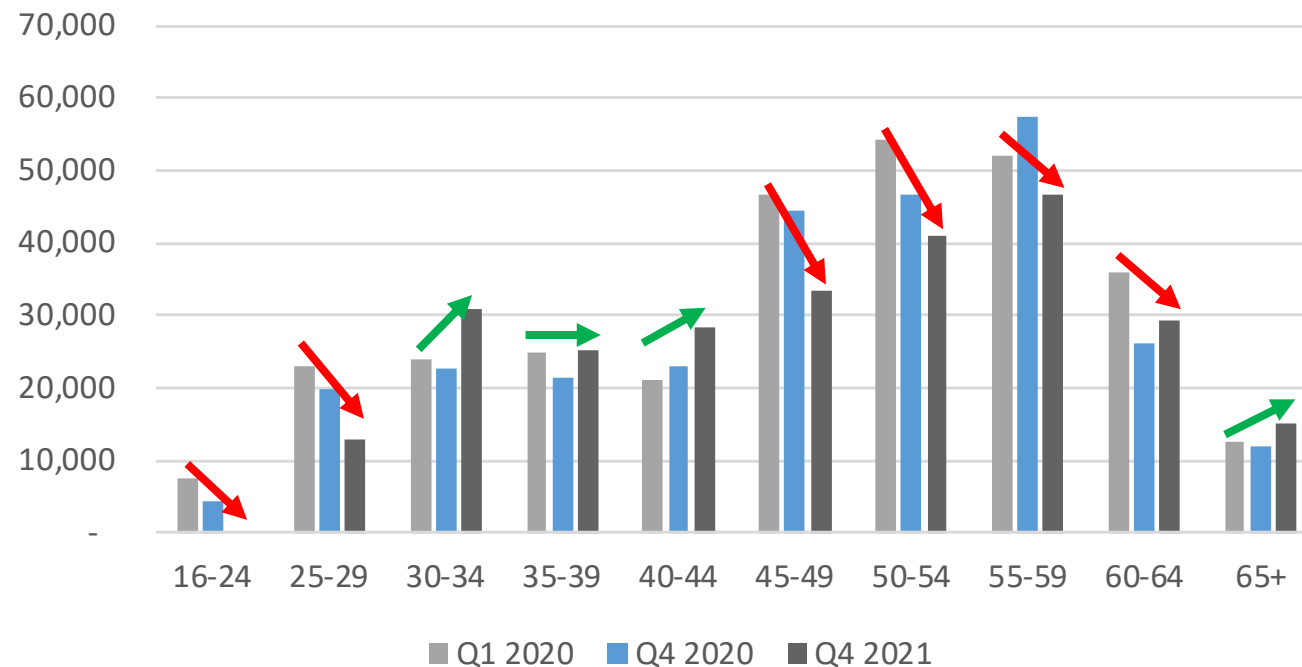


- Numbers dropped by 64,000 to 237,000 in Q2 2021
- Then recovered by 29,000 to 261,000 in Q3 2021, a drop of 40,000 vs pre-pandemic






# Age analysis for the Pandemic period

Q4 21 vs Q4 20 vs Pre-Pandemic

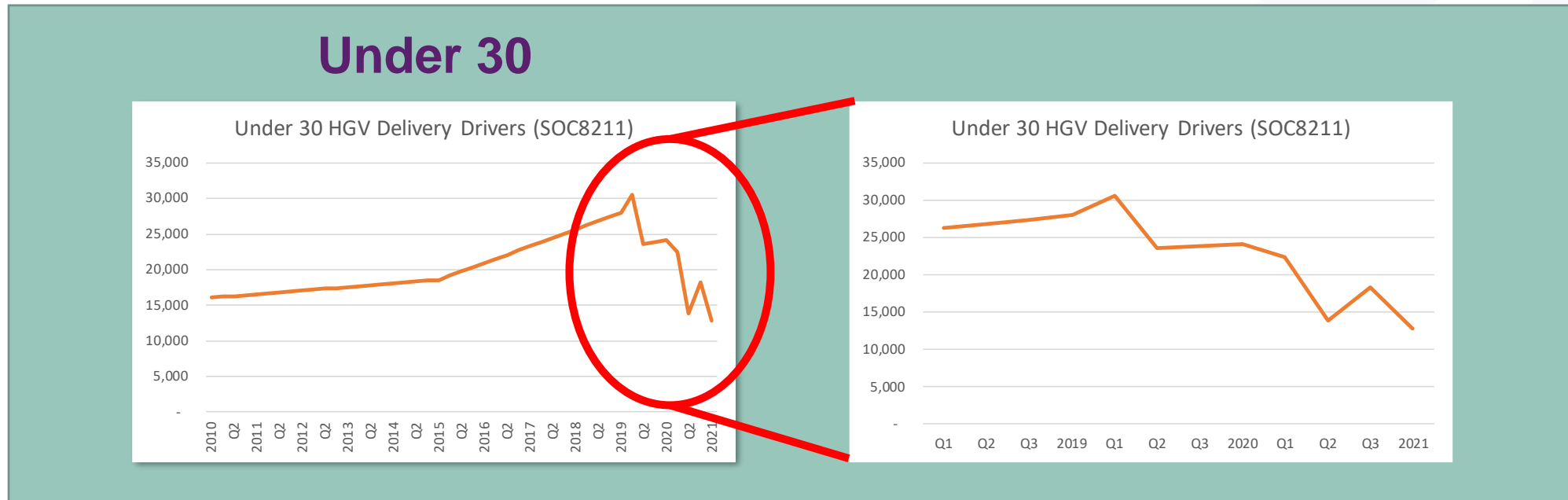


## Q4 21 v Q4 20 v Q1 20

-  <30:
  - Significant drop
-  30-45:
  - Increase
-  >45:
  - Significant drop



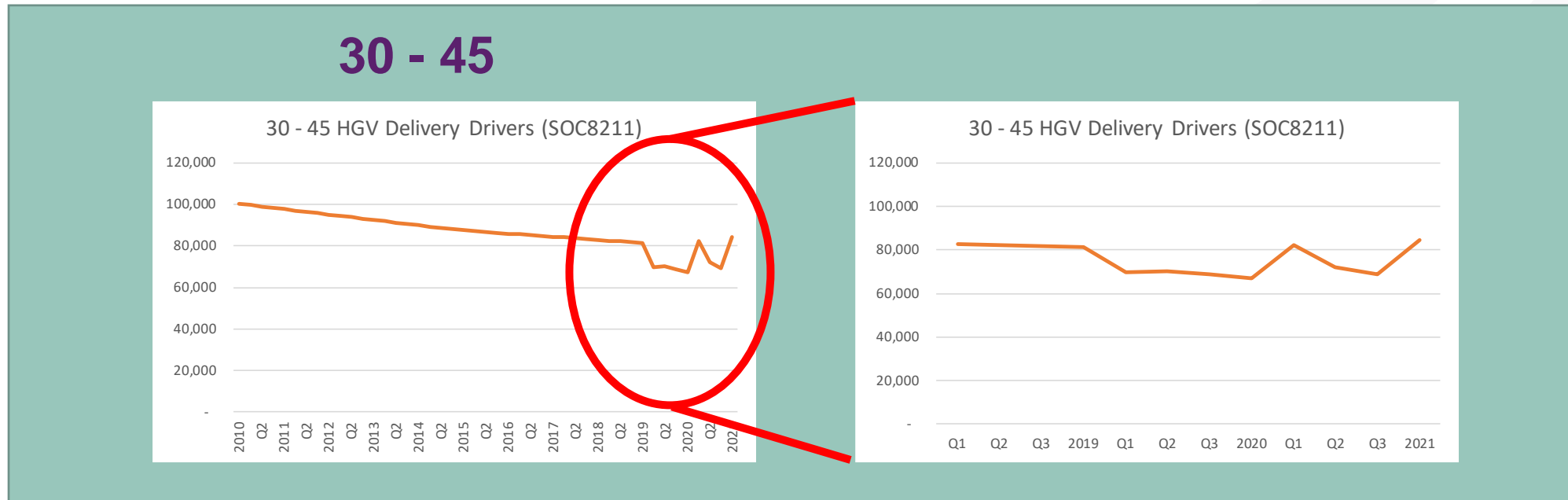
# Age analysis for the Pandemic period – Under 30s



- The largest pandemic losses were in the Under 30's
- 30,000 Under 30 HGV drivers dropped to 13,000 in the two year period



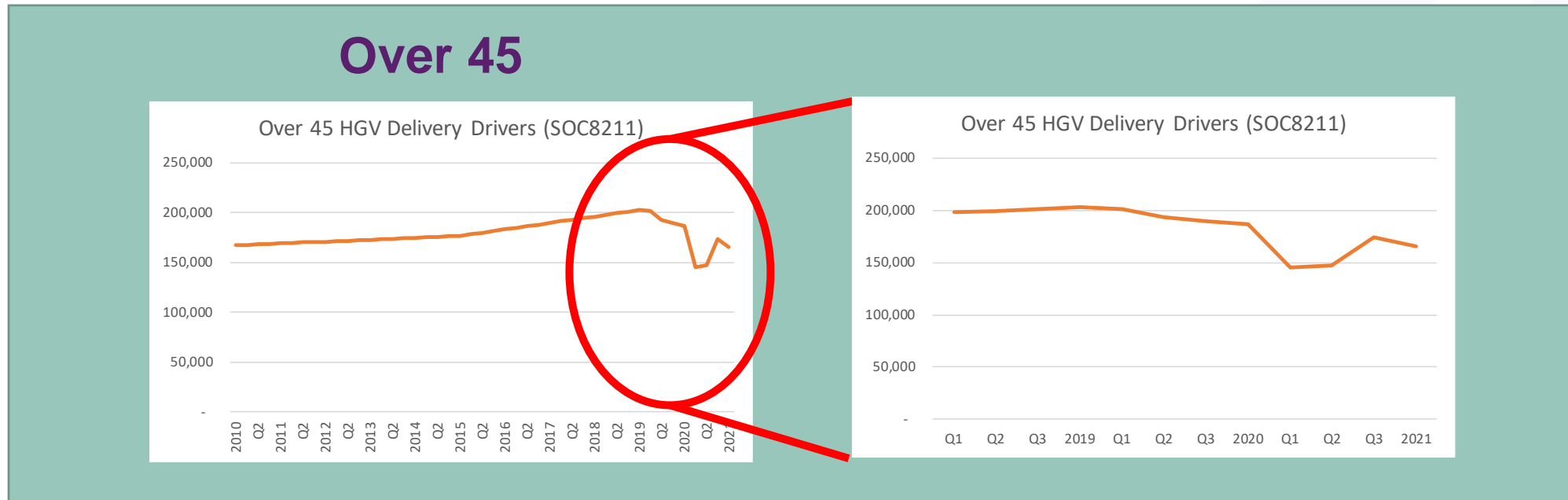
# Age analysis for the Pandemic period – 30-45 group



- The 30-45 group remained approximately stable through the pandemic



# Age analysis for the Pandemic period – Over 45s



- The over 45 age group declined markedly in Q1 2021 and then recovered in Q3, only to adjust again in Q4

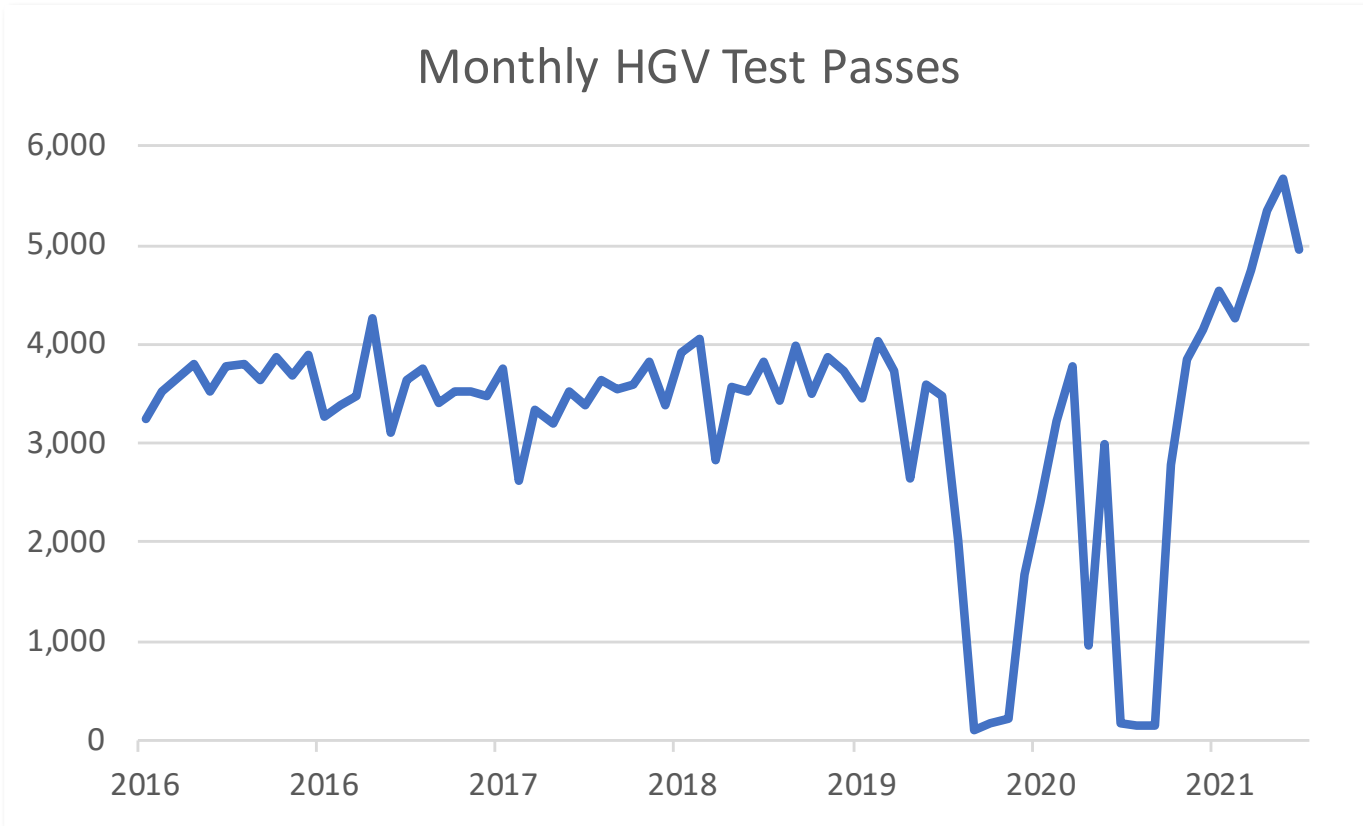


# Supply and Demand





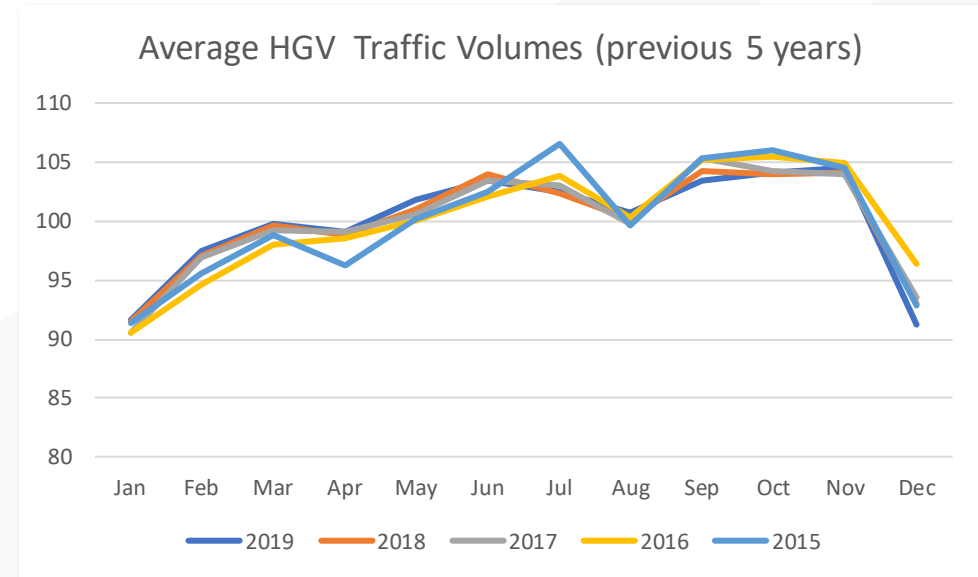
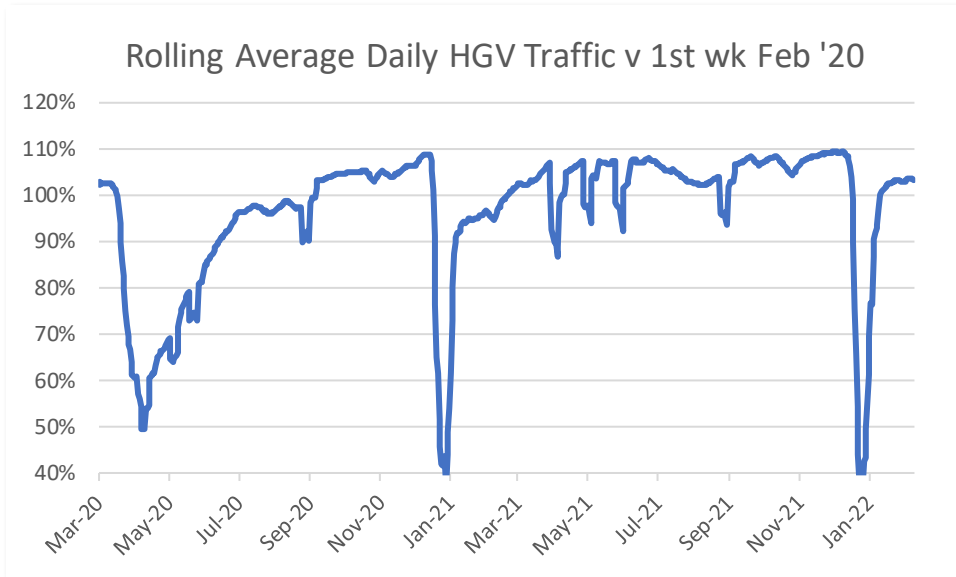
# HGV testing throughput is up by 50%, but...



- Q4 Current rate:
- 27,000 took the test
- 60% = 16,000 passed
- 60% = 10,000 new entrants
- 70% = 7,000 into HGV Delivery
  - <30: 45% = 3000
  - 30-45: 40% = 3000
  - >45: 15% = 1000
- We need more data**



# We are running at pre-pandemic freight levels... how?



- H2 2021 freight traffic averaged 108% of Feb 2020 level and then fell to 103% in Q1 2022
- Over the 5 pre-pandemic years, Sept-Nov freight traffic averaged approx. 110% of February levels

***We are sweating our HGV drivers & assets – 20% extra work per driver***



# Evidence of a shortage crisis

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- “Whack-a-Mole” became consistent shortages
- Agency pay rate inflation of up to 40% partly transferred to permanent, which rose by around 20%:
  - Moving towards £20/hour for antisocial/difficult work
  - £1000-£1200/week; £50,000/year for a standard week; more with OT
- Higher differential for overtime and anti-social hours

***But then we didn't experience the significant uplift in demand in Q4 2021***



# Other constraints eclipsed the HGV driver shortage



## Product supply constraints:

- Product and component supplies
- Disruption to international shipping and supply chains
- Seasonal stock delayed beyond sale window



## Restricted processing: warehouse worker and van driver shortages



## Shortage of operational fleet



## Lack of available rail freight capacity from container ports



## Grocery and high street retailers reduced number of SKUs



## Exploitation of visiting EU fleet through increased cabotage



# The Solution



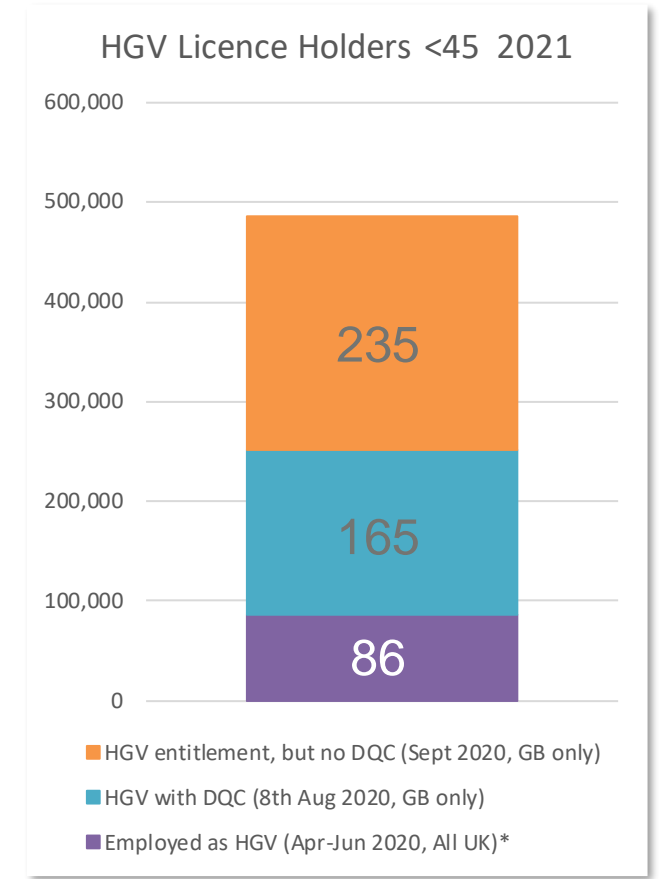
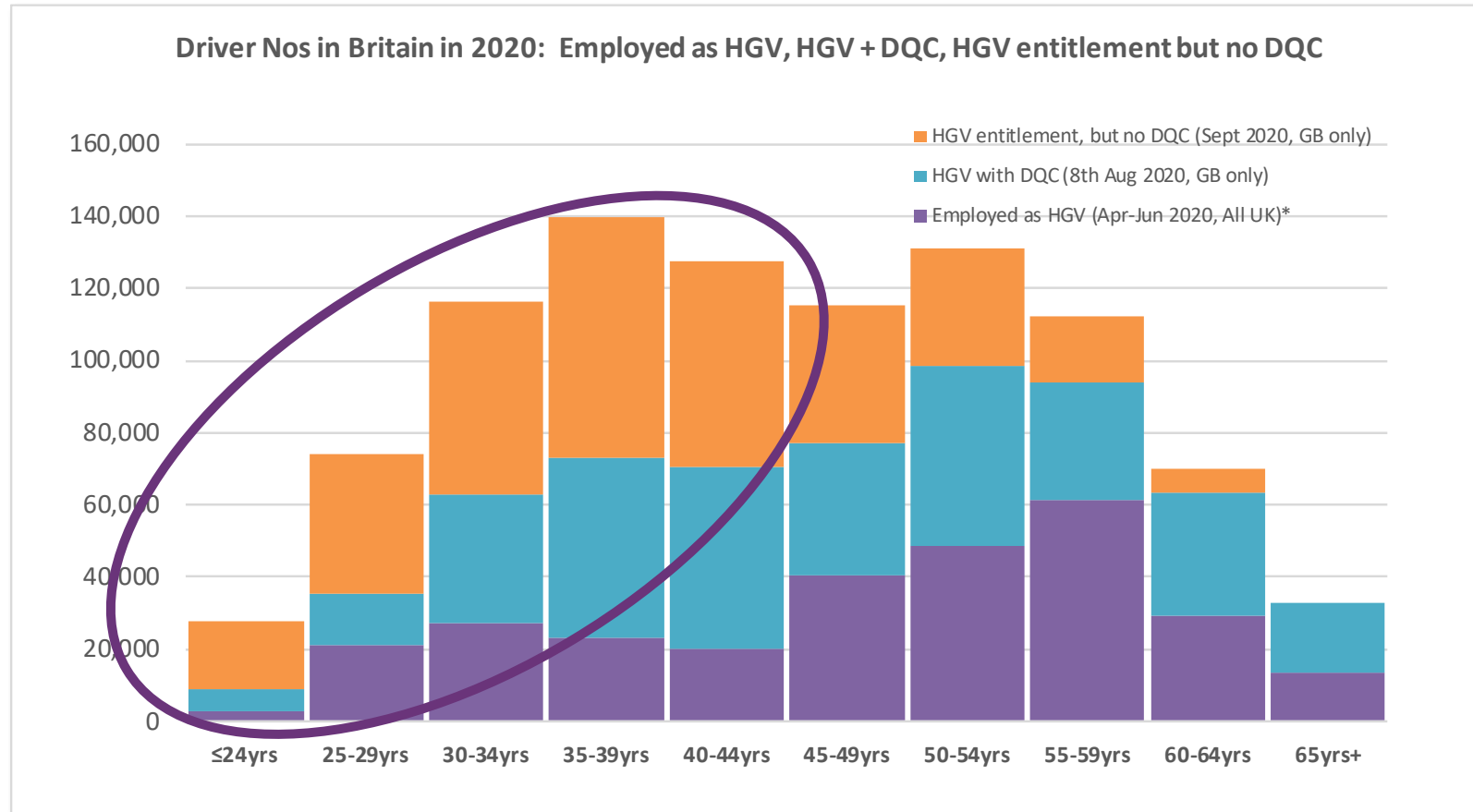
# Four angles of attack

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- Increase HGV training & testing capacity/throughput
- Retain drivers – reduce churn
- Attract back “lapsed/lost” drivers
- Open the borders



# 235,000 licence holders under 45 are no longer driving





# Take a joint collaborative approach

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## ■ Create a “Haulage Sector Taskforce” comprising key representative bodies and unions:

- Logistics:
  - Logistics UK; RHA; CILT; Association of Pallet Networks
- Training Schools:
  - Logistics Skills Network; Road to Logistics; Think Logistics; Apprenticeship Trailblazer
- Recruitment Agencies:
  - REC; TEAM
- Tax compliance:
  - HMRC; FCSA
- Workers rights:
  - Unite the Union
- Government:
  - DfT; DBEIS; DWP





# Thank you

For questions or to join the conversation,  
please contact:

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