

## EUROPEAN DRIVER SHORTAGES

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The driver shortages have been affecting the global road freight market for around 15 years. The issue comes as the pool of truck drivers is contracting but demand for transport is rising. As global economies have grown, the demand for transport has increased which has caused a strain on personnel resources especially for van and last-mile drivers. As this happens, labour costs are also rising, which is increasingly putting pressure on road freight operators and freight rates. The reasons behind the growing shortage are plentiful as are the solutions, but the implementation is difficult and lengthy.

While the COVID-19 pandemic has challenged supply chains and logistics in unprecedented ways, it has further exacerbated the already alarming issue of driver shortages. Even before the pandemic was a serious cause for concern in the industry, the lack of drivers in the road transport industry was at an all-time high with many of its underlying issues being long-term challenges. Factors such as an aging workforce and insufficient numbers of new recruits, due to working conditions and image issues of the profession, have been plaguing the industry for many years.

Truck Driver Shortage Across Europe



Source: Ti/Various

## DATA ON DRIVER SHORTAGES

Truck Driver Shortage Across Europe (latest available data as of July 2021)

Driver Shortages in European Logistics		
Country	Scale of shortage	Last reported data
Poland	123,842	2020
United Kingdom	60,000 - 76,000	2020
Germany	45,000 - 60,000	2020
France	43,000	2019
Spain	15,340	2020
Italy	15,000	2019
Sweden	5,000	2017
Belarus	4,500	2019
Norway	3,000	2017
Denmark	2,500	2017
Ukraine	12,000 - 120,000	2019

Source: Ti/Various

According to Ti's estimates, in 2020, the European road freight industry had a driver shortage of around 400,000 drivers.

The most heavily impacted European countries are Poland, the UK and Germany. The UK is in a particularly difficult position as it is not only grappling with Brexit, but it also saw many European workers leave over the course of the pandemic, as fears over lockdowns grew.

- Poland: According to Ti estimates, the shortage in Poland in 2020 is around 124,000 drivers. According to IRU, Poland is one of the most heavily impacted European countries and driver shortage in 2020 stands at around 37%.
- UK: The shortfall of truck drivers in 2020 is estimated at 60,000-76,000. The RHA estimates that there is currently a shortfall of about 60,000 hauliers in the UK. According to data from the Q2 Labour Force Survey for 2020, the calculated shortfall is even higher than RHA estimates and stands at around 76,000.
- Germany: Between 45,000 and 60,000 truck drivers are 'missing' in 2020 in the German market alone, according to the DSLV and BGL, and this number is only increasing. The IRU predicts a gap of 185,000 drivers by 2027 in Germany.
- France: In 2019 it has been reported by several news outlets that France is experiencing a shortage of approximately 43,000 drivers.
- Spain: According to Ti estimates, the shortfall of truck drivers in Spain was 15,340 in 2020.
- Italy: The shortfall in Italy in 2019 was estimated at around 15,000 drivers according to various sources including National newspaper Corriere della Sera.
- Denmark, Norway & Sweden: The Scandinavian countries figures are not as high, but the shortage of

drivers has spread across Europe. The shortage figures from 2017 for Sweden, Denmark and Norway are 5,000, 2,500 and 3,000, respectively.

- Belarus: In 2019, it was estimated that there is a shortage of 4,500 drivers in Belarus.
- Ukraine: The deficit of drivers in Ukraine in 2019 ranged from 12,000 to 120,000 depending on the region.

### **Driver shortage in the UK reaching 'crisis point'**

Truck drivers are lost in a sort of Bermuda triangle of Brexit, pandemic and tax reforms/peak seasons, leading to a pressing driver shortage in the UK.

Brexit effectively ended recruitment from the EU, making it legally impossible to recruit foreign HGV drivers. The COVID-19 pandemic created a backlog of tests and saw around 15,000 Eastern European driver returning home. Finally, newly introduced tax reforms exacerbated the exodus of EU drivers from the UK which will only get worse over the coming summer.

From 2010 to 2017 the number of EU nationals driving HGV in the UK rose from 10,000 to 45,000, and fell to 42,000 in early 2020, possibly related to Brexit. From March to June 2020, the number of EU HGV drivers declined by another 15,000, to 25,000, recovering only slightly to 28,000 by the end of the year. Additionally, the pandemic is also believed to have accelerated the retirement rate in the industry.

The so-called IR35 reforms by UK's HM Revenue & Customs further exacerbated the issue. The reforms required all contractors with a turnover of £10m or 50 staff to pay full tax and national insurance on their drivers, starting in April 2021. Even though this was widely welcomed by industry leaders, the reforms were adding to the shortage, who reject the drop in incomes that come with regularising their tax status. Research suggests that around 12,000-15,000 EU drivers left partly due to the pandemic and another 5,000-10,000 left due to the tax changes.

Availability of some products has already been affected by the shortage and prices of some goods are expected to rise. One supermarket has begun notifying its customers of shortages, intending to prevent angry outbursts at their staff; while a milk supplier failed to make around 100 deliveries, serving 250,000 customers.

The RHA stated that "the combination of a lack of truck drivers and the end of the customs grace period in October is likely to lead to huge pressure on supermarkets to raise prices as demand outweighs the supply of popular everyday products such as pasta, meat and dairy products as well as general household products".

Haulage companies might be forced into paying more for drivers, and those cost could be passed onto supermarkets. This coincides with food prices hitting their "highest level for seven years, while shipping costs have risen threefold since 2019, and commodity prices such as fuel are also climbing".

Big supermarket chains have already started offering drivers double the going rate, which makes it also difficult for smaller companies to compete, some of which had to increase their driver's pay by 25%, while also training new employees. Lee Juniper, Operations Director at FreshLinc, a UK logistics operator with nearly 700 trucks, said the shortages were causing issues and also forcing up hourly wage rates by 10-30%, depending on the region and type of haulage involved. Those costs have been passed on to their customers, even though others absorbed it not wanting to pass it to their customers.

## STRATEGIES TO MITIGATE DRIVER SHORTAGE

The driver shortage is a multi-layered problem. There has been much debate about the strategies needed to mitigate the ongoing problem of driver shortages across Europe. There are short-term solutions such as making truck driving an attractive job by increasing pay, introducing bonuses, giving opportunities to buy shares in the company and flexible hours, which can all start from the road transport companies. Then there are longer term solutions, which sometimes require government or institution intervention such as recruitment programmes for females and ex-army personnel, raising awareness in schools, training programmes, redefining existing and creating new regulations as well as creating resting and parking facilities.

### *The use of apprenticeships and training schemes to attract young people*

The most popular strategies to mitigate the shortage are apprenticeships and training programmes. The offer of apprenticeships to encourage young people into the profession has been adopted by many companies. These schemes often include training as well as a salary which can be inviting to young people who live in areas of high unemployment. Companies also have set up 'academies' and training schools to give people the opportunity of training whilst covering or contributing to the costs of training as it is normally an expensive entry requirement.

The legal age of being able to drive an HGV varies throughout Europe, which can be a barrier to entry along with the costs. Nagel Group in Germany has recognised this problem and created an apprenticeship scheme which employs young people and give them industry experience before turning 21.

A further initiative aimed at attracting young drivers is the FTA partnership with Think Logistics, an arm of educational charity Career Ready. It aims to build links between schools, colleges and employers to communicate the opportunities a career in logistics presents to young people.

Another example of a strategy used to tackle the problem is Pall-Ex's UK-wide Driver Drive to encourage drivers into Pall-Ex's network. The company launched a separate website for job applications. There are opportunities for Class 1 and 2 HGV drivers, van drivers and forklift truck operators. Kevin Buchanan, the group's Managing Director at Pall-Ex, commented: "Attracting the younger generation has become more challenging as they are unaware of the scope of jobs available and the opportunities for progression. Also, training to become a driver has a major cost associated with it. We fully support calls for improved access to training, apprenticeships and grants that can help young people start their careers in the industry."

An example of an online driving academy is JMHC Logistics' HH Drive Right initiative. The company launched its online learning academy, HH Drive Right, with a specific focus on attracting young potential candidates to the industry. The focus was on increasing the numbers of drivers working for the company and providing teenagers with an alternative to retail work.

Further examples include Eddie Stobart driver school in the UK. It offers financing, courses and driving experience with a guaranteed job, subject to completion, at the end of the programme. Aldi is offering a driver apprenticeship scheme for over 18's, offering an attractive salary, mentoring and decent holiday allowance. The apprenticeship is 13 months long and drivers would be working towards a Cat C+E licence.

Additionally, Hermes UK has launched an apprentice programme to help beat driver shortages as part of "Road to Logistics". The company's nationwide programme Warehouse to Wheels is a 12-month training

programme which allows existing staff to undertake their LGV training to become drivers for the company. The scheme is open to applicants of any age and all successful apprentices are offered roles as hub drivers within the operator's Warrington and Rugby hubs.

### *Seasonal Hiring*

During peak times the shortage is more noticeable and felt across the region. The idea to put in a scheme to attract drivers who can be used during peak times and then utilised in other ways can be seen as an inviting alternative to being a full-time driver.

One company that has explored this approach is DHL Freight which trialled a new scheme to get more people behind the wheel so it can keep goods flowing across Europe, especially at peak times like Christmas. DHL Freight's recruitment drive initially focused on European operations, and there is already a pilot scheme in branches in Erfurt, Koblenz, Maintal, Malsfeld and Sehlem.

Chief executive Uwe Brinks said: "While we have sufficient loading capacity, we are noticing an increasingly urgent shortage of drivers. We have now adopted a far-sighted approach to addressing this with our driver recruitment initiative."

The pilot programme employs new recruits in a "rotating deployment" capacity, where they serve as drivers in peak periods and work in warehouses during quieter moments. The company said 30 new jobs had been created at each of the branches in the pilot programme and that if the initiative proved successful, further 500 employees would be taken on across Europe.

### *Recruiting Ex-Army Personnel as Drivers*

Some companies in Europe have embarked on campaigns to encourage former army personnel to take up the profession.

In the UK, there are approximately 50,000 unemployed veterans as of 2019, which represents a large pool of potential truck drivers. To take an advantage of this, Wimbledon-based logistics business ELB Partners turned to XMR, a specialist recruitment agency for ex-military drivers to find skilled, reliable drivers. Many hauliers must rely heavily on agency drivers, but this short-term solution inflates supply chain costs that are difficult to pass onto customers in what is still a margin-sensitive sector, the company commented.

An increasing number of companies in Germany are also looking to recruit truck drivers from the army. The carriers and shipper's organisation, Logistik Netzwerk Thüringen, has recently announced that a letter of intent has been signed with the Logistics Command of the German Army. The aim of the cooperation between Logistik Netzwerk Thüringen and the Germany Army is to support the professional development of employees through their employment and training by both parties. For example, army members from the logistics unit will be able to work in a logistics company during a break in service and then return to serve in the army.

It is not only German and UK organisations that are looking for drivers in the army. In April 2018, DSV entered into an agreement with the Dutch army. When necessary, the company hires its truckers from the army drivers to support the logistics operator in the busiest periods. As part of the "Logistics and personnel" pilot project, the operator benefits from military assistance during peak periods in the industry (e.g. before Christmas). DSV, on the other hand, sends its truckers to the army for large international exercises.

### *The use of technology*

The application of various technologies can help with the driver shortage problem by enabling or facilitating visibility in supply and demand schedules which are required to eradicate the issues of empty runs and waste. According to Espace, best estimates put a figure of 20% of tractor units standing empty all over Europe. Equipping trucks with localisation technology and sensors is one step towards achieving visibility and more efficient utilisation of assets/resources.

The introduction of digitalised platforms and the use of AI and forecasting could also greatly benefit the shortage as they can remedy structural inefficiencies such as empty runs and inefficient usage of assets. Using this type of platforms can help ease the shortage for companies by reducing the number of trucks required to move the same freight. This would also help reduce emissions and costs. However, the reality is much more complex. Although notional spare capacity in the market is on average 40%, that so-called 'waste' is not entirely addressable by the use of road freight platforms. The use of digital road freight platforms undoubtedly has some impact on efficiency and hence driver shortages, but it is important to note that this is not a 'silver bullet' for the industry.

According to research conducted by the IRU, 71% of European transport companies think autonomous vehicles are a reality in the next decade. Autonomous trucks can reduce labour costs and keep running 24/7 without being constrained by driver rest time and driving distance limitations. However, in reality, the technology is not yet commercially viable at a large scale and they usually operate good in closed environments. Once the technology is mature enough, it will certainly make the job easier for drivers. Overall, the use of autonomous vehicles will certainly play a role in alleviating the driver shortage problem, but it won't be the silver bullet to solve the problem.

### *Institutions and governmental input*

The input of institutions or organisations and governments is essential to alleviating the causes of the shortage.

The lack of convenient, safe and secure rest areas has become one of the key problems for truck drivers, and a major factor putting off women and younger people joining the industry. As a response to this problem, the European Commission has decided to make available funding to increase the number of available secure parking areas across Europe. It is estimated that a total of €178m will go to companies that decide to create safe parking areas for trucks based on uniform European standards. But getting EU Member States on board is essential to achieve tangible results according to Matthias Maedge, the IRU's General Delegate to the EU. The Connecting Europe Facility, the funding mechanism of the EU for projects on implementing infrastructure projects, will finance 30% of the projects. This means that the Member States will have to provide additional support and investors would have to cover the remaining 70%. It is therefore necessary to act at all levels, from local to national and European, to achieve a breakthrough. The funding would be used to build new parking areas, upgrade existing ones and set up an expert group to implement a common standard for safe and secure parking areas. At the moment, there are various individual standards across the Member States so this would be the first ever uniform standard for safe and secure parking across the EU.

Another initiative is the 'Road to Logistics' program which was founded by the Road Haulage Association and Microlise in early 2016. It is a national training programme designed to encourage people from

different parts of society who need help and integration into work, into the transport and logistics industry.

Another example of an institutional measure aimed at tackling the driver shortage comes from the UK Government's Department for Transport which pledged £1m towards the 'Road to Logistics' programme in September 2019. The programme was founded by Road Haulage Association and Microlise. This scheme is to prepare former criminals to become truck drivers. It comes after successful pilot schemes in several UK prisons including HM Sudbury. The scheme will mentor and guide potential drivers, linking them with employers and help put them through training and the HGV test. It has already trained 300 drivers in the first year.

#### *Reducing the minimum age of professional truck drivers*

A particular concern is the lack of younger people training to become HGV drivers. In Q2 2020 the proportion of people under the age of 24 driving HGVs fell by 57% compared to Q2 2019 in the UK. This is an issue the European market is familiar with as well. According to the IRU, 11% of the workforce in Poland are younger than 25 years old, while in Romania, the average age of drivers is 41 years old. Meanwhile, the European average for drivers below 25 years old sits at 7%.

To tackle the issue, the industry is calling on governments to reduce the minimum age of professional truck drivers to include younger people. The International Road Transport Union has called on nations to agree on a global minimum age of 18 for professional truck drivers. One of the consequences of the pandemic has been soaring youth unemployment numbers, which they regard as a potential partial solution to the driver shortage issues.

There is variety when it comes to age requirements around the world. In the Middle East and some European countries, the minimum age is already 18. In many other countries the minimum age is 21 but can go up to 26 in countries such as China and Turkey. Even within the EU there are different age requirements and rules attached to the issue and may even vary depending on whether or not the transport and journey is domestic or international. Such restrictive minimum age rules are a serious obstacle to young people joining the profession at a time when youth unemployment exceeds 30% in some countries. To ensure the continuity of transportation services, the industry needs young people to meet the growing demand for drivers and ensure the continuity of our services.

#### *Attracting female truck drivers*

As already mentioned, women account for 2-3% of drivers across Europe, according to the IRU. The unattractiveness of the job means that only half of the recruitment pool is being utilised. The IRU is acutely aware of this issue and hopes to combat it through working with the European Commission as well as supporting its members to promote women in the industry. For example, a German member of the IRU recently employed a female ambassador for attracting women into the transportation sector.

Women in Transport is a not-for-profit organisation aimed at getting more women into the industry. To address the issue the European Commission set up the 'Women in Transport - EU Platform for change', to promote transport as an attractive field for women to work in. It will contribute to incentives such as creating awards for female drivers and best performing companies in terms of recruitment, inclusiveness and retention.

Another example of working towards more women drivers is the M6Toll scheme. IT ran the national HerGV campaign in June 2017 to encourage female drivers into the industry. The campaign centres around a competition in which women are encouraged to upload a video to the campaign's website, stating why it's their ambition to pursue a career in the haulage industry, for the chance to win a prize package worth up to £3,000.

### *Attracting foreign drivers*

Another way to alleviate the shortage is to employ non-resident drivers. Opening borders to employees from Eastern European countries has helped, but only temporarily and as a result, operators have started looking for drivers from further and further East. In Poland, for example, there are agencies that offer employment of drivers from Asian countries such as Bangladesh, India, Philippines and Vietnam. It can take around four to six months from the start of the recruitment process to arrival. Employing foreign drivers from Central Asian and Caucasus countries such as Kazakhstan, Uzbekistan, Georgia and Armenia, can only take around one to three months.

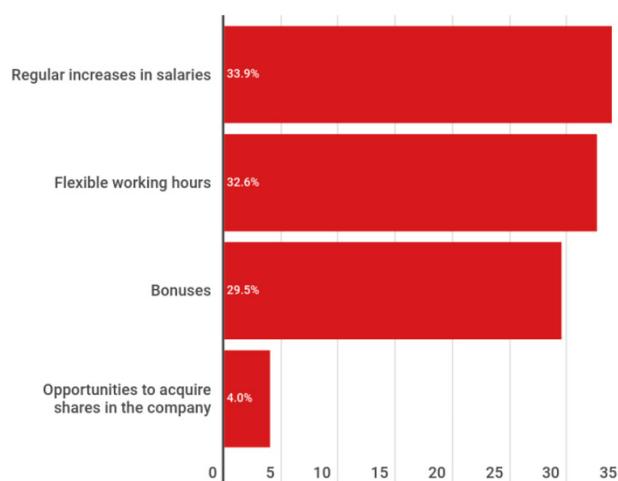
Although this method can help boost the numbers of drivers, it can often come with human trafficking and exploitation concerns mainly due to the poor monitoring and lack of enforcement of relevant legislation across Europe.

### *The use of financial incentives*

The use of financial rewards is, of course, a strategy to both invite new drivers and retain current drivers. It is probably the most realistic short-term solution. It has been reported that some company bosses encourage their own drivers to poach competitor's employees at motorway service areas. As an incentive, there is an offer of a bonus and an exchange premium of €500. Some companies have also been known to offer shares to driver employees as an incentive to join whilst others have offered flexible hours and extra holiday to compensate for the long time away from home.

According to a survey Ti conducted with hauliers across Europe, around a third of hauliers (33.9%) offers regular increases in salaries to retain drivers, acknowledging the assumption that low pay is a major factor in putting people off coming into the trucking industry. 29.5% stated that they offer bonuses to alleviate the truck driver shortage and retain drivers.

What plans do you have in place to retain drivers?



Source: Ti

## CONCLUSION

The driver shortage in Europe is set to get worse, despite the many strategies that are being implemented. There clearly is no silver bullet to the issue of driver shortages, and all strategies will help alleviate the issue to some degree. It is fair to say however, that if logistics companies are 'hit financially' due to being excluded from the market on the basis of poor working practices for employees, this may be the point in which the industry changes and the shortfall lessens.

Overall, it is fair to say that improving the working conditions of drivers will not only help hauliers retain existing drivers, but it will also help in recruiting new drivers. While it is down to the employers to ensure good working conditions for their workers, the role of enforcement authorities or trade unions in implementing regulations and uncovering the real working conditions cannot be emphasised enough. As shippers get a clearer picture of the working conditions offered by their transportation partners, the latter will have to change rapidly or find themselves excluded from the market because evidence will show that their entire business model has been based on exploitation of labour. Sadly, the threat of transport companies losing business may be the turning point in the improvement of working conditions of drivers and consequently in the increased attractiveness of the job.

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