



Question Can investing in the workplace offer a solution for persistent labour shortages in the logistics sector?

What Workers Want study

Savills What Workers Want survey investigates the wishes and needs of workers across Europe.



The survey investigates what workers consider important, what they are dissatisfied with, and, as a result, what landlords and tenants could improve on, in order to attract and retain qualified personnel and ensuring the workforce is at its most productive.

We have shifted the focus of our analysis in our latest edition, from office workers, to workers in the logistics sector.

A representative group of almost 300 workers in the logistics sector of the survey were asked which aspects of the workplace

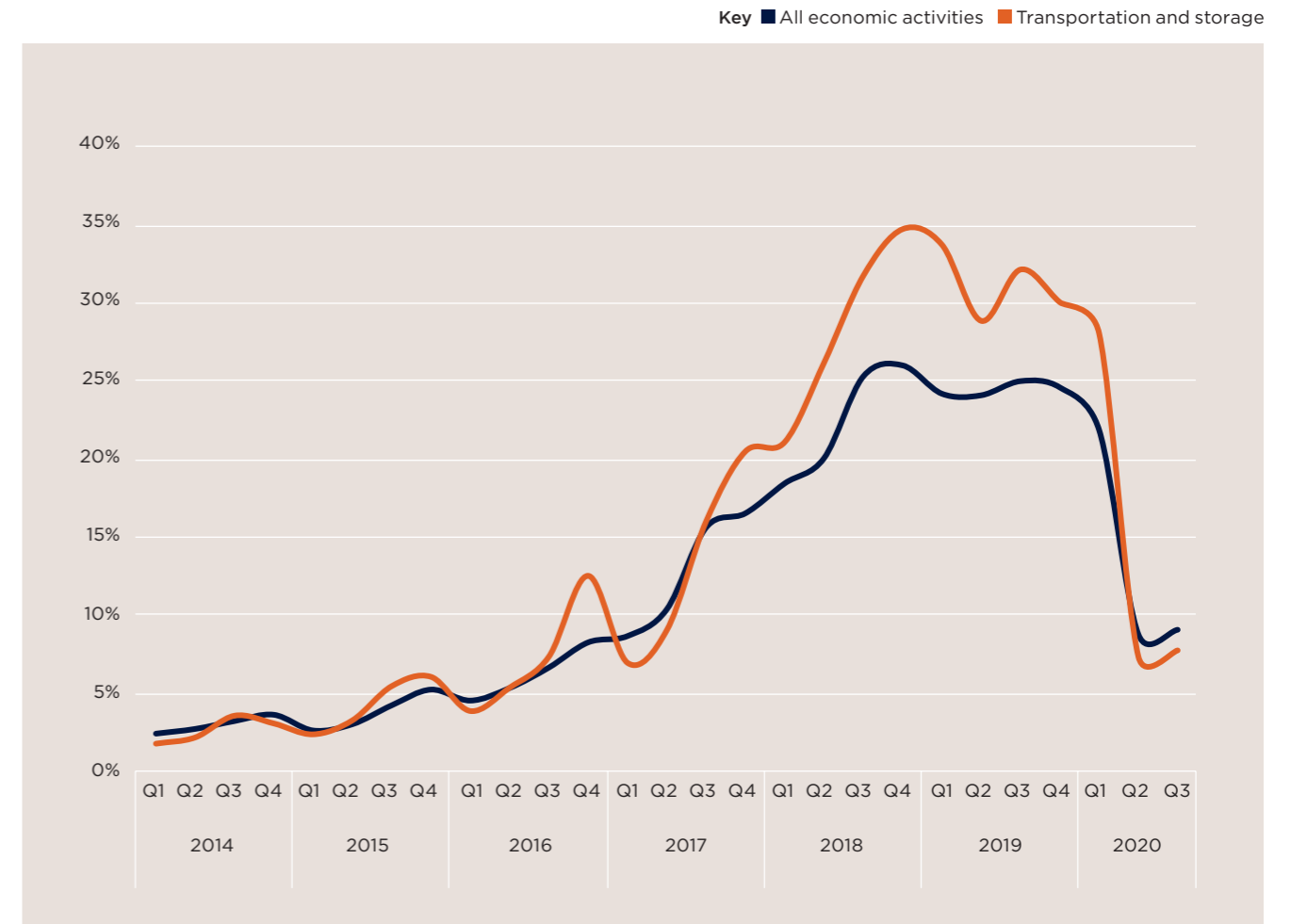
they find important and how satisfied with the workplace they currently are. The results of the research can be used by logistic companies, real estate developers and owners to capitalise on changing requirements and wishes of warehouse users.

“We have shifted the focus of our analysis in our latest edition, from office workers, to workers in the logistics sector”

Introduction Traditionally, employers try to recruit sufficient and suitable staff by offering them attractive employment conditions, such as higher wages or favourable secondary employment conditions. As a result of the increasing popularity of e-commerce and the explosive growth of the logistics sector overall in recent years, the shortage of sufficient and suitable personnel in the sector has increased. In addition to the growth of the sector overall, the aging of the workforce in the logistics sector has also increased the replacement demand for labour. Moreover, due to further automation in distribution centres, it will probably become increasingly important that warehouse staff has knowledge of new technologies. This also creates an increasing demand for higher qualified personnel, albeit currently only at larger warehouses. Due to the growth of the sector and the competition, it is worth exploring less traditional elements for the recruitment and retention of personnel, such as offering an attractive workplace to work in by investing in your logistics real estate.

Can investing in the workplace offer a solution for persistent labour shortages in the logistics sector?

Graph Rising employee shortages in recent years (% of businesses in the road transport sector that have indicated that their operations are hampered by a shortage of suitable employees)



Source Statistics Netherlands (CBS)

Rising recruiting difficulty

In the last few years, logistics and transport companies have found it much more difficult to recruit enough and qualified personnel.

The shortages experienced by businesses in the logistics sector have been on the rise. This was especially true for specific jobs such as order pickers, forklift truck drivers, truck drivers and planners. Since 2015, the share of businesses within this sector that has indicated that their business operations are hampered by a shortage of suitable workers is rising fast, from 5% in 15Q1 to 33% of businesses in 19Q4. Considerable, compared to the shortages in other sectors (from 3% to 25%) faced with this issue.

Companies currently estimate the staff shortage at 7.7%. Despite the fact that this is a lot lower than before the Covid-19 outbreak, many companies (76.5%) expect the shortages to remain stable, only 16.3% think that numbers will further decrease. It was noteworthy that during the Covid-19 lockdown in the spring, many companies expected to see a drop in employee shortages

(31.4%), but this sentiment has halved by now and is almost back at the level from before the Covid crisis. With the growth of e-commerce in recent years and the acceleration of this growth caused by Covid-19, it appears to be only a matter of time before personnel shortages start ranking high again on the list of challenges for logistics and transport businesses.

“We do not expect to see personnel shortages decline in the short term, considering the strong growth of e-commerce among other things”

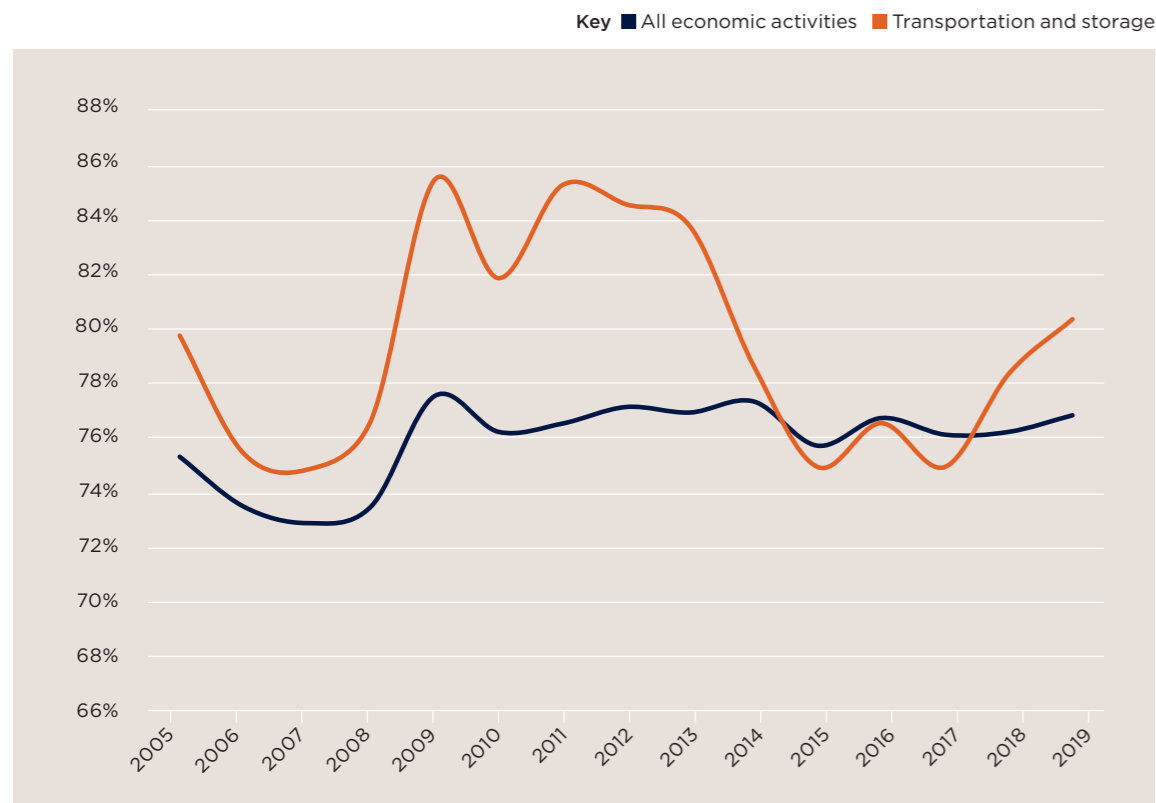
Limited scope for attracting employees with a higher salary

Traditionally, employers have always sought to attract talent by offering appealing terms of employment, such as high salaries or favourable secondary perks.

Due to the current shortages in the Dutch labour market, wage costs have increased in recent years and wage costs in the Netherlands have been rising faster than the turnovers of businesses since the mid-way mark of the year 2018, as we reported in our previous edition of What Workers Want. For the logistics and transport sector, this increase was much more significant than the overall increase for all sectors combined.

Despite the rising turnover in the sector in the period prior to Covid-19, the margin was still decreasing because the

Graph Since mid-2018, the labour income ratio has been on the rise. This indicates that wages are rising faster than company turnover



Source Statistics Netherlands (CBS)

“Despite the rising turnover in the logistics sector in the period prior to Covid-19, the margin in the sector was still decreasing because the costs, and wage costs in particular, were rising faster than turnovers”



Employers can make a huge difference by providing a safe and healthy workplace



Can the workplace make the difference in attracting talent?

Firstly, it should be stated that logistics employees value their workplace less than office workers. However, they are generally satisfied with this aspect of their work. Still, investments in the workplace could, in fact, contribute. Particularly when it comes to reaching certain target groups and retaining satisfied employees.

But what can you do as an entrepreneur or real estate investor to achieve these goals and get ahead in the 'war on attracting warehouse employees'?

What do warehouse workers really want?

Make a difference by providing a healthy workplace, sports facilities and catering facilities.

On which facilities to improve the workplace should money and energy be spent? To answer this question we have looked at workplace aspects that are important to employees but that they are the least satisfied with at present. Improvements in these areas can make a world of difference. In the diagram on the right these are the aspects located below the line. The aspects that deserve the most attention are located in the bottom right.

Scores show that these aspects are the basic facilities of the working environment, more specifically: air quality, security, lighting, noise level and temperature. Employers can make a huge difference when providing a safe and healthy workplace. Employers can also improve their scores by investing in additional facilities, from free snacks and food to sports facilities and a good cafeteria or staff restaurant.

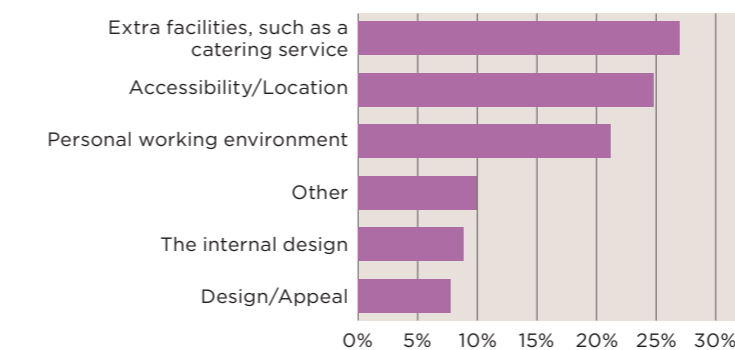
If logistics employees are asked directly about what they would like to change about their current workplace, then once again we see the improvement of additional provisions. In addition, logistics employees would like to see more changes to the basic facilities such as the temperature, noise level and safety in the workplace.

Owners and tenants can meet these needs by making additional investments in better climate control installations, improved insulation and investments in noise-absorbent materials for floors, walls and ceilings. Another option would be to insulate noise-producing equipment. For the outdoor area, sound-absorbing asphalt can be considered. The above analyses show that in order to retain their employees, organisations should consider investing in:

- An appealing cafeteria with a good quality menu of course
- Sports facilities

Organisations can also see if they are able to take practical measures to improve air quality (less dust) and temperature and to reduce smells. In addition to the workplace itself, companies can score well by carefully considering the location, because location tends to be very important to workers. This is closely related to the desire to live closer to work. Accessibility of the workplace can be improved by working with other companies to invest in a shuttle service for employees or in the case of new developments by opting for locations closer to residential centres.

Graph Aspects that logistics employees would prefer to change about the workplace

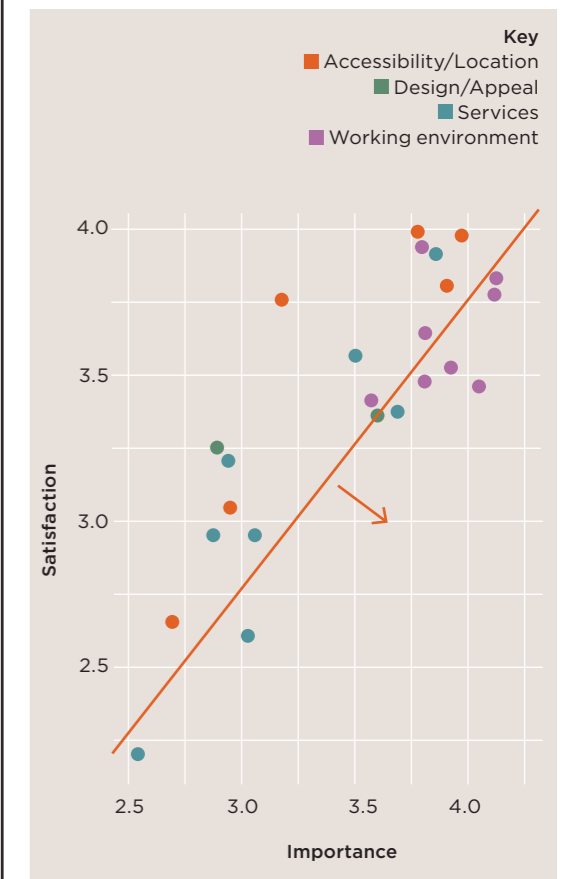


Source Panel data by I&O Research, commissioned by Savills. Data analysis by Savills Research.

Method

For the workplace to make the difference in attracting new workers, it is valuable to understand both how important the current quality of a specific aspect of the workplace is to the logistics employee (importance) and how the logistics employee already assesses the current quality of this aspect in the workplace (satisfaction).

Diagram about the aspects of the workplace that are most important to logistics employees and that they are often very satisfied with, as well as the aspects they are less satisfied with but which they find less important



Source Panel data by I&O Research, commissioned by Savills. Data analysis by Savills Research.

If you take the average score of satisfaction and importance of all aspects of the workplace the employees in the study were asked about and include them in a diagram, an overview appears that shows a clear link between satisfaction and importance. In other words, aspects in the workplace that are important to employees are generally aspects they are very satisfied with and vice versa.

How do you score points in attracting new workers?

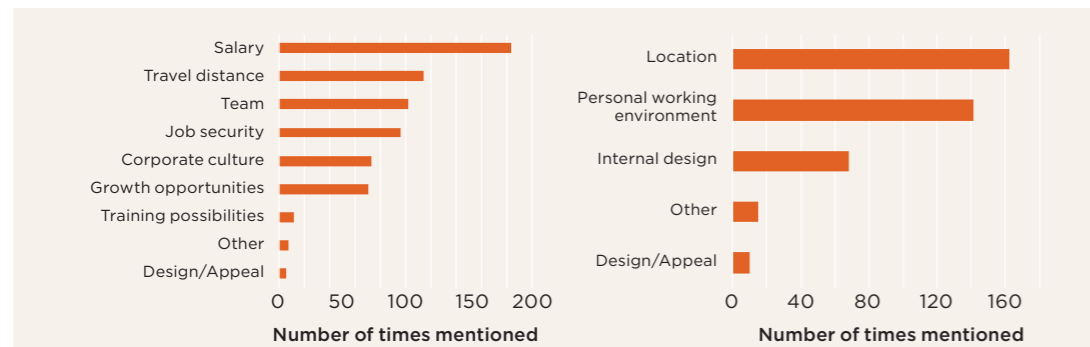
We asked all logistics workers about primary employment conditions factors they find important in making a career switch.

In addition to what is important in their current position, we also asked logistics workers about factors they find important in making a career switch. These are mainly primary employment conditions such as salary, job security and practical matters at work such as team composition.

This does not mean that the workplace itself is not important and does not influence the decision to accept a new position: location and the associated commute comes in a solid second place. In addition, elements such as the quality of the workplace and the design can definitely make a difference.

Graph Salary most important when switching to another employer

Graph Of all the workplace aspects, the location of the company is considered most important in switching to another employer



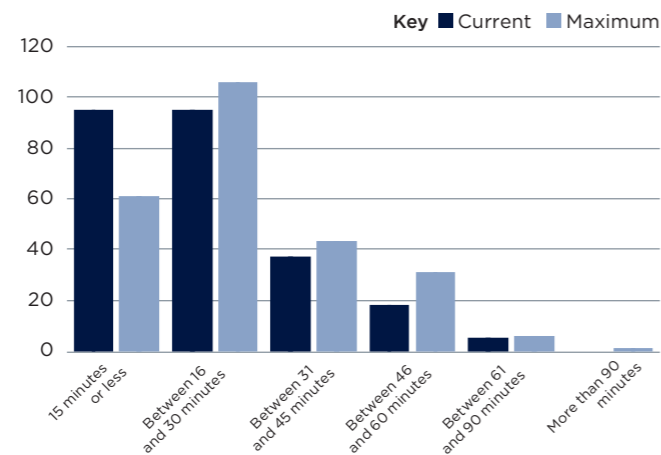
The graphs show which aspects are mentioned most often by employees in the logistics sector as important factors in the switch to a new employer. The left graph shows all factors that are considered important in changing employers. Salary is often the most important aspect in a switch. The right graph shows that when employees switch jobs, they value the company's location most in terms of aspects of the workplace.

Source Panel data by I&O Research, commissioned by Savills. Data analysis by Savills Research.

In addition to elements that pertain to the building itself, travel time and the location of a warehouse are important to logistics workers. It is noteworthy that travel time is considered an important aspect when making the switch to another employer, especially considering the fact that travel time is very short for many logistics workers. Reducing travel times can also contribute to employee retention.

The vast majority of employees in a distribution centre commutes to work by car. The next favourite transport options are bicycles and mopeds. Logistics employees tend not to travel by public transport. This is likely due to the fact that public transport connections to warehouses tend to be poor to bad, as these centres are often located on industrial business areas.

Graph Current travel time versus willingness for the maximum travel time

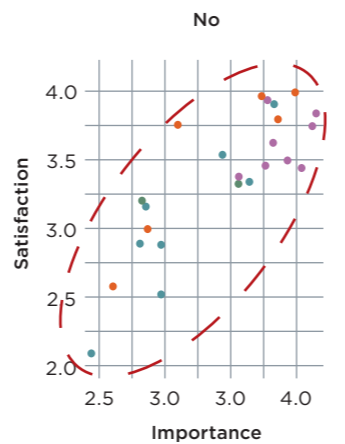
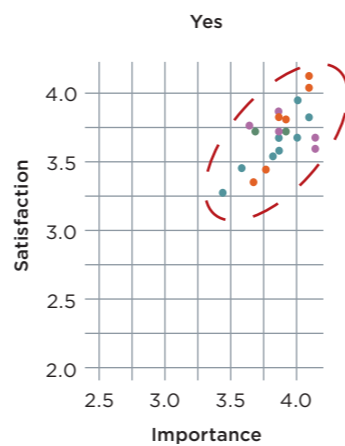
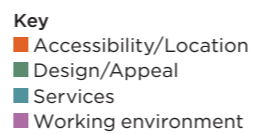


Source Panel data by I&O Research, commissioned by Savills. Data analysis by Savills Research.

MIGRANT WORKERS MORE EASILY SATISFIED WITH THE WORKPLACE

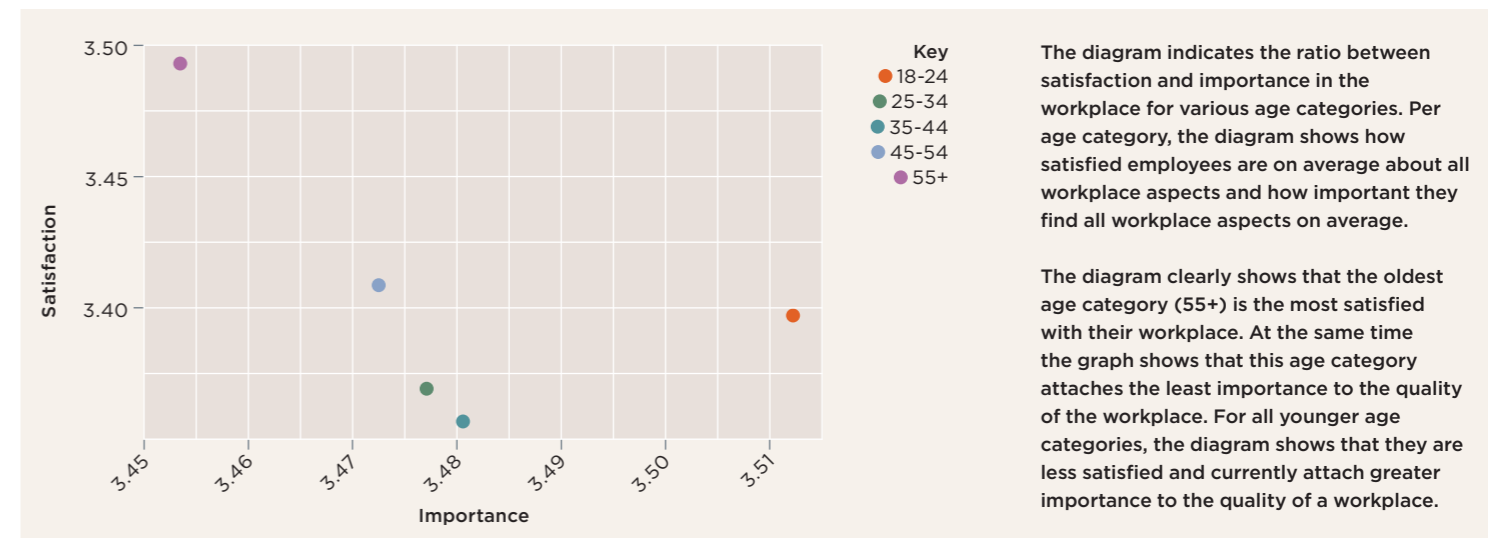
Migrant workers appear to have lower standards in terms of their workplace, and contrary to their colleagues they are relatively more satisfied about all workplace aspects, although they would also claim to find them more important.

Diagram Migrant workers have lower standard in terms of their workplace



By improving public transport connections or investing in shuttle services, young employees could be interested in the work opportunities at warehouses

Diagram Older employees are generally more satisfied with their workplace than younger employees and tend to be less focused on overall workplace aspects



The diagram indicates the ratio between satisfaction and importance in the workplace for various age categories. Per age category, the diagram shows how satisfied employees are on average about all workplace aspects and how important they find all workplace aspects on average.

The diagram clearly shows that the oldest age category (55+) is the most satisfied with their workplace. At the same time the graph shows that this age category attaches the least importance to the quality of the workplace. For all younger age categories, the diagram shows that they are less satisfied and currently attach greater importance to the quality of a workplace.

Source Panel data by I&O Research, commissioned by Savills. Data analysis by Savills Research.

Most to be gained among young people

Older employees are generally more satisfied with their workplace than younger employees and tend to be less focused on overall workplace aspects.

Because retirement is on the horizon for older employees, it would be interesting to see what would be necessary to interest this group more in job opportunities. In addition to salary, considering needs is a perfectly viable option. Which aspects are important to young people?

One interesting idea would be to improve public transport connections to warehouses. After all, young people often do not own cars and travel more by public transport than older people. The previously mentioned suggestion for offering

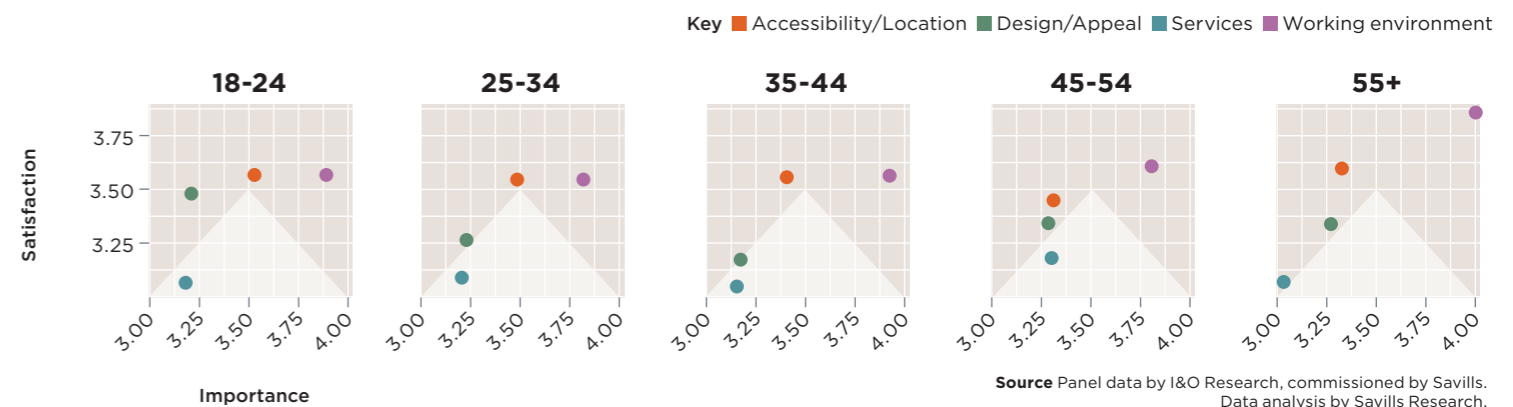
shuttle services for employees could be a good alternative in which businesses (by cooperating) would no longer be dependent on lengthy processes for improving public transport connections.

Developers of new warehouses should take into account the accessibility for employees in the choice of location. Logistics service providers in the fast-moving consumer goods and e-commerce sectors in particular mainly take their sales market into consideration when deciding on the most strategic locations. In this consideration the

accessibility for workers should be considered as a more dominant factor.

The improvement of accessibility could significantly help attract young people, but this is definitely not the most important factor. Aspects considered most important by young people and that they tend to be the least satisfied with are aspects in the additional facilities group. In simple terms, free snacks or meals and access to sports facilities may make it more appealing for young people to work for a logistics company.

Diagram Most to be gained among young people. Aspects considered most important by young people and that they tend to be the least satisfied with, are aspects in the highlighted section of the diagram



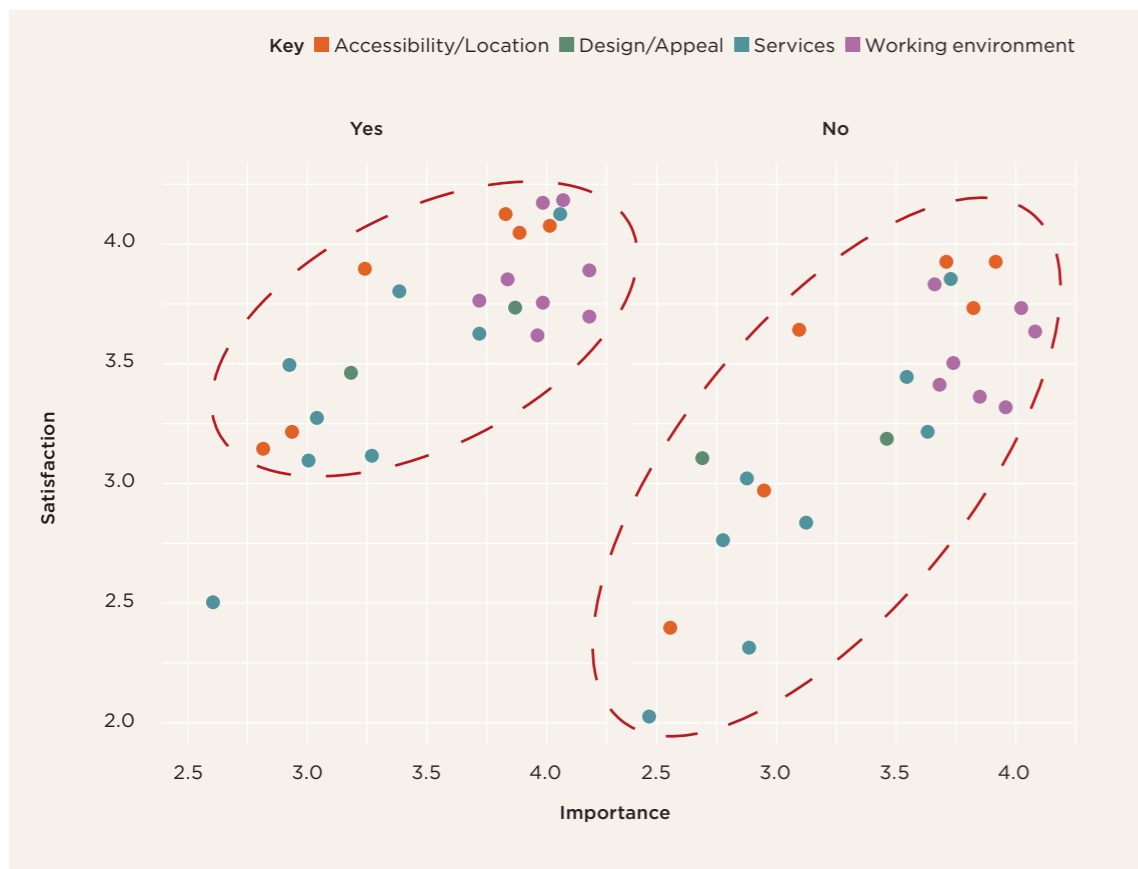
Source Panel data by I&O Research, commissioned by Savills. Data analysis by Savills Research.

“ Real estate is not a magic cure, but it could help to retain and attract employees ”

Asking someone's opinion is effective and free of charge

Workers who are involved in the design of the workplace are clearly more satisfied about the workplace.

Diagram How important is the current quality of a specific aspect of the workplace (importance) and how is the current quality of this aspect assessed (satisfaction)



Source Panel data by I&O Research, commissioned by Savills. Data analysis by Savills Research.

LOGISTICS PARTIES TAKE RESPONSIBILITY FOR IMPLEMENTING COVID-19 PREVENTIVE MEASURES IN THE WAREHOUSE

We also asked employees about how safe they felt before the Covid-19 pandemic, and how safe they feel now in the midst of the pandemic. It is interesting to note that feeling safe has remained almost stable and is scored around a 7 on average. Truck drivers are the exception to this rule. They feel a lot less safe in the workplace since Covid-19 (from a 6.9 to

a 5.5), which may be due to the relatively large number of contacts they have on any given day.

When asked how satisfied they are with the measures taken, logistics employees rate the measures taken with a 6.9 on average. It is also noteworthy that differences could hardly be observed between groups of employees in terms of country of origin, gender, type of position and number of people at a warehouse.

So far we have mainly discussed aspects that cost the employer money, but there are also ways to keep workers satisfied with very limited investments. Workers who are involved in the design of the workplace are clearly more satisfied about the workplace. So simply involving your employees in the design of the workplace can lead to more satisfied employees.

TIPS FOR COMPANIES (TENANTS)



Learn Although it may seem obvious, listen to your staff. Workers who have a voice are much more satisfied than workers who have no or only a limited say.



Accessibility Offer a shuttle service for workers.



Extras Please ensure the additional facilities such as sports facilities are top quality and provide excellent and varied lunch options.

TIPS FOR REAL ESTATE OWNERS (INVESTORS)



Accessibility In the development and acquisition of logistics real estate, choose locations that are easily accessible to employees.



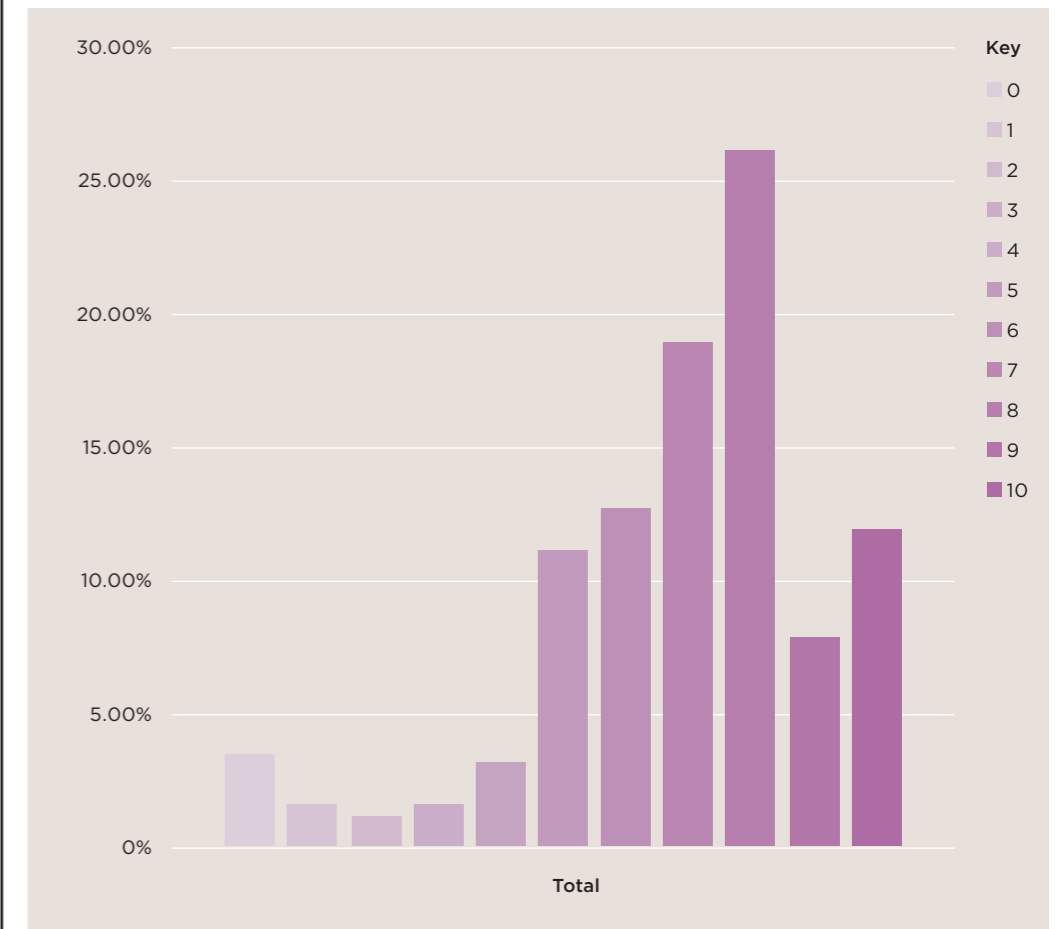
Sound Quality Dare to invest in noise-reducing measures that are above the minimum standards of the law.



Climate Control Make additional investments in climate control installations in warehouses.

Graph

Logistics employees satisfied with the Covid-19 measures in the workplace



Source Panel data by I&O Research, commissioned by Savills. Data analysis by Savills Research.

Conclusion

What Warehouse Workers Want

This WWW study shows that the workplace for employees in a warehouse could definitely influence the level of job satisfaction and workplace enjoyment employees have. When companies (tenants) or real estate owners (investment) respond to the needs of

employees, employee retention rates rise and it becomes easier to attract talent. On the left side of this page three practical tips to consider for tenants and investors.

The latter tips (for real estate owners) will come at a greater costs. However, more

satisfied users means more satisfied tenants, meaning the marketability of a warehouse will remain high and chances of vacancy will decline as a result. This can of course be considered a positive development for the return on investment in logistics real estate.

“ When asked how satisfied they are with the Covid-19 measures taken, logistics employees rate the measures taken with a 6.9 on average ”



OUTLOOK

The Netherlands is ageing: in the future, employers will struggle to attract young workers in particular. Because of a decline in the margin there is currently no possibility of higher salaries, which is why employers will have to be creative in finding solutions to attracting young talent. By focusing on what this group finds most important in the workplace, companies will be able to attract more employees. The first step must be taken by companies themselves, as they are able to make additional investments in facilities in the workplace.

In 'the war on attracting warehouse employees' developers of and investors in logistics real estate also have a role to play. Accessibility is extremely important to young employees in particular. This group owns increasingly fewer cars. In deciding strategic locations, proximity to the market should not be the only determining factor. Instead, accessibility for current and potential employees should also be taken into consideration. Deciding on a location becomes more and more complex as a result, but this also leads to more satisfied employees, more successful businesses and less risk of changes of tenants or vacancies.



Key findings

Can investing in the workplace offer a solution for persistent labour shortages in the logistics sector?

- 1** In the last few years, logistics and transport companies have found it much more difficult to recruit enough and qualified personnel.
- 2** Due to a declining margin, despite rising turnovers due to COVID-19, there is limited scope for attracting employees by offering higher salaries.
- 3** Investments in the workplace can also contribute to attracting and retaining employees.
- 4** The biggest difference in the workplace can be made by providing a healthy workplace, sports facilities and catering facilities.
- 5** Specifically, organisations should choose to invest in improved accessibility, an appealing cafeteria with a great menu, sports facilities, and measures to improve air quality (less dust) and the temperature to the extent feasible.
- 6** Most can be gained among employees in younger age groups. The younger target group can be reached by making improvements to the provisions. Particularly by offering free snacks and sports facilities.
- 7** Working in the logistics sector may become more appealing to young people if there are also good public transport connections.
- 8** The above-mentioned procedures require investments, but by involving your employee in the design of the workplace, satisfaction increases, which could lead to the retention of personnel. The following also applies: asking someone's opinion is effective and free.
- 9** After all real estate is not a magic cure, but it could help to retain and attract employees.

COVID-19 It is interesting to note that feeling safe has remained almost stable and is scored around a 7 on average.



Sources I&O Research, CBS, UWV, Savills Research



Savills World Research

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