

How Bad Is The Supply Chain and Logistics Workforce Challenge?



Introduction

The general thinking has been that, post-pandemic, with economies cooling and COVID under better control, the workforce shortages of the past few years would subside. This doesn't appear to be the case, however, and organizations continue to struggle getting the labor, knowledge workers and leaders they need to thrive. Recognizing the workforce problem is complex, we wanted to find out where the challenge is the greatest and what companies are doing to address it. Descartes worked with SAPIO Research to survey 1,000 supply chain and logistics leaders in Europe and North America to better understand the current situation and companies' future plans. Our goal for the study was to give supply chain and logistics leaders an in-depth perspective on the challenge and an understanding of the strategies, tactics and technologies being deployed to address it.

The workforce challenges supply chain and logistics organizations are facing today and in the future.

Top Level Findings

Below are high-level at-a-glance takeaways from the research¹



37% are experiencing high workforce shortages



58% indicated that workforce shortages have impacted customer service



61% said transportation operations are suffering the most from workforce shortages



Knowledge worker (**55%**) and manager (**54%**) positions are hardest to fill



Post-pandemic, organizations continue to struggle getting the labor, knowledge workers, and leaders they need to thrive.

Establishing cross comparisons for better insight

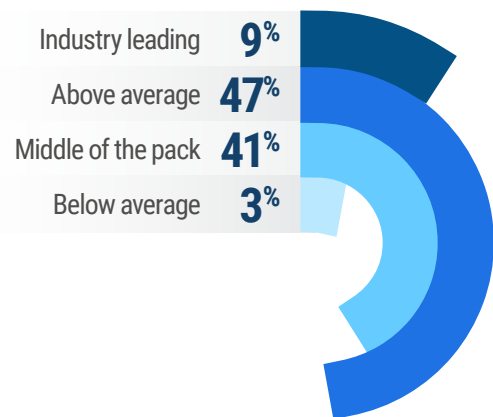
To get a better sense of magnitude of the workforce challenges that supply chain and logistics organizations are facing and the impact on business performance, we evaluated the issue from multiple perspectives, including:

- **Financial performance**
- **Company growth**
- **Management's view of the strategic importance of supply chain and logistics**
- **Employee turnover**

Based on other studies we have conducted, such as [Supply Chain and Logistics Innovation Accelerates, but Has Long Way to Go](#) and the annual [Global Transportation Management Benchmark Survey](#), we've learned that financial performance, growth, management's view and employee turnover play an important part in supply chain and logistics strategies, tactics, technologies and performance. These studies also show a close relationship between perspectives and outcomes: higher management importance and lower turnover are related to better financial performance and growth. Management who see supply chain and logistics as a competitive weapon are significantly more likely to be more aggressive with their strategies and use of technology. Given the challenges many organizations are facing with recruiting and retaining resources, we wanted to know how each perspective impacted these efforts. Any interesting correlations between them are also noted.

Financial Performance

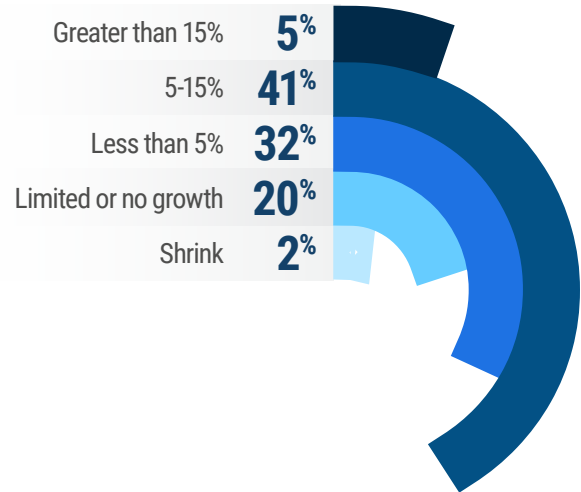
A significant number of respondents (**56%**) indicated that their organization had above-average to industry-leading financial performance. When looking at financial performance compared to employee turnover, the number jumped to **74%** for those who said they had better-than-average employee turnover and dropped to **24%** for those with worse-than-average turnover. Simply put, better financial performance comes from supply chain and logistics operations that are more stable and where the workforce has accumulated deep domain expertise.



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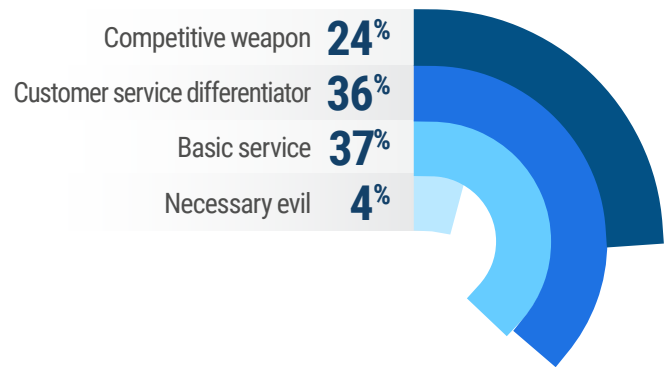
Company Growth

Almost half (**46%**) of respondents expect their company's annual growth to be greater than **5%** over the next two years, with **5%** expecting growth to exceed **15%** annually. There is good news and bad news in these results: the good news is that many companies expect to grow robustly in the next two years; the bad news, however, is that the pressure on hiring new workers will also continue to grow.



Management View

Respondents that indicated management viewed supply chain and logistics as a competitive weapon was **24%** overall but jumped to **34%** for those with industry-leading financial performance. As mentioned earlier, when management understands that supply chain and logistics operations are another weapon in their competitive arsenal, they get better results because they use logistics in ways to grow the top line, be more profitable and create differentiation through service.

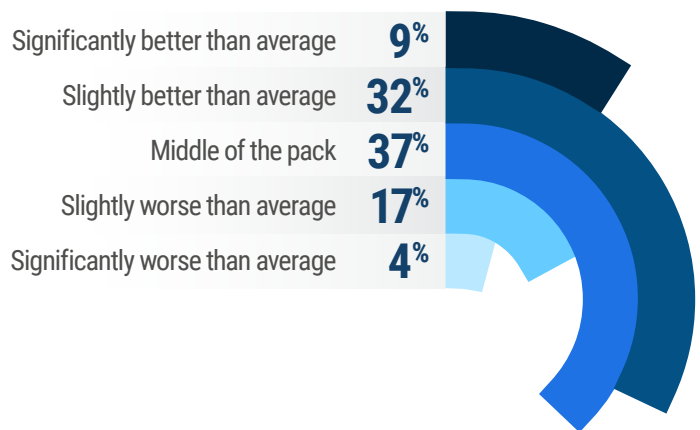


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Employee Turnover

Overall, **41%** of respondents said they had slightly to significantly better employee turnover, but the number jumped to **68%** for those with industry-leading financial performance and dropped to **18%** for those with below-average financial performance. This is yet another proof point that being an employer of choice builds higher performing supply chain and logistics operations.

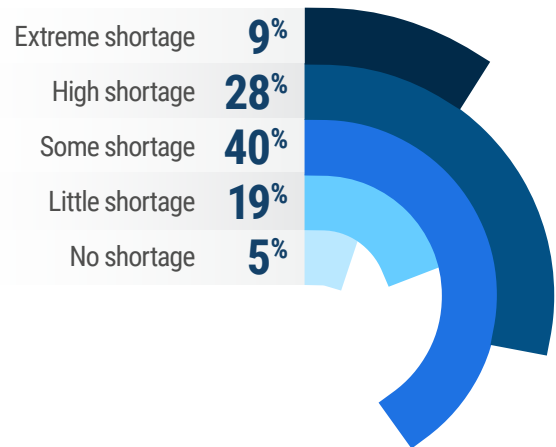


Being an employer of choice builds higher performing supply chain and logistics operations.

How big is the workforce shortage issue in supply chain and logistics?

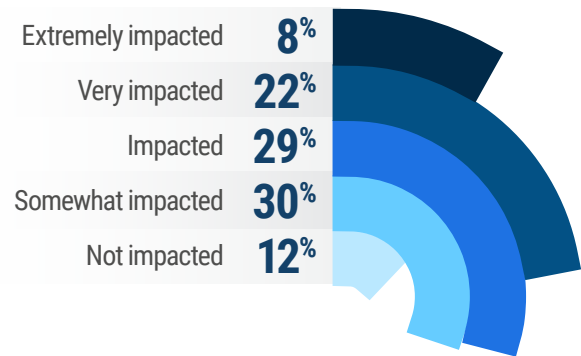
Labor

We wanted to know where supply chain and logistics leaders were experiencing workforce challenges and to what degree it was impacting the organization. Overall, **37%** of respondents cited a high to extreme shortage of laborers (e.g., drivers and warehouse workers). Only **24%** said there was little to no shortage in this area. For C-level respondents, the high to extreme shortage number climbed to **46%**, and to **44%** for those with better-than-average employee turnover. In addition, respondents in countries with stronger economies indicated they had more severe labor workforce shortages, with Germany and the U.S. at **43%** and the Nordics at **42%**.



Customer Service

Supply chain and logistics operations are resource intensive and a workforce shortage can directly translate into poor customer service performance. Only **12%** of respondents indicated that their customer service was not impacted to some degree by a workforce shortage. Overall, **30%** said they were very to extremely impacted and that number rose to **49%** for industry-leading performance respondents. Respondents who indicated that management views supply chain and logistics as a necessary evil (**51%**) were significantly more impacted than those where management considers logistics as a competitive weapon (**29%**). The U.S. (**36%**), followed closely by France (**35%**), were the countries where respondents indicated customer service was very to severely impacted.

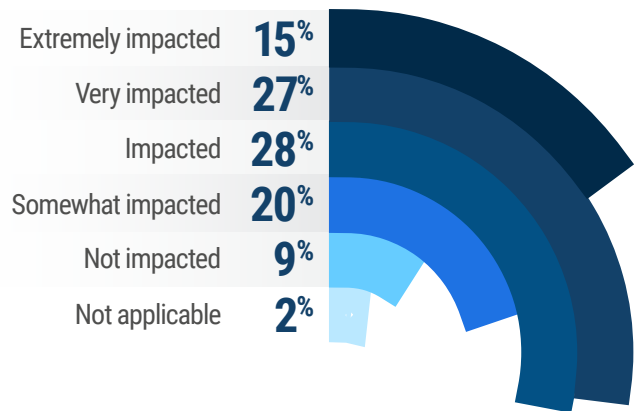


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Peak Season

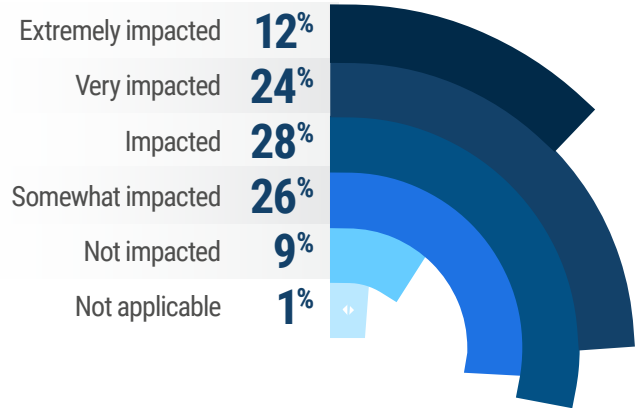
Peak season puts extreme pressure on hiring and scaling supply chain and logistics operations to meet increased demand. Only **9%** of respondents said that peak season performance was not impacted in some way by workforce shortages. Almost half (**42%**) said that it was very to extremely impacted. This number jumped to **59%** for respondents where management considers supply chain and logistics a necessary evil. Germany and the U.S. were tied (**51%**) for the countries where respondents indicated peak season was very to extremely impacted.



*Only **9%** of respondents said that peak season performance was not impacted in some way by workforce shortages.*

Logistics Partner Performance

Because supply chain and logistics operations are multi-party processes, many organizations rely heavily on logistics partners to execute resource-intensive warehouse and transportation operations. Again, only **9%** of overall respondents indicated that their logistics partners' performance was not impacted by workforce shortages whereas **36%** said their logistics partners' performance was very to extremely impacted. That number climbed to **47%** for respondents where management considers supply chain and logistics a necessary evil. The U.S. (**45%**), followed closely by France (**43%**) and Germany (**42%**), are the countries where respondents indicated logistics partner performance was very to extremely impacted.



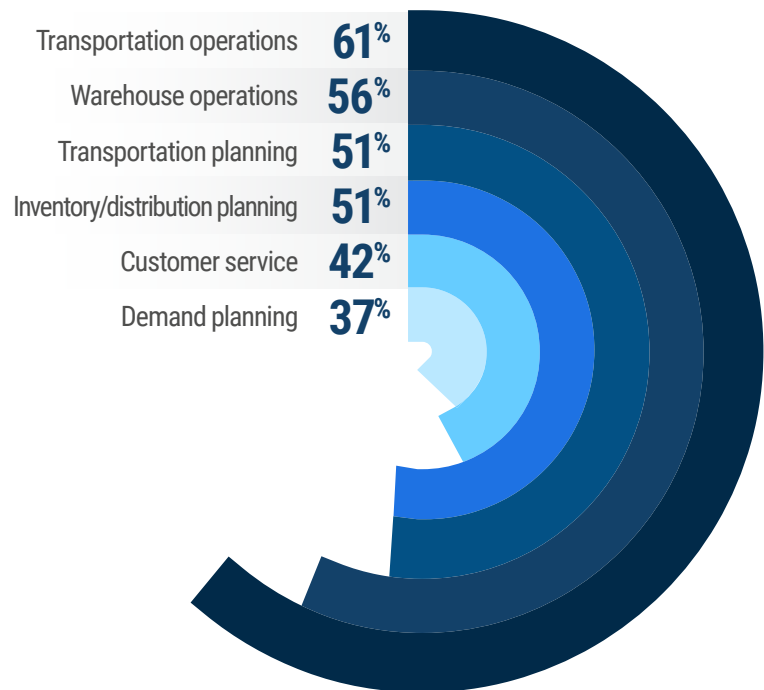
Logistics operations are multi-party processes, and many organizations rely heavily on logistics partners to execute resource-intensive warehouse and transportation operations.



How are workforce shortages affecting business performance?

Areas Most Impacted

The competition for supply chain and logistics resources is universal, but the degree of pain stemming from the shortage varies by function. Labor-intensive transportation operations (61%) and warehouse operations (56%) were selected as the areas suffering the most from resource shortages. For respondents with worse employee turnover in transportation operations, the number increased to 65% and decreased for better employee turnover (57%). The Nordics (70%) and France (68%) had the highest number of respondents indicating transportation operations suffered the worst.

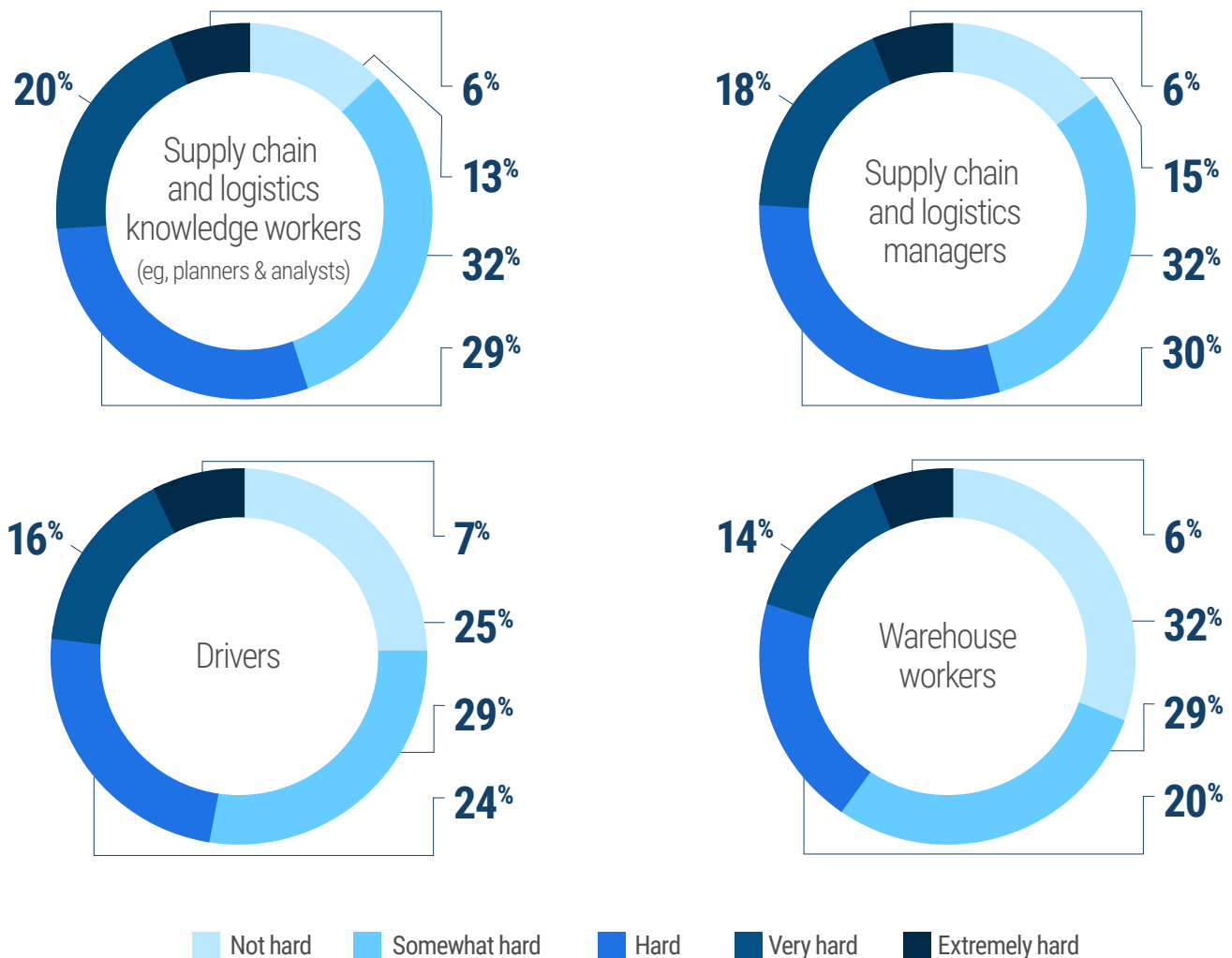


Filling Open Positions

High-performing supply chain and logistics operations now not only require a full complement of laborers, but also a growing number of knowledge workers. Open positions for knowledge workers (e.g., planners and analysts) were the hardest positions to fill (55% hard to extremely hard), followed closely by managers (54% hard to extremely hard). Almost one-third (32%) of respondents said replacing warehouse workers was not hard, compared to only 13% for knowledge workers. For competitive weapon respondents, filling manager positions was very to extremely hard (26%) versus necessary evil respondents where 40% found filling manager positions very to extremely hard. For each workforce category, the top countries where filling positions were noted as very to extremely hard were:

- **Knowledge workers: U.S. at 35%**
- **Managers: U.S. at 33%**
- **Drivers: Germany at 31%**
- **Warehouse workers: U.S. at 28%**

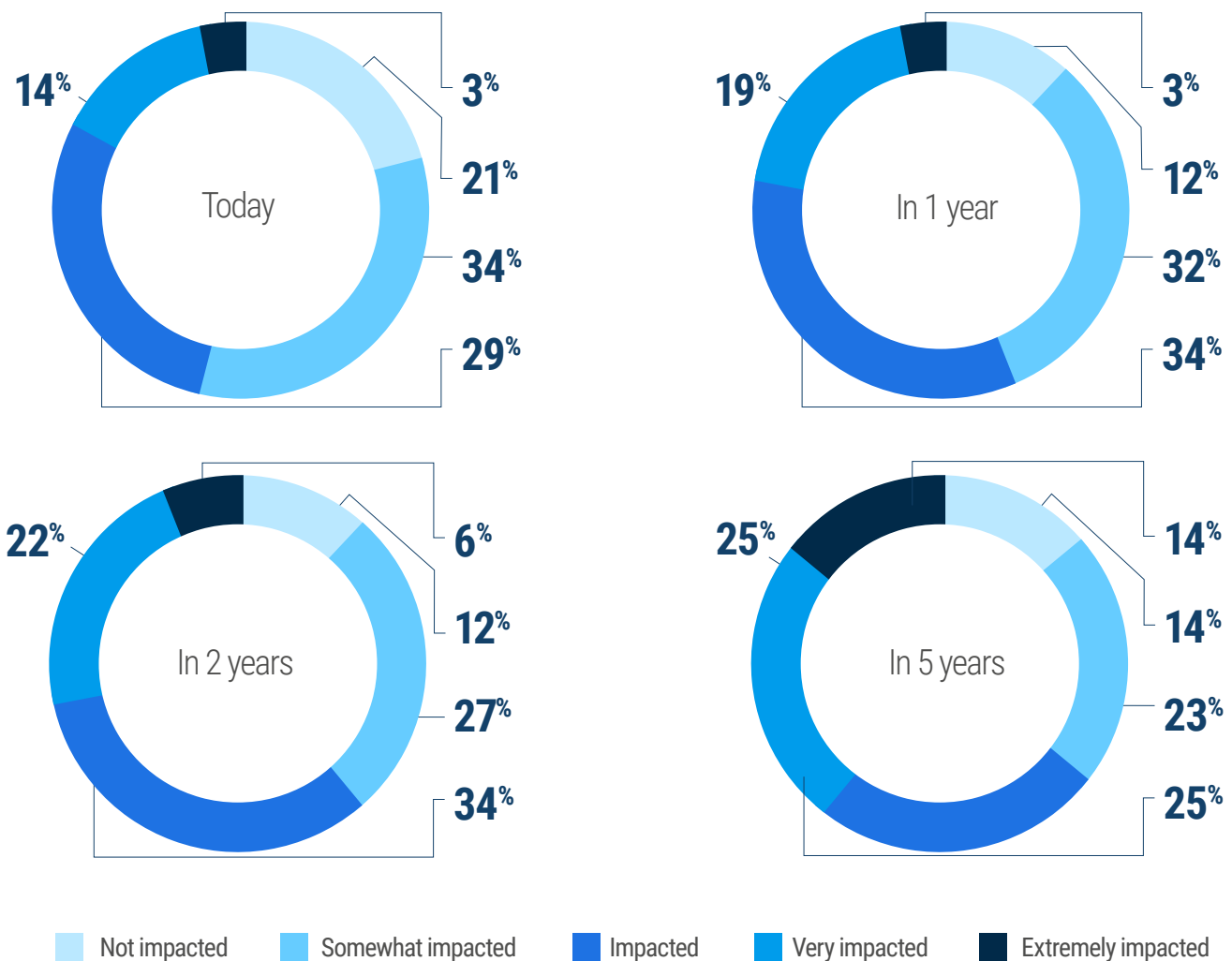
How hard is it to fill open positions in the following areas?



Wage Increases

A combination of demographics and accelerated growth during the pandemic has turned hiring from an “employer’s market” into an “employee’s market” and wages have risen aggressively to be able to hire and retain workers. Over the next five years, respondents indicated that the impact of workforce market conditions on wages will increase significantly. At the time of the survey, only **17%** of respondents said they were very to extremely impacted. In five years, the number rose to **39%**. Only **14%** believe there will be no workforce market impact on wages in five years. Countries where respondents indicated that wages in five years will be very to extremely impacted were France (**51%**), Germany (**46%**) and Canada (**45%**).

What is the current and expected impact of the workforce market conditions on wages over the next 5 years?





Conclusion

The data in the study shows that the workforce shortage has not abated as **76%** of respondents indicated a notable shortage. There are structural issues (see [Resource Shortage: Is the Pandemic Masking a Much Bigger Problem for Supply Chains in the Future?](#)) that suggest shortages are likely to remain indefinitely.

The workforce shortage is impacting companies' financial, customer service, peak season and logistics partner performance. The impact on supply chain and logistics operations varies by financial performance, growth, management's perceived importance of supply chain and logistics operations and how successful employee retention programs are. There's evidence that business performance is interrelated—and that the impact of the workforce shortage can be mitigated by business leaders understanding the full potential of their supply and logistics operations and why employee retention is so critical to supply chain and logistics performance.

Transportation and warehousing operations are most impacted by the workforce shortage because they are labor-intensive; however, knowledge workers are the hardest to hire and becoming increasingly important as supply chain and logistics operations become more technology-enabled and data-driven.

A number of factors, such as strong economies, declining working age populations, arcane immigration policies and workers willing to jump industries, are putting workers in the driver's seat. As a result, logistics leaders believe that the fluid labor situation going forward will put pressure on wages and increase costs.

Supply chain and logistics and, ultimately, business performance is driven by the quantity and quality of the workforce. Supply chain and logistics leaders need to rethink their strategies for hiring and retaining workers and how technology mitigates the workforce challenges they face today and in the future.

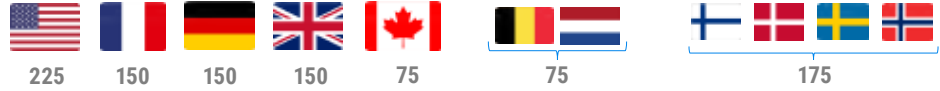
Appendix: Respondent demographics summary

Demographics

Total respondents: 1000



Country of residence



Responsibility

- 42% of respondents are responsible for managing logistics and the supply chain
- 32% of respondents are heavily involved in managing logistics and the supply chain
- 26% of respondents are somewhat involved in managing logistics and the supply chain



Role type

- 11% of respondents held Owner positions
- 19% of respondents held C-Level Executive positions
- 15% of respondents held Director-level positions
- 56% of respondents held Manager-level positions



Size of company

| # of employees | 20 to 49 | 50 to 99 | 100 to 499 | 500-999 | 1000-4999 | 5000+ |
|------------------|----------|----------|------------|---------|-----------|-------|
| % of respondents | 10% | 14% | 26% | 20% | 15% | 15% |



Business sector



Gender & age

- 73% of respondents were male and 27% female
- 62% of respondents were between the ages of 25-44

Footnote:

1. The use of standard numerical rounding conventions may make the summation of some charts appear to be off by 1%.



About Descartes Systems Group

Descartes (Nasdaq:DSGX) (TSX:DSG) is the global leader in providing on-demand, software-as-a-service solutions focused on improving the productivity, security, and sustainability of logistics-intensive businesses. Customers use our modular, software-as-a-service solutions to route, track and help improve the safety, performance, and compliance of delivery resources; plan, allocate and execute shipments; rate, audit and pay transportation invoices; access global trade data; file customs and security documents for imports and exports; and complete numerous other logistics processes by participating in the world's largest, collaborative multimodal logistics community. Our headquarters are in Waterloo, Ontario, Canada and we have offices and partners around the world.

Learn more at www.descartes.com and connect with us on [LinkedIn](#) and [X](#).

Uniting the People & Technology That Move the World.