




# Not just Stacking Shelves

Tackling pre-conceptions about employment in the logistics industry  
Spring 2006

A woman with long dark hair, wearing a black suit, is sitting in a black leather armchair on a grassy hill. She is looking towards the right. The background is a clear blue sky. The chair is positioned on the right side of the frame, and the woman is sitting on it. The grass is green and the sky is a solid blue color.

“ Clearly an economic and planning strategy based on an expanding high volume manufacturing sector is unlikely to succeed. Over time, new jobs will need to be created... In this respect, the logistics sector can play an important role... ”

# The Perception

**There is a view, shared by planners, politicians and many reasonable people, that large warehouses mean low levels of employment.**

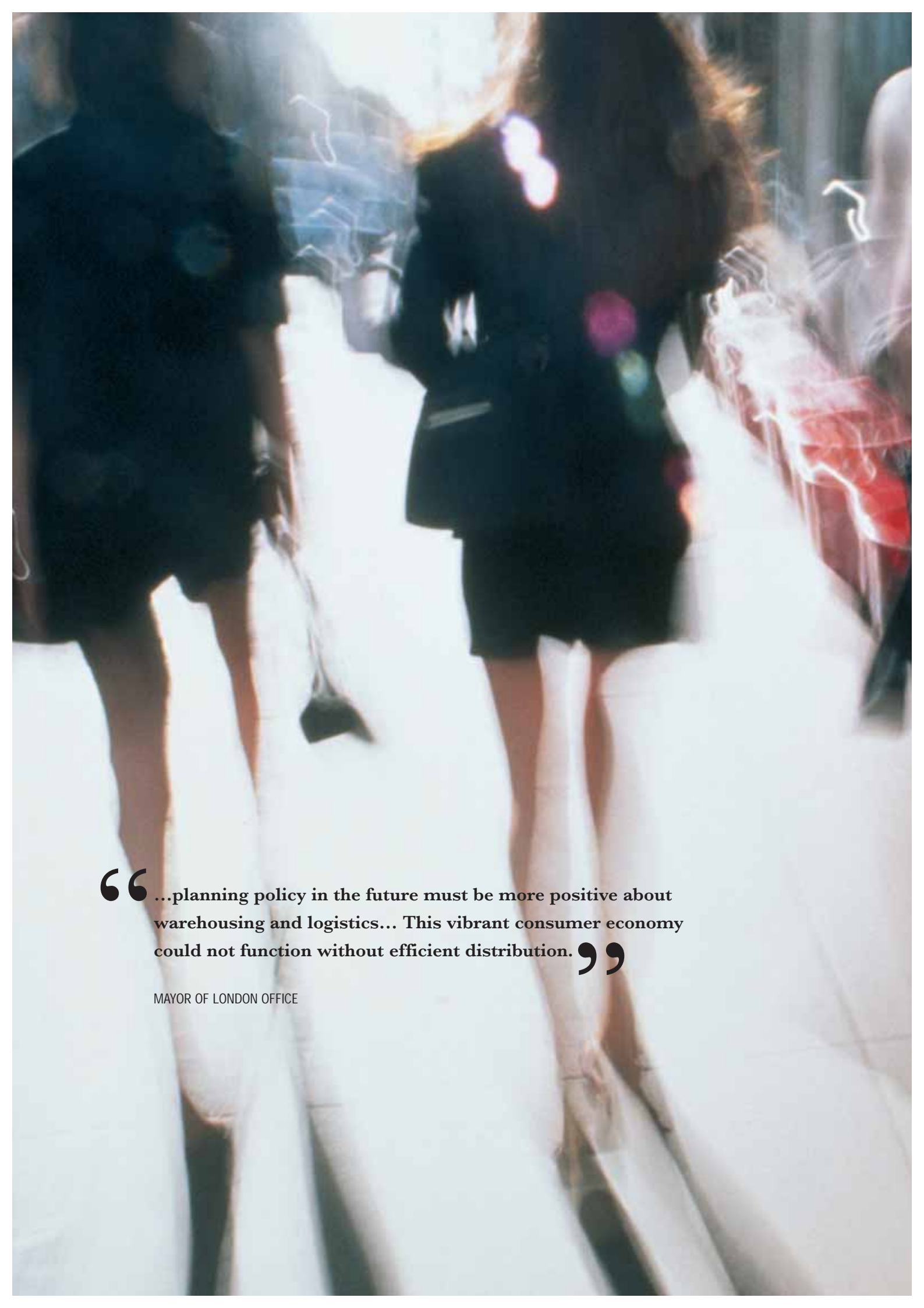
Planning officers are often reluctant to sanction the development of B8 distribution warehouses, on the basis that the jobs they create are fewer in number and lower in quality than those in manufacturing, or B2.

It's easy to see why we hark back to the high-intensity employment of the 20th century, when men worked elbow-to-elbow turning out products that could honestly bear the label "Made In England" – or Scotland, or Wales. In 1954, the tyre-maker Dunlop owned 135 manufacturing and selling outlets around the world and employed 10,000 factory workers at Fort Dunlop in Birmingham. No logistics operation can compete with that – but nor can most manufacturers currently operating in Britain. High land values and elevated wages have propelled many manufacturing companies eastwards to India and China, where cheap land, low wages and efficient shipping routes make undoubted economic sense.

In June 2005, it was officially recorded that one million manufacturing jobs had been lost in Britain since 1997. Government investment in the manufacturing industries also declined by 27.6 per cent over the same period, but according to Martin Temple, director general of the Engineering Employers' Federation, many of the cuts were caused by "inevitable" global restructuring. "These losses are a graphic illustration of the competitive world in which manufacturing lives, day in day out, forcing manufacturers to constantly look for new markets."


The mass production of general consumer goods is unlikely to return to the UK, given the global market in which we all operate. Britain needs to look elsewhere for its job creation.





**“...planning policy in the future must be more positive about warehousing and logistics... This vibrant consumer economy could not function without efficient distribution.”**

MAYOR OF LONDON OFFICE



Until the late 1970s, most goods were delivered direct from the factory to the back door of every high-street store. The advent of information technology enabled retailers to streamline this process, control the flow of goods, reduce delivery congestion and release more floorspace for selling. They built Regional Distribution Centres to house goods in transit, including merchandise increasingly produced in the Far East. In the 1990s, companies like Sainsbury's added extra tiers of warehousing, the better to refine their logistics operations.

The 21st century has seen an increased demand for large distribution warehouses, with the realisation that the super-warehouse reduces road miles and makes for a more efficient operation. Modern retailers respond with ease to the increasingly sophisticated demands of the consumer for "Fashion and Freshness – Fast." The evolution of e-logistics continues to shape the industry, with many retailers using their warehouses to supply goods direct to the customer, via the internet.

"Logistics is important to the UK as a sophisticated economy," says Andy Griffiths, deputy Managing Director of ProLogis, international developer of industrial and distribution warehouses. "It supports competitive prices, without which we would be at a greater cost disadvantage."

# The Reality

**Just as the shape of manufacturing has altered immeasurably over the past decade, so the retail scene has changed beyond recognition.**

**“...the ideal location of B8 sites [warehousing] benefits the whole region in which the business park is located. This is because an ideally located B8 activity is able to provide a highly cost-effective and efficient supply-management service to its local regional customers, thereby increasing the competitiveness of the whole local region.”**

DR PHILIP McCANN, DEPARTMENT OF ECONOMICS, READING UNIVERSITY

# Creating Jobs

Such is the feeling about the loss of UK's manufacturing industry, that many have resisted the arrival of large sheds with oversized floorspace-to-personnel ratios. The obvious assumption is that all you need to move boxes about is the occasional fork-lift truck driver, working alone in a vast warehouse. But new independent studies show that this perception is wrong – and that B8 development probably creates more jobs than modern manufacturing.

A survey of 33 businesses occupying ProLogis warehouses found that they employed one person for every 95 m<sup>2</sup> (1,023 ft<sup>2</sup>). Since ProLogis leased out 483,000 m<sup>2</sup> in the UK in the 18 months to end 2005, this infers the creation of around 5,000 jobs in 17 buildings. But perhaps floorspace ratios are not the best measure of employment creation. Analysts tell us that B8 employees have around 1.7 times more space to work in than B2 employees, but they are also keen to question this simplistic method of counting heads. They point out that distribution and storage operations, by their very nature, require plenty of space.

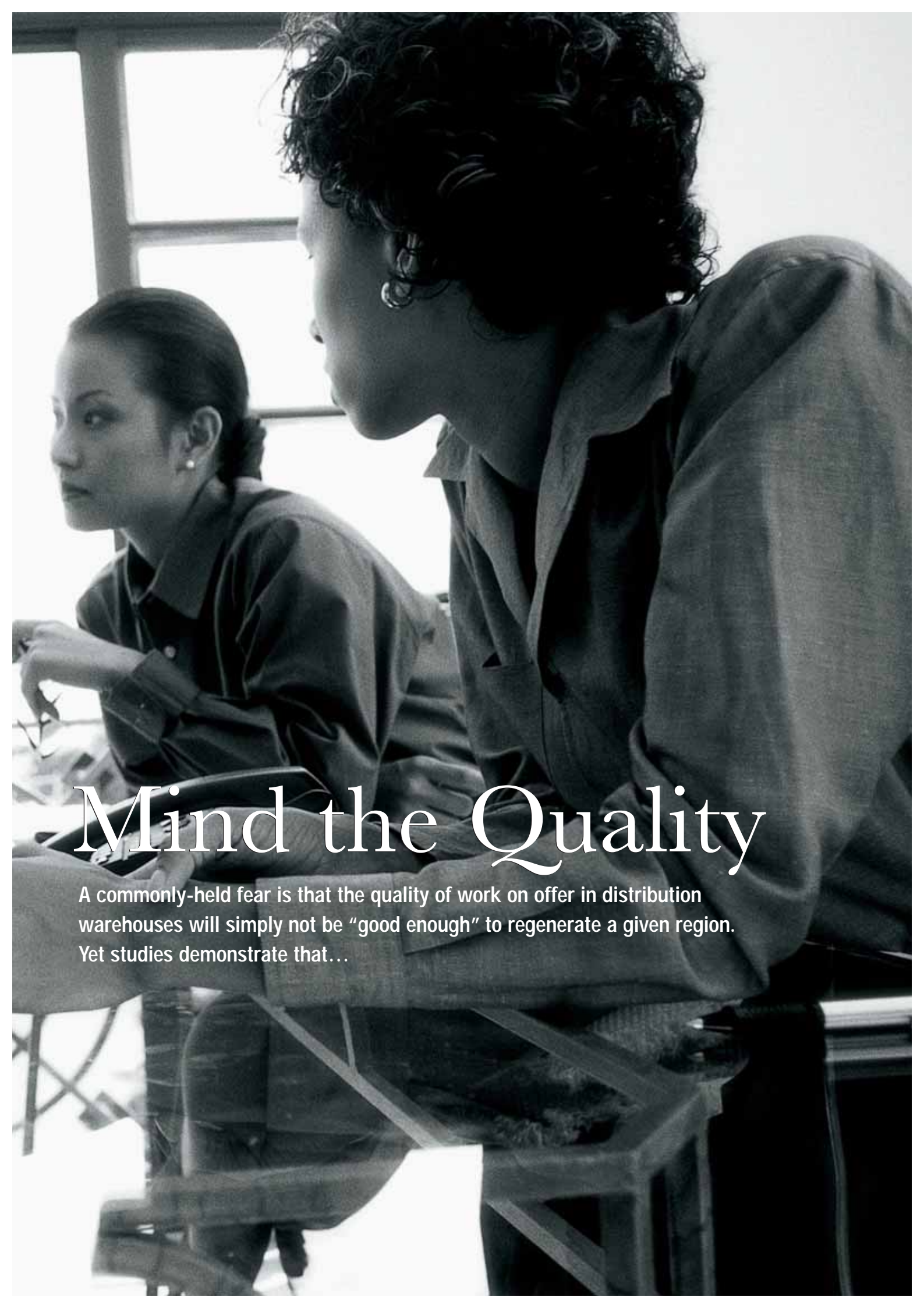
In fact, logistics companies tend to employ more people per site than modern manufacturers today. Researchers from Reading University, comparing distribution and manufacturing activities in warehouses throughout the UK, found that the B8 workforce was, on average per site, 40 per cent greater than the non-B8 (in their study, 178 employees vs. 128.) Another study by the international property agent Savills considered employment ratios in 50 warehouses built since 1996.

It concluded that for three out of four size categories, the distribution warehouses actually employed more people per square metre than B1c (offices) or B2.

Beyond this, a ripple effect of new employment can be expected across the region after new warehouses are built. A wide assortment of suppliers, customers and related industries feel the boost and before long, more jobs are generated. Analysts call it the "multiplier effect." One study suggested that, for a sample 180-acre site with around 3,000 employees, as many as 1,000 extra jobs would be created.

**Logistics operators tend to employ more people per site than modern manufacturers - about 40 per cent more.**






# Mind the Quality

A commonly-held fear is that the quality of work on offer in distribution warehouses will simply not be "good enough" to regenerate a given region. Yet studies demonstrate that...





**... logistics firms offer wages that are equal or superior to those in manufacturing, at all levels from shop-floor to management.**


They also create a wide range of job types, often in new combinations, for instance, organisational ability coupled with IT competence.

In a Cranfield University survey of large warehouses in the UK, 68 per cent of workers were classified as warehouse staff; 13 per cent as drivers; 11 per cent as administrative or support staff; seven per cent as managerial and one per cent as "other".

"A commonly held perception of the logistics sector is that it creates low value/low skill employment comparable to 'supermarket shelf stacking'," says The West Midlands Regional Logistics Study of September 2005. "This perception is incorrect, and many positions within the sector now require a variety of skill levels..."


Distribution warehouses are operated by all sorts of people: highly-skilled and low-skilled; junior and management; trade and professional. The Mayor of London office even suggests that the cross-section of B8-related jobs can play an important community role: "Warehousing and logistics also have the potential to contribute to social inclusion by providing a range of employment opportunities at different skills levels and typically within, or close to, areas of relative deprivation."





**“ We will be creating warehousing jobs, call centre jobs and ancillary workers such as drivers. We will be taking on a whole range of skills. ”**

UWE HANNECK, CHIEF EXECUTIVE OFFICER, BSH HOME APPLIANCES  
(Bosch, Siemens, Gaggenau and Neff) on moving into a 39,715 m<sup>2</sup> (437,500 ft<sup>2</sup>)  
ProLogis distribution warehouse in Kettering, December 2005



We should also remember that job satisfaction does not merely relate to pay. As Andy Griffiths of ProLogis points out, "We provide large buildings for multi-national businesses that have employment practices which are often far in advance of small business. Their policy is to recruit the best labour and they offer many added benefits. Companies such as Bosch Siemens and John Lewis offer health benefits, pensions, company cars and so on. We have to look at income and other measures to describe the quality of jobs."

Newly-built business parks are carefully landscaped, often creating public access footpaths, new water features, enhanced natural habitats and other amenities. They are easily accessible from motorway junctions and new roads; they are pleasant and easy places to work. All these factors make the modern warehouse attractive to prospective employees and an asset for inward-investment agencies aiming to attract a new generation of employers.

# B2 + B8 = ?

The jostling for position of the two old rivals, B2 and B8, suddenly looks very out of date.

To gain the competitive advantage, all manufacturers must keep tight control of goods distribution and are likely to include logistics as part of their warehouse operations. This blurring of lines makes any prejudice against B8 seem inappropriate.

Blurring is a relatively new phenomenon, which some researchers admit they had not expected. "What we had not anticipated was the fusion of functions taking place within B8 and non-B8 activities," says Dr Philip McCann of Reading University. "In today's market it is overly simplistic to assess a business purely on the nature of its main activities." The Greater London Authority agrees: "Traditional distinctions between production, assembly, distribution and office-based activities in the manufacturing sector are breaking down."



Meanwhile James Nicholls, architect with Stephen George & Partners, challenges the notion that distribution warehouses are any more unsightly than those built for the manufacturing industry.

“There is a perception that warehouses are boring grey and green boxes, but we always strive to design innovative, high quality buildings which meet our clients’ needs,” he says. “In fact, the margins for manufacturers can be so tight that they often spend less on their buildings. Allowing for individual specification, logistics and manufacturing operations have a similar external appearance. You could drive through ProLogis Park, Coventry and you wouldn’t be able to tell the difference between the B2 and the B8 developments, if it weren’t for the name over the door. Inside, they are just as likely to have the same facilities: canteens, gyms, multi-faith rooms or internet cafes.”

More research is needed to discover whether the prejudice against distribution warehouses can be sustained regardless of the facts. The function of logistics is becoming more complex and the face of manufacturing is changing, too. When we say we want to encourage British manufacturing, do we mean the high-volume production lines of old, or the new, high-tech, high-value industries which are more likely to come our way? And are we prepared to educate or retrain the local workforce to supply the skills which a new generation of employers will inevitably demand?

The market is changing very fast. It will be the task of planners, councillors and developers to monitor those changes, in order to make the best decisions for the future of British employment.



BOSCH SIEMENS BUILDING AT PROLOGIS PARK KETTERING



AMAZON BUILDING AT PROLOGIS PARK MARSTON GATE

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