



HGV Driver Shortage Crisis: Another Crisis on the Horizon?

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Executive Summary

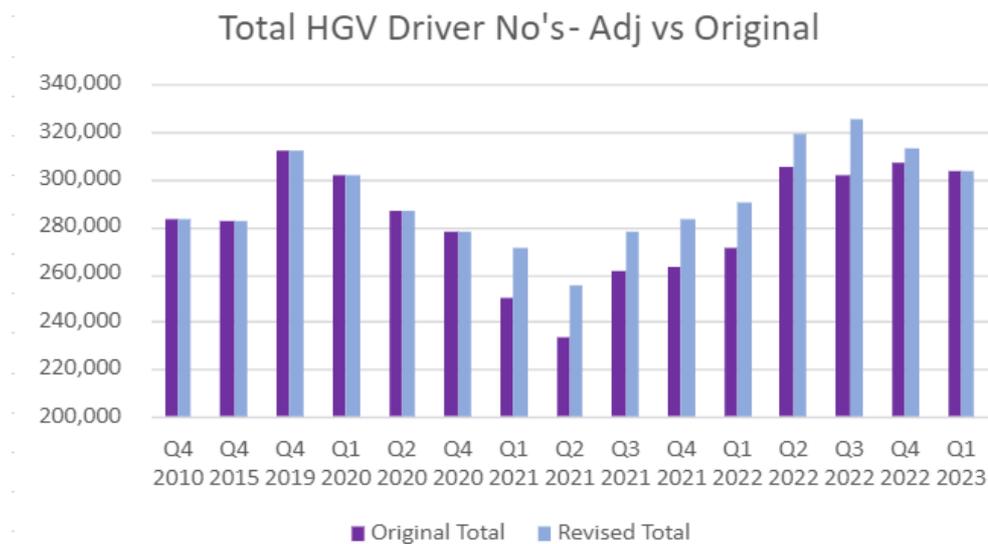
In our ongoing series of bulletins we have closely monitored the HGV Driver Shortage Crisis that emerged in 2021. Initially our analysis pointed towards individuals over the age of 45 as primary contributors to the shortage, specifically older drivers (over 55s) appeared to exit the driving workforce due to a combination of factors. We believe these factors included disillusionment with a real term drop in pay over the previous two decades, lack of access to COVID-19 vaccinations and increased vulnerability due to their age.

In our last bulletin, based on data available at the time, we concluded that we needed a fairly significant drop in the size of the HGV driver workforce to cause another crisis comparable to that witnessed in 2021. We estimated a decline of around 23% (approx. 70,000 drivers) in the workforce compared to pre-pandemic levels, i.e. from 300,000 to 230,000 drivers. However, throughout our data collection and analysis of the Office for National Statistics ("ONS") Quarterly Labour Force Statistics ("QLFS"), we were aware the ONS data may be inaccurate due to changes in the job codes at the beginning of 2021*. We have now received revised statistics, backdated to 2021, that offer a higher degree of precision and provide a more definitive view of driver numbers compared to the earlier dataset.

In this bulletin we will re-examine our previous conclusions in light of these new, more accurate ONS statistics. This will provide fresh insight into the factors behind the 2021 Driver Shortage Crisis.

* Specifically the issue was caused by the implementation of the updated Standard Occupational Classification from SOC 2010 to SOC 2020 in January 2021, which led some survey respondents to be coded to an incorrect occupation. The issue mainly affected detailed occupational breakdowns, with broad breakdowns expected to be largely unaffected. The Driver Require Think Tank analysed statistics for job code SOC8211, 'Large Goods Vehicle Drivers', which is a 'detailed' job code and was therefore susceptible to error from January 2021 to December 2022.

Key Findings



We previously believed the 2021 driver shortage was caused by a 23% drop in drivers (70,000) from pre-pandemic levels (Q1 2020). However, revised ONS statistics indicate the shortage was in fact triggered by a smaller 15% drop (45,000) between the pre-pandemic period and crisis point in Q2 2021.

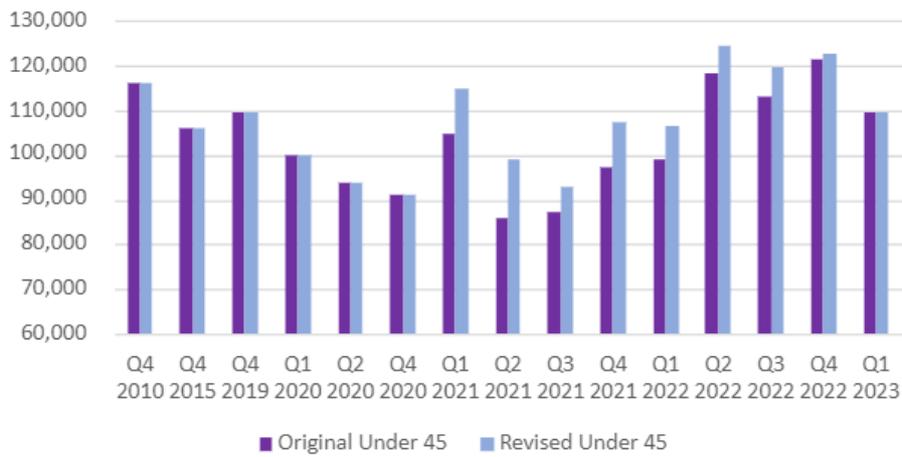
Drawing from this analysis, we can derive a significant takeaway: the threshold for triggering another crisis in the HGV driver supply is lower than previously thought. As such, the ongoing retirement of older drivers coupled with insufficient younger replacements may precipitate another severe shortage sooner than the decade we initially predicted.

Where we once believed the market could withstand gradual workforce reduction, it is now evident that even small declines in driver numbers can have a disproportionate impact. This highlights the need for urgent action to retain younger drivers entering the workforce before demographic trends generate a new crisis.

It is imperative to acknowledge that another crisis could manifest sooner than originally anticipated.

Breakdown by Age Group

U45 HGV Driver No's- Adj vs Original

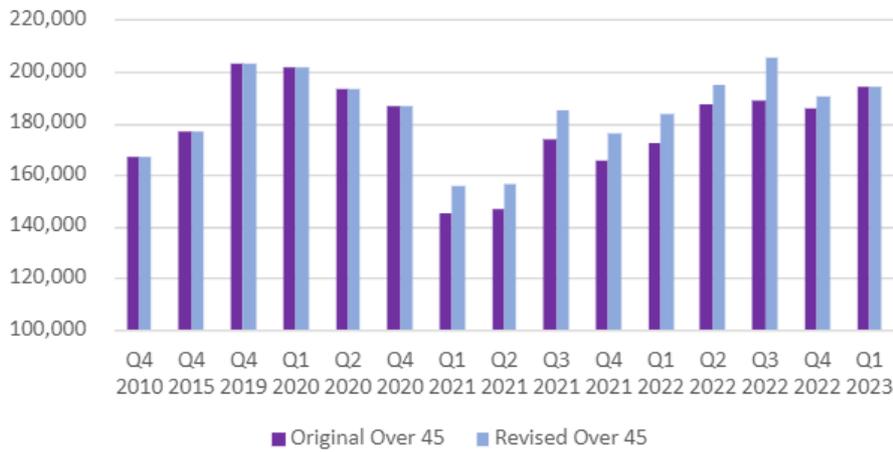


**under
45**

Impact on Under 45s

Originally, we believed drivers under the age of 45 contributed slightly to the overall driver decline, with an estimated drop of 15,000 drivers. However, the revised data now shows the numbers rising even more dramatically in Q1 2021 and then declining through the middle of the year, but still remaining above the late 2020 levels. This strengthens our argument that the Under 45s were not a significant contribution to the HGV Driver Shortage Crisis in 2021, in fact they probably alleviated the impact of the Over 45 exodus in the early part of the year and then contributed to the 'bounce-back' in late 2021.

Over 45 HGV Driver No's- Adj vs Original



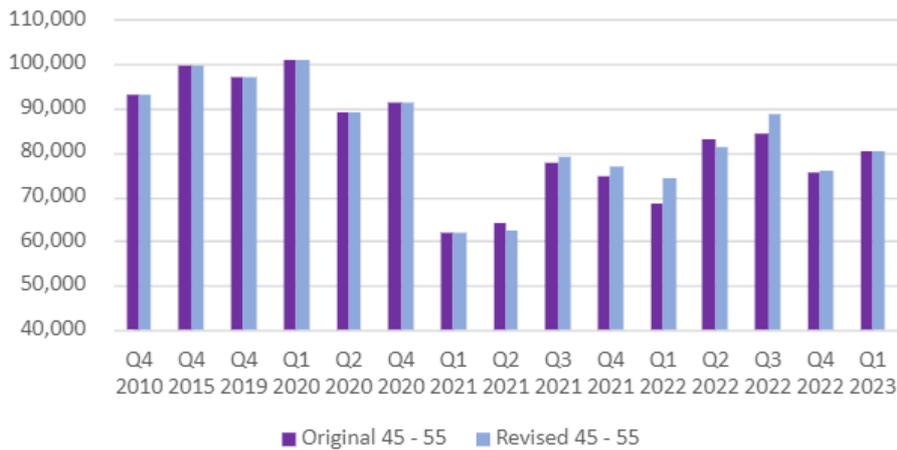
Role of the Over 45s

We previously concluded over 45s were the primary cause of the crisis, estimating a 27% decline in this demographic. Updated figures show the drop was smaller, but still substantial, at 22%. This confirms a sharp reduction in older drivers, particularly in Q1, was the primary reason for the crisis.

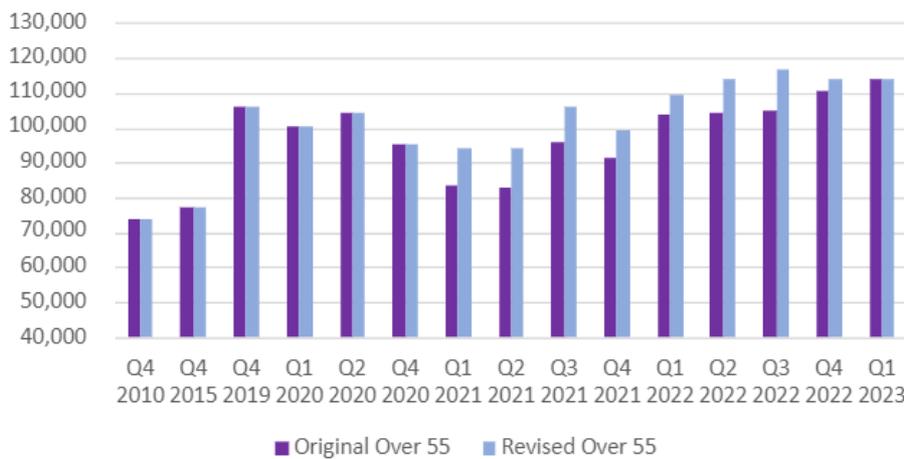
To further analyse this key 45+ contingent we have segmented the data into two groups: age 45-55 and the over 55s. This will provide additional insight into whether impacts differed between these older segments.



45 - 55 HGV Driver No's - Adj vs Original



Over 55 HGV Driver No's - Adj vs Original



45-55

45-55 Age Group

The revised statistics show no change in the 45-55 age group dynamics. This group shrank by nearly 30,000 in Q1 2021, making up the majority of the decline in HGV driver numbers in early 2021.

Over 55

Surprisingly the over 55 pool of individuals, who we originally believed shrank by 12,000 in Q1 2021, now, with the revised stats, remained stable throughout early 2021. In other words the new stats now indicate that the Over 55's did not contribute to the 2021 HGV Driver Shortage Crisis. It now seems that their numbers reduced in mid-2020, remained stable until mid-2021, and then recovered in Q3 2021, presumably when the vaccines had been rolled out and wages increased.



This leads us to conclude the 45-55 band was most significantly impacted during the crisis, a finding consistent in both the original and revised statistics.

In Q1 alone a sizeable 30,000 individuals aged 45 to 55 left the industry, of which 20,000 returned during Q3 2021. The notable impact on this age group, which falls within the younger segment of the over 45s group, prompts us to consider why these individuals chose to leave.



Looking back, it's clear that while COVID-19 played a crucial role, there were substantial hurdles related to renewing medical renewals within this age range. These challenges likely played a more significant role than initially anticipated.



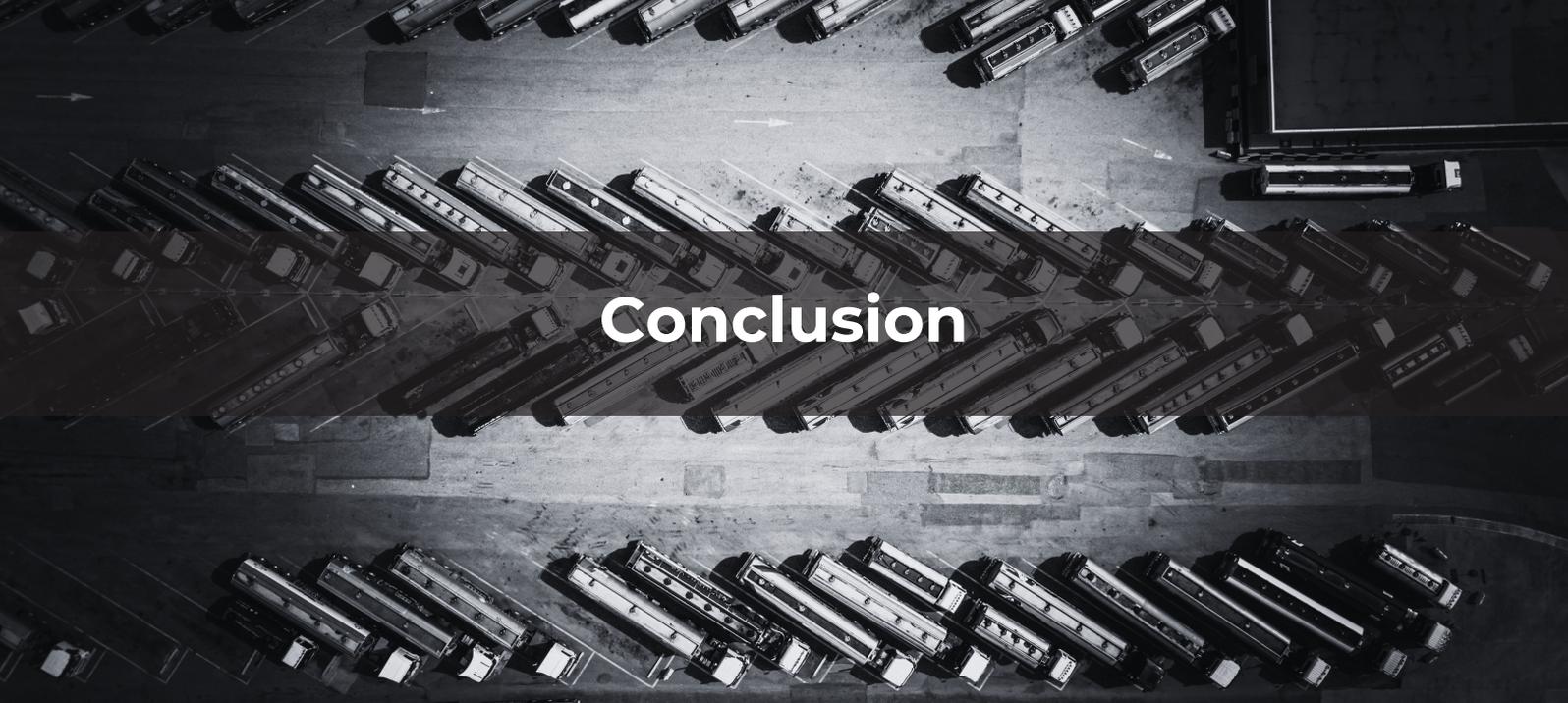
Another contributing factor may have been the availability of vaccines and the order in which different age groups were prioritised. Those over 55 were offered vaccines earlier than individuals aged 45-55. Drivers between 45-55 may have seen they were lower down on the vaccine priority list, potentially influencing their decisions. Meanwhile drivers aged 55 and above witnessed peers in their age range receiving vaccines earlier, which is likely to have provided some comfort.

Moreover, it's possible the 45 to 55 group might have seen greater opportunities for career changes, given the commonly held belief that transitioning careers is easier at a younger age. Older drivers may have felt more uncertainty about their ability to make such changes and therefore stayed in the industry.

We maintain the conclusions of our previous reports that, during Q3 2021, a large number of drivers returned; we believe this recovery of the 45-55s correlated with the rollout of COVID-19 vaccinations, along with notable wage increases during Q3 and Q4 2021. The combination of improved health security and better earning prospects encouraged these individuals to return to the sector. Anecdotally, companies were also willing to adapt their working patterns to encourage drivers to return.

It goes to show that a drop in 30,000 in the 45-55 year old sweet spot of the driver pool is very damaging, with their numbers still well below pre-pandemic levels.

In contrast, the over 55 age group has experienced a remarkable 15% increase in total driver count since the pre-pandemic era. These drivers were potentially lured back by increased pay and better working conditions.



Conclusion

Previously we estimated a drop in 70,000 drivers would trigger another driver shortage crisis, suggesting a timeline of around 12 years. This is based on 12,000 retiring each year offset by about 6,000 entrants in the younger age ranges, resulting in an attrition of about 6,000/year.

However, the revised figure of 45,000 drivers indicates another crisis could emerge much sooner than anticipated, within a span of around 7 years.

This accelerated timeline emphasises the need for substantial and effective measures; mere lip service won't suffice. Implications are now that far more concrete action must be taken urgently. While our initial conclusions hold true, we now recognise that even a relatively minor deviation in the numbers can cause a crisis.

Furthermore, we can now confidently state that the 45-55 age group was indeed the primary driver behind the driver shortage, bearing significant implications for the rest of the economy.

Our recommendations remain unchanged - the government and industry must act swiftly to attract and retain younger drivers to replace retiring cohorts at a faster pace than the last two decades. The current data signals the need to treat this issue with the urgency it demands. Previously we thought we could suffer a decrease of up to 25% without too much consternation, we now believe its closer to 15%. Implementing impactful measures is key before demographic trends cause another damaging driver shortage.

This reduced timeframe should be of great concern.

With the next set of ONS statistics pending, we will closely monitor for any changes and provide you with updated insights into the sectors evolving landscape.

Appendix

Age Group	Q1'20 Pre-Pan	Q2 '20	Q1 '21	Q2 '21	Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1'23	Diff v Q4 '22	Diff v Pre-Pan	Diff v Q1 '22
16-24	7,504	2,724	6,686	3,662	3,620	4,811	6,241	3,204	2,936	-269	-4,569	-685
25-29	23,021	20,920	16,541	13,520	19,493	23,663	21,083	28,066	32,170	4,104	9,149	12,677
30-34	23,791	27,124	33,228	27,097	37,726	36,610	25,372	27,718	22,462	-5,256	-1,329	-15,264
35-39	24,730	23,207	25,793	26,151	26,763	34,013	39,286	38,958	27,143	-11,815	2,413	380
40-44	21,041	19,915	32,748	28,468	19,107	25,501	27,900	24,743	24,800	57	3,759	5,693
45-49	46,545	40,269	31,951	23,151	30,992	35,942	40,312	29,754	42,757	13,003	-3,788	11,765
50-54	54,329	48,655	29,984	39,106	43,423	45,195	48,346	46,258	37,714	-8,544	-16,615	-5,709
55-59	52,045	61,324	48,476	46,823	52,415	53,290	58,207	57,774	56,657	-1,117	4,612	4,242
60-64	35,940	29,115	28,931	28,112	39,428	40,405	40,638	36,962	40,174	3,212	4,234	746
65+	12,551	13,703	16,486	19,092	17,277	19,963	17,963	19,378	17,073	-2,306	4,522	-205
EU	37,000	25,000	26,110	23,294	31,868	31,707	39,103	51,331	39,781	-11,550	2,781	7,913
UK	264,497	261,956	241,905	231,292	254,333	281,890	282,967	259,722	258,951	-771	-5,546	4,618
Total	301,497	286,956	270,824	255,182	290,244	319,393	325,348	312,815	303,885	-8,930	2,388	13,641

Age Group	Original Q1 21	Revised Q1 21	Diff.	Original Q2 21	Revised Q2 21	Diff.	Original Q3 21	Revised Q3 21	Diff.	Original Q4 21	Revised Q4 21	Diff.
Under 45	104,882	114,996	10,174	85,982	98,898	12,916	87,308	92,954	5,646	97,210	107,436	10,226
Over 45	145,202	155,828	10,626	146,965	156,284	9,319	173,820	184,832	11,012	165,588	175,806	10,218
45-55	61,822	61,935	113	63,926	62,257	-1,669	77,758	78,982	1,224	74,522	76,850	2,298
Over 55	83,380	93,893	10,513	83,039	94,027	10,988	96,062	105,850	9,788	91,066	98,956	7,890
Total	250,024	270,824	20,800	232,947	255,182	22,235	261,128	277,786	16,658	262,798	283,242	20,444