

The
Logistics
Institute

™

Logistics Industry Report:
Compensation
Retention and Recruitment
Employability

On average, P.Log. designates make approximately Cdn \$7 - 8K more per annum than non P.Logs. at the same job level.

Position within the corporate hierarchy is a direct and positive correlate to salary increase.

On average, a Canadian senior manager earns approximately Cdn \$86K per year in the logistics field.

Compensation is the financial and non-financial rewards provided by an employer to an employee.

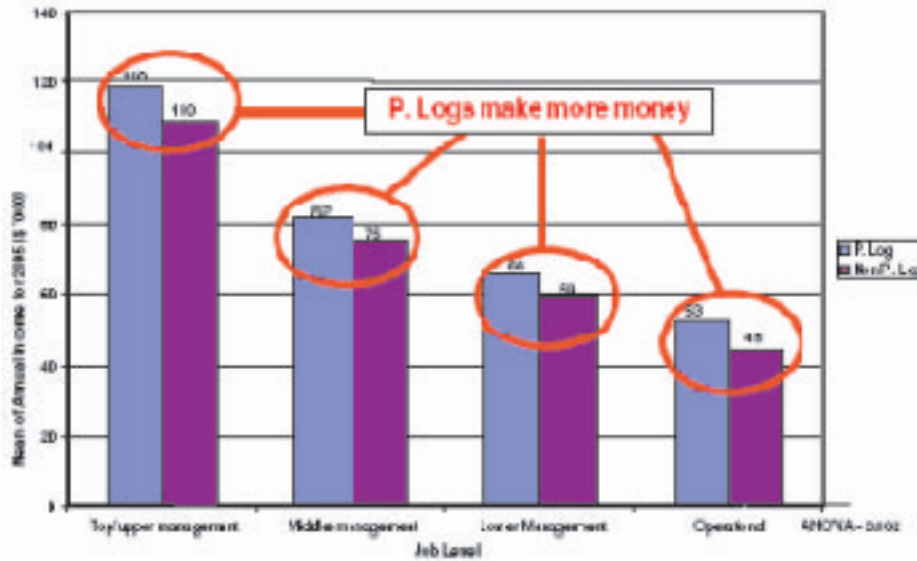
Practitioners in the upper management logistical field have had the highest increase in salary over the past five years. Employees in Frontline logistics have seen an increase in salary at proportionately lower levels.

Factors that determine salary increases include:

- ⊙ ✓ Position in organization
- ⊙ ✓ Logistics budget
- ⊙ ✓ Number of hours worked
- ⊙ ✓ Age
- ⊙ ✓ Number of years in logistics
- ⊙ ✓ Company size (sales/employees)
- ⊙ ✓ Metropolitan area
- ⊙ ✓ Education Level
- ⊙ ✓ Gender
- ⊙ ✓ Province
- ⊙ ✓ Employees managed
- ⊙ ✓ Sector

Position in the corporate hierarchy is important in determining salary.

Research indicates that logisticians in the United States earn approximately US \$77K, on average. Supply Chain Managers earn US \$86K while operation managers earn US \$75K.



Ongoing education, such as the P.Log. program, is essential to career progression.

P.Logs earn higher compensation at all of operational, lower management, middle management, and upper management levels.

The graph above illustrates the difference between P.Logs. and non-P.Logs. in terms of compensation. The P.Log. designation has an overall positive effect on salary. It is suggested that Professional Logisticians attain higher salaries because they are extremely career and service oriented. In order to obtain the P.Log., individuals must have at least 5 years of experience

The P.Log. designation demonstrates applied learning that is specifically relevant to the industry and by earning this designation, the P.Log. demonstrates an individual's desire to learn and willingness to grow within an organization.

Competition has increased for logistics organizations to recruit and retain *skilled, trained and experienced* individuals.

Transportation and wholesale industries have the highest salaries at upper levels. Employees in similar provider firms have the highest wages.

A notable trend affecting all levels of U.S. logistics practitioners has been an increase in responsibility with little or no increase in salary.

Age - Employees who are in their middle to late twenties earn an average of US \$42K whereas an individual who is sixty years or older and has proven experience in the field of logistics can earn an average of US \$80K.

Hours worked - Those individuals who work a "normal" work week of 40 hours have an average salary of Cdn \$65K whereas those who work over 56 hours per week can earn Cdn \$100K.

Geographical Locale - In Canada (2003), the highest average salary was attained in the Toronto area (\$87K). The lowest average salary was reported in Halifax (\$50K). In the United States, those in the pacific region have the highest salary rates whilst those in the Rocky Mountain states have the lowest.

Education - Within the logistics field, a high level of education is extremely important in regards to salary. Approximately, 67% of current professional logisticians have a college degree. Those with a degree earn US \$20K more than those with a high school diploma.

Gender - A female logistics manager earns on average, US \$59 700 annually compared to male managers who earn US \$81 200. Currently in Canada, 31.4% of logistics managers are women compared to 37.5% in the United States. These figures are steadily increasing.

When surveyed, respondents listed the following as the most important social aspects for the workplace:

- ✓ Being treated with respect
- ✓ Having interesting work
- ✓ Having feelings of success
- ✓ Having good communication
- ✓ Balancing both work and family

Recruitment and Retention are the ways in which an individual locates his or her vocation, as well as methods and procedures the employer engages in to preserve that employee's employment status.

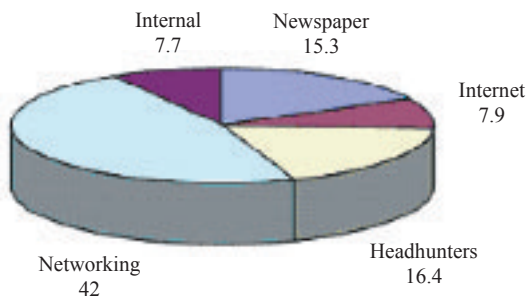
Salary is the primary manner used to retain employees; however, a recent survey (2002) suggests that social aspects are more important than economics. For example, staff desire: respect, an interest in work, feelings of accomplishment, constructive communication, and a balance between work and family life.

Increase in a worker's social capital is crucial for business survival in that it improves organizational performance. In other words, employees are more likely to commit to the organization, are more flexible, subordinate their own goals for those of the company, and invest in specialized skills that the organization needs.

In addition, employee retention in the logistics field is important since employee turnover can become costly in two ways:

- ⊙ 1. Direct cost - replacement and training
- ⊙ 2. Indirect cost - lower productivity and reduced customer/client loyalty

This pie chart demonstrates how logistics professionals found their current position. Networking (referrals) is the most frequently reported source of employment, regardless of firm type, sector, business function or designation.



Manufacturing and Wholesale/Retail are two industries with the highest number of interviews conducted per annum.

As well, those companies which are considered to be "users of logistics" rather than suppliers, have a higher interview rate.

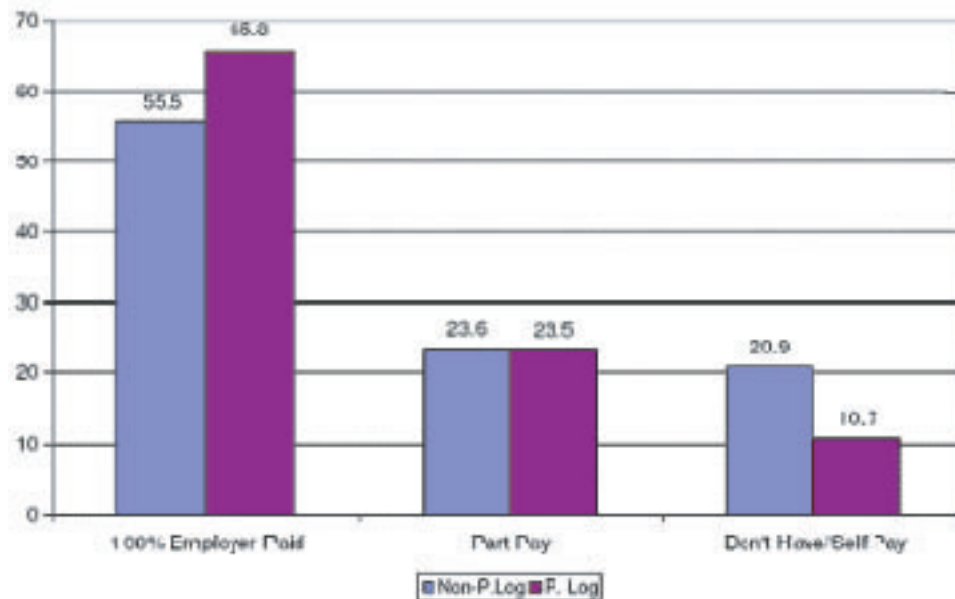
Lastly, medium-sized firms tend to yield the largest number of interviews.

Techniques for Recruiting

- ⊙ ✓ Referral from other employees is the number one recruiting tool and usually yields the best candidates
- ⊙ ✓ Advertising in newspapers, etc. does not generally attract the best candidates
- ⊙ ✓ "Head hunters" - It is important to clarify precisely what qualifications you are looking for and that in-depth assessments are done to ensure the best fit
- ⊙ ✓ Companies must be proactive - Monitor changes in staff, promotions, and other indications that they may need to fill a position in the future

Techniques on how to get recruited

- ⊙ ✓ Experience and networking are keys to get recruited
- ⊙ ✓ Recent graduates do not generally have the experience required - those who have participated in co-op programs are more typically sought after
- ⊙ ✓ One's work ethic and ability to build and maintain interpersonal relationships are also important
- ⊙ ✓ You can assess the character and the work ethic of an individual by examining their extracurricular activities
- ⊙ ✓ Networking is a great way to become recruited since it illustrates passion for the industry



The likelihood of being offered fully funded benefits increases with firm size. Contributions to retirement benefits is a method used to retain employees.



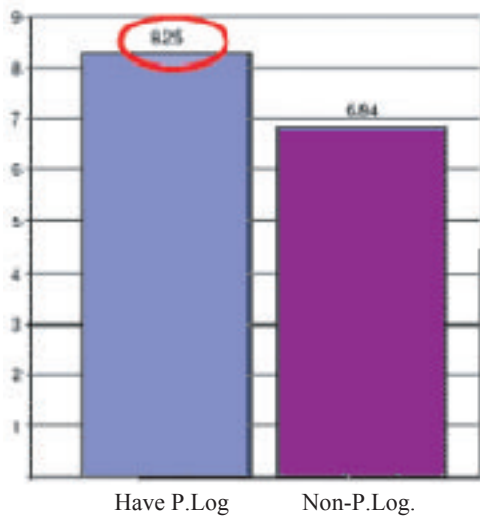
Larger firms are more likely to offer fully paid benefits. Mid-sized firms are likely to offer competitive benefits in order to entice employees to remain with the company.



The graph above illustrates that those with the P.Log. designation are more likely to have fully funded education professional development than those without the designation. The P.Log. may be used as an incentive to recruit new employees. Benefits such as funded training are viewed as a mechanism to retain valued personnel.

Current benefit packages being offered to logisticians indicate that employers have acknowledged the value of finding a balance between work life and home life.

Retirement Benefits - The current trend is for employers to match employee contributions. This allows companies to offer a partial retirement plan, while giving employees greater control over their retirement savings.



This graph shows the mean number of years spent with a logistics firm. The data suggests that those that have a P.Log. designation change companies less often than their non-P.Log. counterparts. P.Logs tend to be retained more aggressively by their employers. They tend also to be older and are thus, more established in their positions.

As years with a firm increase, so does salary. Staying in one firm allows for accumulation of experience and expertise which is rewarded by higher salaries and greater benefits.

Employability is defined as the initiatives, processes, and accreditations that an individual has engaged in, which enables them to remain employed. Changing companies often or the movement of workers from firm to firm suggests discontent or an individual's attempt to gain higher wages.

Correlates of company shifting:

- ⊙ ✓ Age
- ⊙ ✓ Firm Size
- ⊙ ✓ Industry
- ⊙ ✓ Gender
- ⊙ ✓ Job Level
- ⊙ ✓ P.Log. Status

Findings imply that at an older age, logisticians have established a position within a firm and thus may have a sense of loyalty towards the company in which they are employed.

Practitioners who are employed in smaller firms also tend to change firms more often than those working in larger organizations. Employees in the public sector or manufacturing firms change jobs the least often, whereas those in business sectors switch companies more regularly. Men tend to stay longer in one firm whereas women move firms more often. Finally, those in operational level jobs switch jobs regularly in comparison to those in middle management jobs who remain employed longer with the same firm.

Research indicates that practitioners with 20 years of experience earn US \$75K on average per annum.

90% of logistics managers have bachelor's degrees while 40% have master's degrees. 8% major in logistics or transportation.

Individuals holding a degree make, on average, US \$60K, those with a post-graduate degree make \$80K, and those with an MBA earn \$110K, annually in the U.S.

Experience

Personnel must rely on a variety of skills gained through experience to maintain their employability. Logisticians must have a variety of expertise including: business skills, logistics skills, and management skills. In the contemporary market, there is increasing importance placed on leadership skills. In order to be a leader in the workplace, one must be a strong communicator. Logisticians must possess the following abilities:

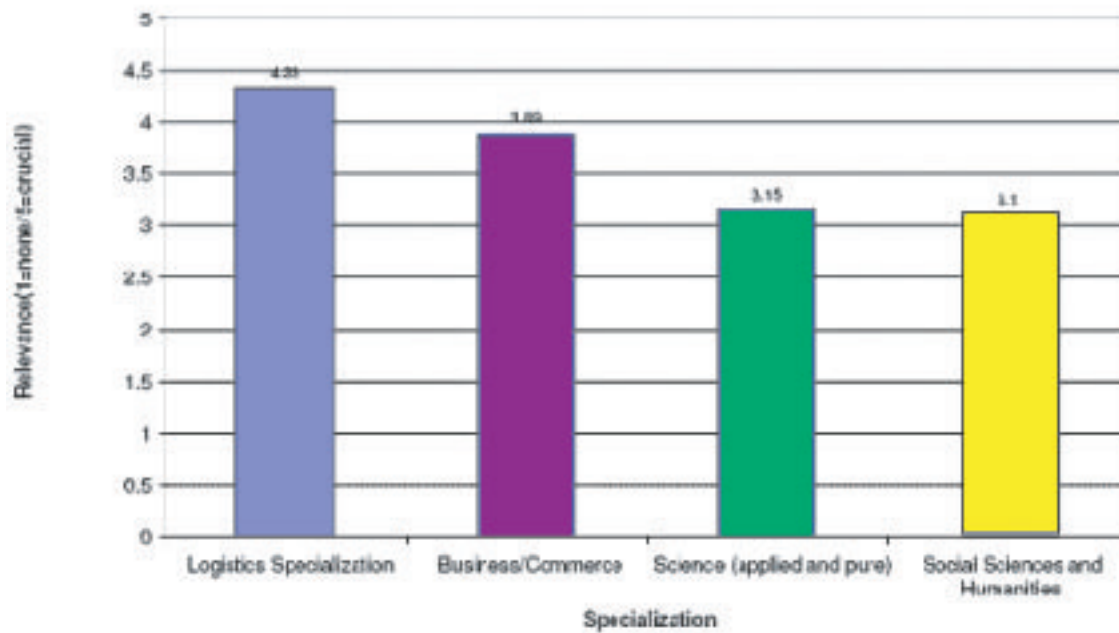
- ⊙ ✓ Functional, managerial, and interfacing skills
- ⊙ ✓ Communication and leadership skills
- ⊙ ✓ Computer skills
- ⊙ ✓ Marketing skills
- ⊙ ✓ Adaptability
- ⊙ ✓ Previous experience

Education

Education, training and professional certifications are crucial for individuals to advance in the field of logistics. University and graduate degrees provide increased opportunity and higher employability for individuals entering the labour market.

For example:

- ⊙ ✓ Internship: provides real world experience
- ⊙ ✓ Online courses: maintains lifelong learning
- ⊙ ✓ Post secondary education: most important for remaining employable in the industry



An education in logistics may be helpful in gaining entry into the logistics industry, but hard work, ambition, and the ability to add value to the supply chain provide for upward mobility at the upper levels of management.

The above graph demonstrates that those with a specialization in logistics find their education most relevant to overall job performance. Business and commerce graduates also find their degree to be helpful in performing in the logistics industry. Moreover, these graduates find their specialization to be relevant to managing business strategy.

Personnel in both business/commerce and social sciences find their degrees to be highly relevant to interpersonal aspects in the workplace. These graduates also find their specialization highly relevant to the performance of reading and writing aspects of their vocation. By contrast, those with a specialization in business commerce or logistics find their degree less pertinent to reading and writing aspects of job performance.



Logistics Industry Report Key Findings

Compensation

- ⊙ ✓ P. Logs. earn approximately Cdn \$7k-8k more per annum than non P. Logs at the same job level.
- ⊙ ✓ Larger firms pay higher salaries.
- ⊙ ✓ Logistics service provider firms show the highest salaries at the top level.
- ⊙ ✓ Males, more often than not, have higher salaries than females at the same job level.

Recruitment and Retention

- ⊙ ✓ Employers have acknowledged the need for a balance between work life and home life.
- ⊙ ✓ Networking is crucial to gaining employment in the logistics community.
- ⊙ ✓ Women network more heavily in formal settings, whereas men do so more informally.
- ⊙ ✓ P.Logs. are more likely to be offered fully-funded training programs by their employer.

Employability

- ⊙ ✓ An education specialization in logistics or business commerce may be helpful in gaining entry into the logistics industry, but hard work, ambition, and the ability to add value to the supply chain provide for upward mobility at the upper levels of management.
- ⊙ ✓ Switching firms does not automatically translate to a higher salary.
- ⊙ ✓ Women tend to change companies more often than men.
- ⊙ ✓ Middle managers switch firms the least often.
- ⊙ ✓ P.Logs. change companies less often than their non-P.Log. counterparts.
- ⊙ ✓ Personnel in business services switch firms much more frequently than those in the public sector or manufacturing.