

The
Logistics
Institute

TM

2006

Logistics Industry Report

Compensation

Employee Recruitment

Employee Retention

Training and Mobility

Labour Market Study conducted by

Applied Social Research Centre, Trent University

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Key Findings

Section 1: Compensation

INTRODUCTION

The 2006 Logistics Labour Market Information Study is the second in a five year series being conducted by the Logistics Institute. The overall purpose of this longitudinal study is to identify trends in the Canadian logistics labour market along a number of parameters that include:

- Compensation
- Recruitment and Retention
- Training and Mobility
- Career Path Modeling

Generally, in the second year, significant changes are relatively minimal. Once the five year study is completed, we will be in a better position to interpret the meaning of these trends. We publish this 2006 Logistics Labour Market Information Study to begin the process of identifying, even in preliminary ways, labour market trends that can more reliably have an impact on future interpretation.

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

1.1 Salary Trends

In 2006, position within the corporate hierarchy remains a direct and positive correlate to salary increase.

In 2005, on average, a Canadian senior manager earned approximately Cdn \$86K per year in the logistics field. In 2006, on average, a Canadian senior manager earned approximately \$88K per year in the logistics field, which represents a minimal increase.

In 2005, practitioners in the upper management logistical field had the highest increase in salary over the past five years. Employees in frontline logistics saw an increase in salary at proportionately lower levels. In 2006, the gap has somewhat narrowed, but practitioners in upper management positions continue to have higher salary increases.

In 2005, on average, P.Log. designates earned Cdn\$7 - 8K more per annum than non-P.Logs. at the same job level. In 2006, this trend remains the same.

Factors that determine salary increases include:

- Position in the 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 from 2005 indicated that logisticians in the United States earned approximately US\$77K, on average. Supply chain managers earned US\$86K while operation managers earn US\$75K. In 2006, these data remain unchanged.

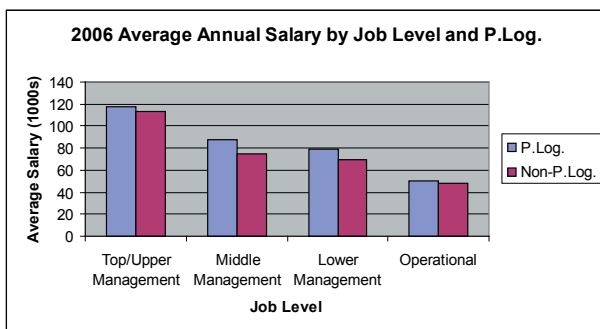
1.2 Compensation and the P.Log.

As is evident in graphs 1a and 1b, in 2005, P.Logs. earned higher compensation at all levels: operations, lower management, middle management, and upper management. P.Logs. continue to earn higher compensation at all levels of the logistics field in 2006.

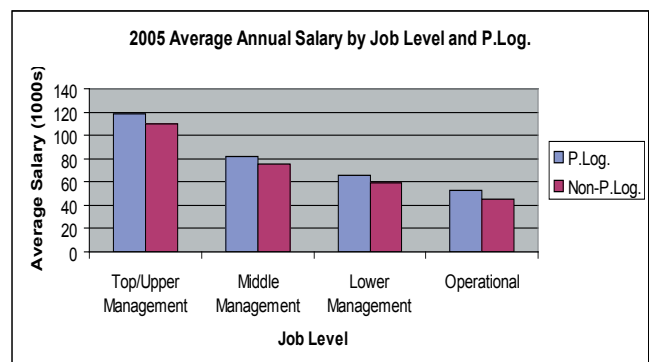
The P.Log. designation continues to have an overall positive effect on salary. It is suggested that Professional Logisticians attain higher salaries because they are extremely career and service oriented.

Further, the P.Log. designation demonstrates applied learning that is specifically relevant to the industry. 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.



Graph 1b



Graph 1a

1.3 Factors Affecting Salary

Age

Employees who are in their middle to late twenties earn an average of US\$42K per year, whereas an individual who is sixty years or older and has proven experience in the field of logistics can earn on average US\$86K.

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 (Cdn\$87K). The lowest average salary was reported in Halifax (Cdn\$50K). In the United States, those in the Pacific region have the highest salary rates while those in the Rocky Mountain states have the lowest.

Gender

A female logistics manager can earn on average, US\$58K annually compared to male managers who can earn US\$81K. This gap appears to be closing in this year’s data. Currently in Canada, 31.4% of logistics managers are women compared to 37.5% in the United States. These figures are steadily increasing.

Firm Size

In general, in both 2005 and 2006, as firm size increases, so do salary levels. However, there has been one notable exception in both years. Lower management employees in medium-sized firms (250-5000 employees) appear to be earning higher salaries than those in large organizations (over 5000 employees). See Graph 1c.

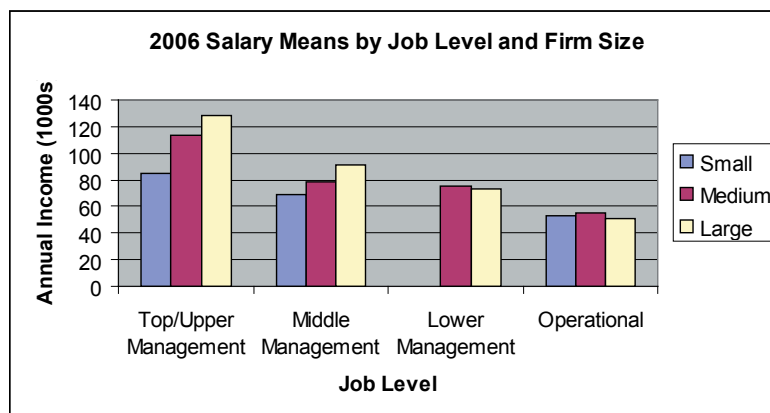
Firm Type

In 2005, employees at the Top/Upper management level earned more if they were employed in a ‘logistics provider firm’ as opposed to a ‘user of logistics firm.’ However, in 2006, upper management employees earned greater salaries when employed in a ‘user of logistics firm’ as opposed to a ‘logistics provider firm.’ In both 2005 and 2006, all types of employees, on average, earn more at logistics user organizations.

Manufacturing in both 2005 and 2006 is the highest paid industry overall. Upper management employees in the manufacturing industry reported earning an average of Cdn\$112K in 2005 and an average of Cdn\$118K in 2006.

Education

Within the logistics field, a high level of education is important to gaining high compensation rates. Approximately 67% of current Professional Logisticians have a degree. Those with a degree can earn US\$20K more than those with a high school diploma.



Graph 1c

Section 2: Recruitment

Recruitment is a process that includes the methods by which employers seek out and engage individuals for work or service, as well as the procedures by which individuals locate employment opportunities.

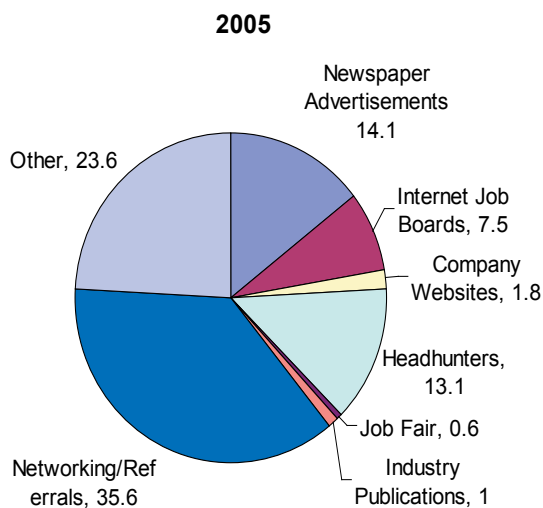
2.1 Locating Employment

In graph 2a and 2b, it is evident that a greater percentage of respondents report seeking employment using newspaper ads and company web sites in 2006, when compared to 2005 data.

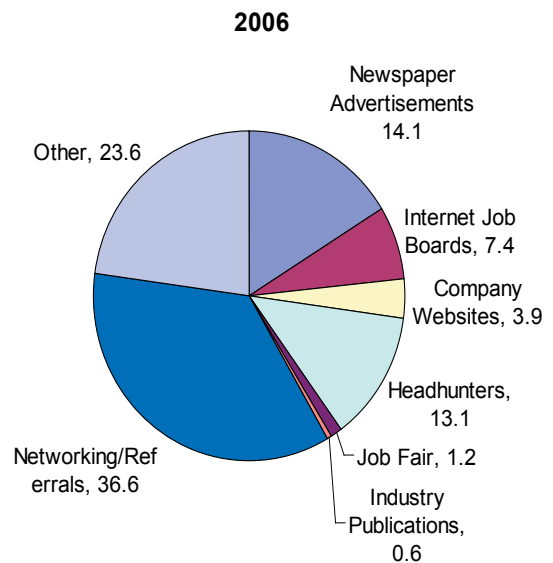
A greater number of people are visiting company web sites to investigate job opportunities because it gives them the opportunity to research details about that company. Companies should be aware that their websites are serving to attract potential employees.

Networking (referrals) is still the most frequently reported source of employment, regardless of firm type, sector, business function or designation.

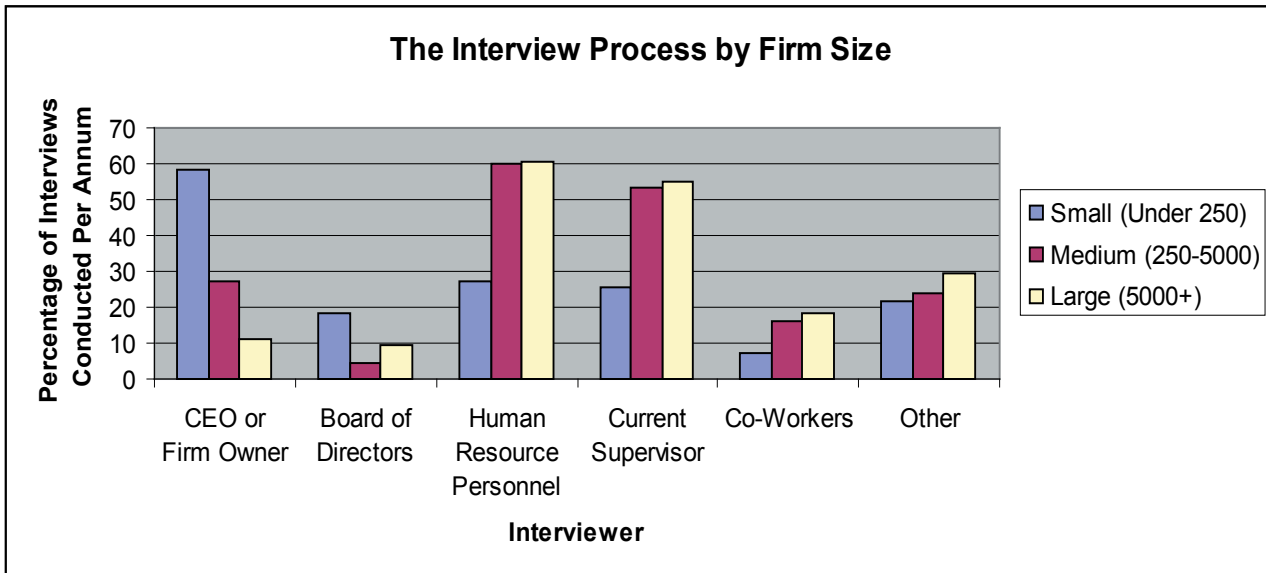
The means by which Logisticians Locate Employment



Graph 2a



Graph 2b



Graph 2c

2.2 Interviewing Process

Graph 2c shows that as firm size increases, the involvement of senior personnel or executives in interviewing declines and shifts to other individuals such as human resource personnel and immediate supervisors.

Those in small firms are most likely to be interviewed by a CEO or by a firm owner. Larger firms are more likely to use human resource personnel to conduct interviews. For 2006, as in 2005, manufacturing and wholesale/retail continue to be the two industries with the highest number of interviews conducted per annum.

2006 respondents suggested that the interview process supports efforts designed to ensure that an employer has the right person for the right position.

2.3 Workplace Benefits

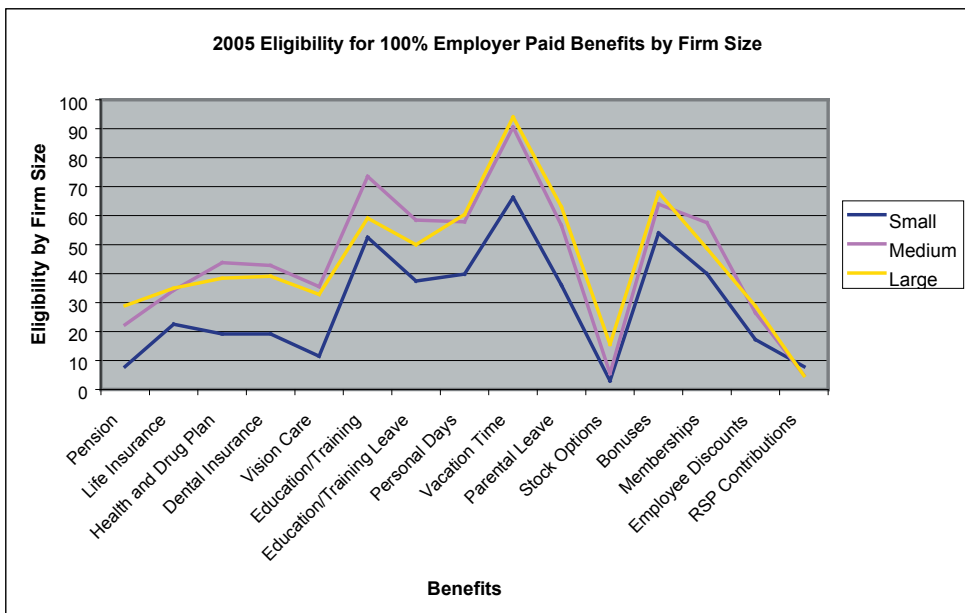
The eligibility for retirement benefits has decreased slightly in 2006. When comparing workplace benefit data (Graph 2d and Graph 2e) from 2005 and 2006 respectively, it appears that smaller firms are starting to offer a greater number of employee benefits, perhaps to close the gap with larger firms.

Another reason the gap is closing may be that large firms are now using contract-based workers more often. Benefits are not typically offered to contract employees.

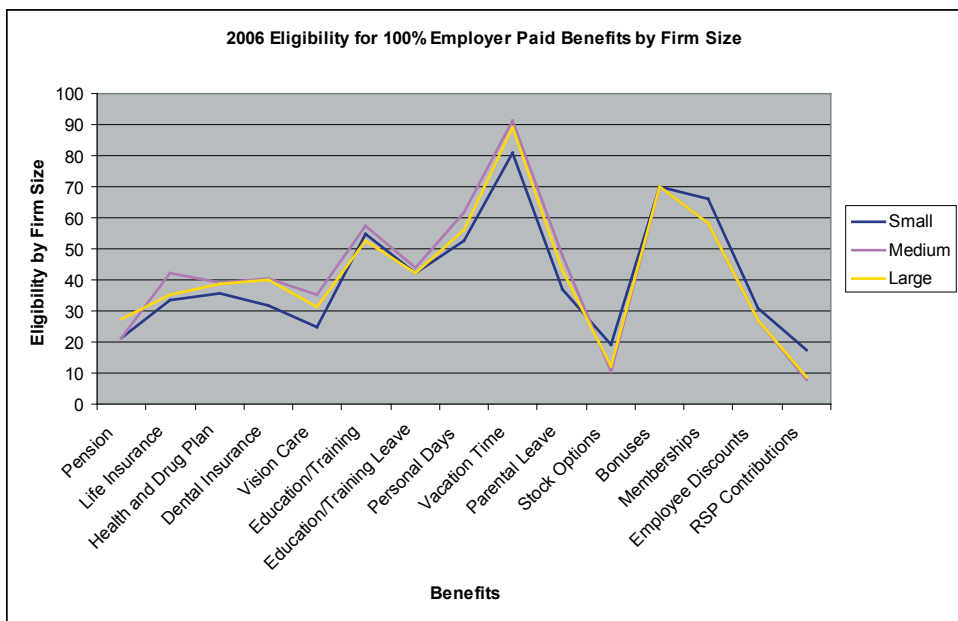
It was also found that the eligibility for training and education benefits increases greatly for individuals with the Professional Logistician (P.Log.) designation.

To be sure, P.Logs. received greater support for education benefits than non-P.Logs., particularly in the 2006 sample. The opportunity to earn the P.Log. is being used as an incentive for recruiting new hires.

Although many benefits are expensive, they are an excellent retention tool for employees. Benefits act as a particularly important retention mechanism in small and medium sized firms.



Graph 2d



Graph 2e

The gap between men and women in upper management may be decreasing for a variety of reasons including the availability of on-site day care and paternity leave, job creation and personal assessment. Women may be receiving more advancements, while men may be remaining in the same positions over an equal period of time.

Further, women in lower management positions may have higher salaries because they stay in their positions longer than men or they wait for upper management posi-

There was a \$36 000 salary difference between men and women in upper management positions in 2005 compared to a \$21 000 salary difference in 2006. Is the gap shrinking?



Section 3: Retention

Retention is the ability of employers to retain employees using various methods. One particular method utilized by employers is increasing an employee's wages. However, boosting employee morale is becoming a more prevalent method for retaining workplace professionals.

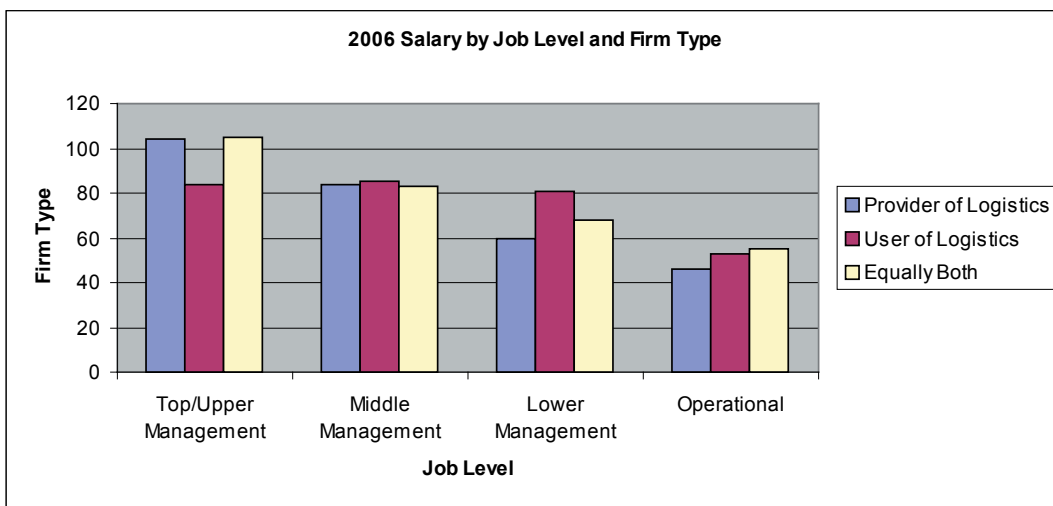
3.1 Financial Compensation

Graph 3a depicts the average annual salary of employees by both job level and firm type.

As evident in graph 3a, salaries appear to be higher in mid-sized firms for middle and lower management employees. This may be because there is a shortage of skilled workers to fill these roles; mid-sized firms are thus, willing to pay more to retain these employees.

In addition, to avoid costs of recruitment and/or training to replace an employee, companies now tend to spend more resources and time on retaining *current* employees.

Salary increase is still the primary method to retain employees. In general, as firm size increases, so do salaries. These figures remain unchanged from 2005 to 2006.



Graph 3a

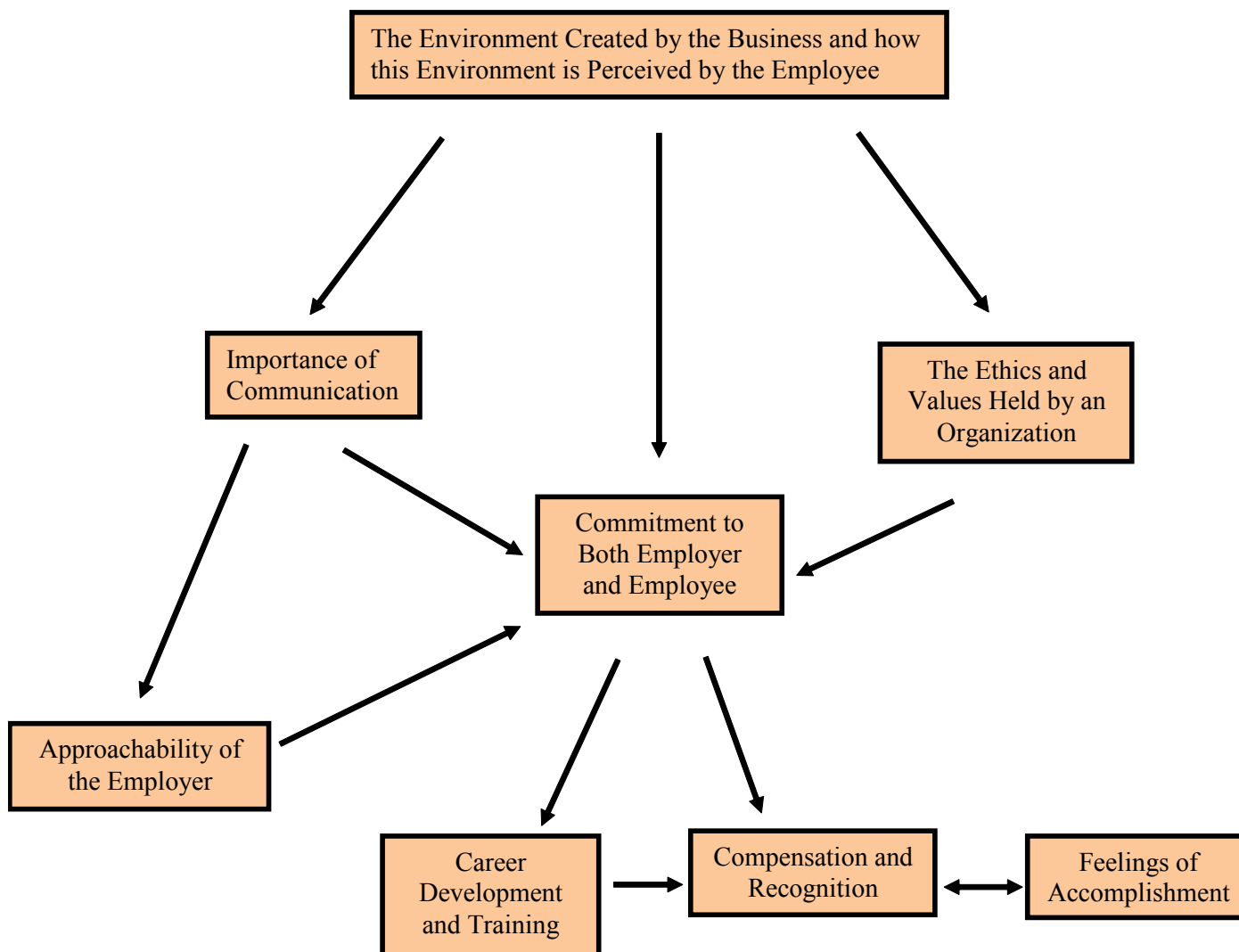
3.2 Employee Morale and Workplace Communication

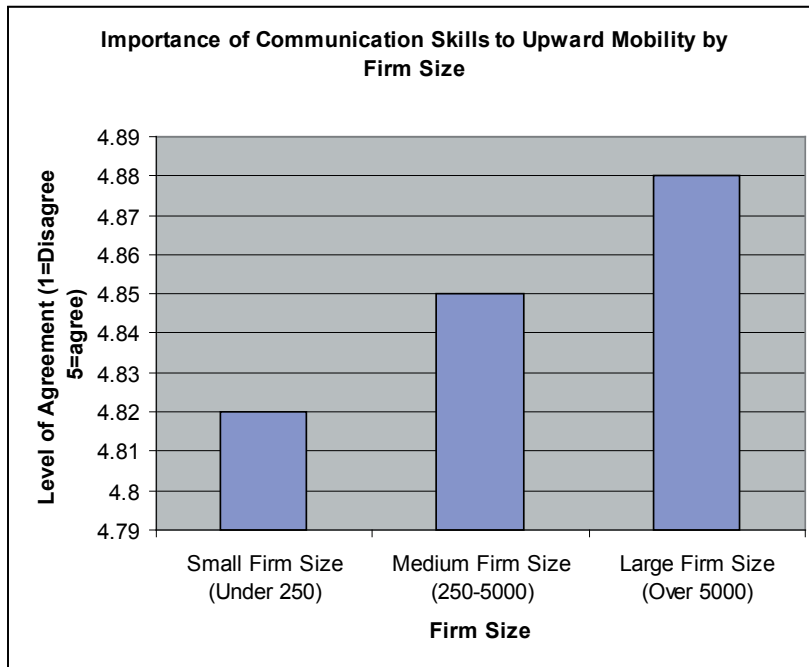
The environment that a business creates and the way in which the business is perceived by the employee is very important in boosting employee morale. Corporate culture is shaped by a number of interrelated factors. Each is necessary to retain skilled employees.

The chart below depicts what focus group respondents for the 2006 study felt were the most important aspects of employee morale.

Respondents emphasized that employers must reward and empower people to utilize their skills and knowledge, and to celebrate measurable results that are strictly related to employee successes.

Respondents also suggested that there must be an opportunity for growth along with the organization and that employees should be directly involved in decision making processes – these factors will lead to feelings of accomplishment.





Graph 3c

Social capital refers to the elements of the workplace such as communication that facilitate cooperation for mutual employee benefit.

Increase in a worker's social capital is crucial to business survival. Through effective communication, employees are more likely to commit to the organization and subordinate their needs for the company.

From the Logistics Labour Market Workshop, respondents generally agreed that communication is one of the most important elements of consumer culture and social capital. Specifically, participants suggested:

- ✦ Communication is an important key in understanding an employer's expectations.
- ✦ The style of communication that an employer or employee utilizes in the workplace setting is significant (i.e. formal versus informal) and this can affect how information is translated.
- ✦ Communication is one method that can be utilized to improve relationships and partnerships between department work teams.
- ✦ Respondents to the 2006 study indicated that employers are generally *not* providing effective training in communication skills.

Effective communication is also important to lateral mobility within the company. Graph 3c shows that respondents in the study believe that effective communication is very important to upward mobility, irrespective of firm size.

Communication is linked to many facets of corporate culture and social aspects of the workplace. It is important to increasing employee retention.

3.3 Job Commitment and Career Opportunities

Changing companies often or the movement of workers from firm to firm suggests discontent or an individual's attempt to gain higher wages.

In 2005, findings suggested that older logisticians seem to have established positions within an organization and thus, carry a sense of loyalty towards the company in which they are employed. In 2006, practitioners in their 50s appear to be changing firms more often than in 2005. Overall, the mean number of years that an employee is with a firm has declined from 2005.

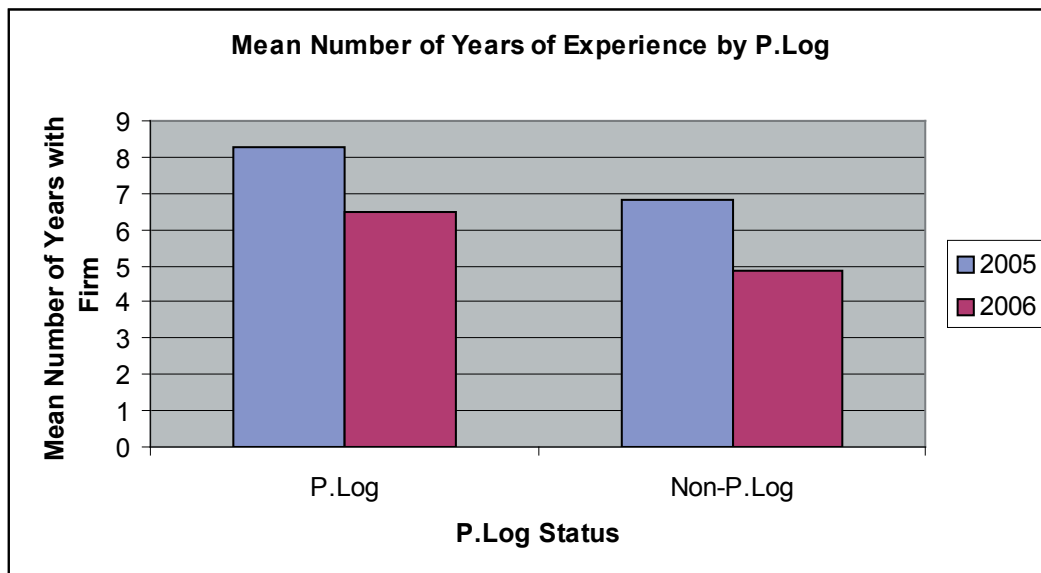
As firm size increases, the movement of employees from firm to firm declines. In 2006, as in 2005, practitioners who are employed in smaller firms, tend to change companies more often than those working in larger organizations. Men tend to remain longer at a company, while women move between firms more often. Likewise, those in operational level positions change companies more regularly in comparison to those in middle management. Finally, when looking at firm changing by industry, the public sector shows the least movement from company to company.

Correlates of company shifting:

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

However, movement between companies was more prevalent in 2006 than in 2005. As is evident in graph 3d, P.Logs. consistently change companies *less* than Non-P.Logs.

Having the P.Log. does not necessarily mean job security but it certainly helps. While P.Logs. change firms less often, they are very mobile within the company.



Graph 3d

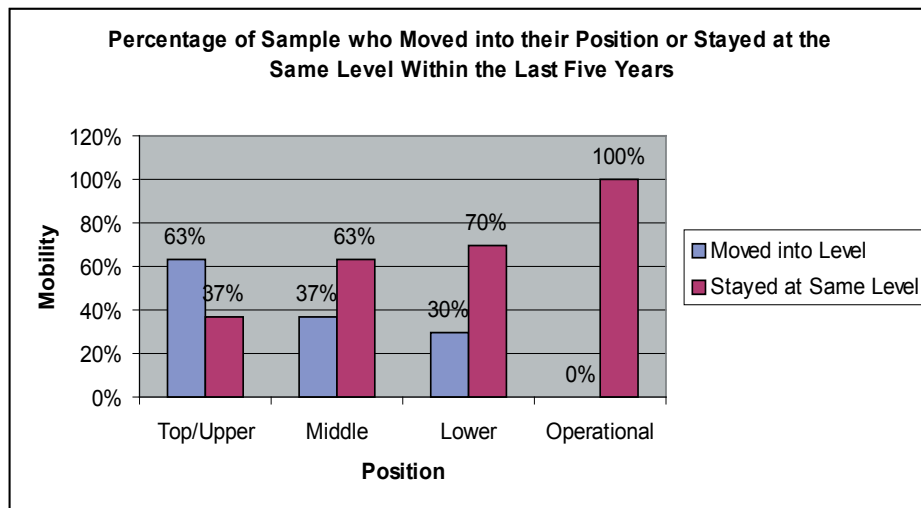
Section 4: Training & Mobility

4.1 Development, Training and Mobility

To be mobile within a company, a solid educational foundation is imperative. Education, training and professional certification help to gain entry into the logistics industry and create higher rates of mobility for individuals entering the labour market. Education, training, and professional certification also work to provide avenues for mobility at the upper levels of management.

Graph 4a shows the percentage of individuals who either remained in their current job position (stayed at same level) or moved into a higher position within the last five years (moved into level). The graph compares individuals at various job levels: top/upper management, middle management, lower management, and operational.

Graph 4a



Those who moved recently into a higher position were more likely to have also shifted horizontally within the company, with the exception of lower level employees who remained stationary.

Those at the operational level tend to remain at the same position while those at the highest job levels tend to have greater chances for upward mobility. Those who move vertically also tend to move horizontally (mobility within the company), particularly at the upper levels.

Considering this, focus group respondents suggested that employers should have a commitment/investment to employee development and training, emphasizing the upgrading of skills.

Further, organizations should maximize chances for upward mobility to create a program of high potential for employees, and there should be a clear path for succession and career planning.

4.2 Specialization and Professional Designations

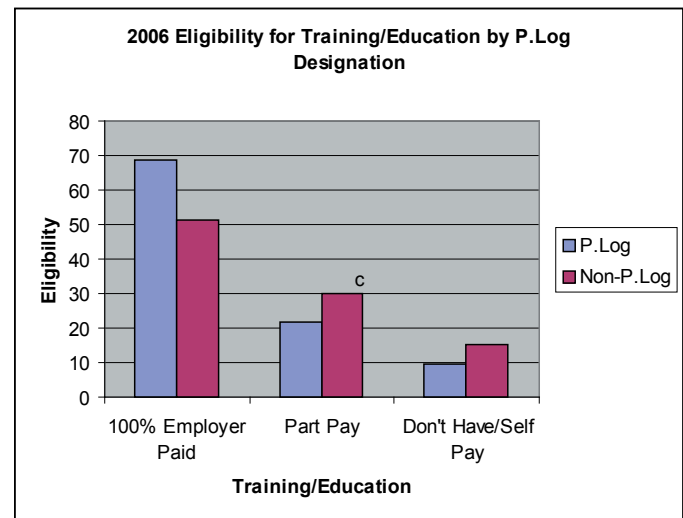
As shown in graphs 4b and 4c, in both 2005 and 2006, the eligibility for training and education benefits increased greatly with the Professional Logistician (P.Log.) designation.

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

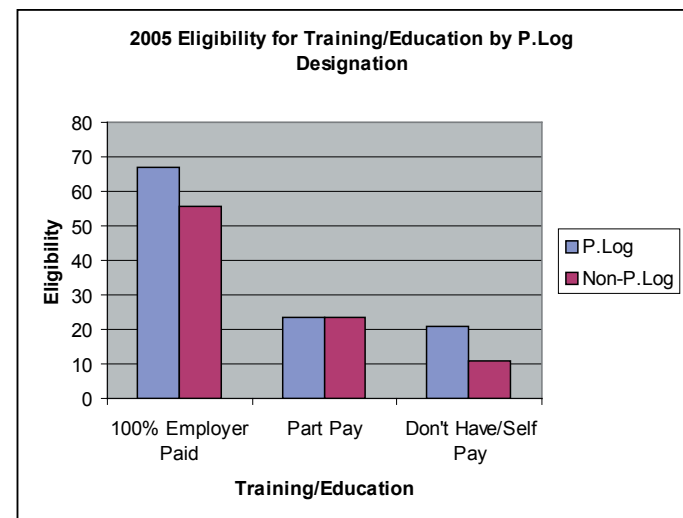
The likelihood of being offered fully-funded benefits increases with firm size. Larger firms are more likely to offer fully paid benefits while medium-sized firms are likely to offer competitive benefits in order to entice employees to remain with the company.

Focus group respondents suggested that by investing in fully-paid benefits for your employees:

- ✦ You both attract and retain employees, which helps minimize costs associated with high rates of job movement.
- ✦ You help improve employee morale and increase productivity by providing financial security and support for your employees.
- ✦ You indicate that you acknowledge the value of finding a balance between home life and work life.



Graph 4b



Graph 4c

According to both 2005 and 2006 survey respondents, those with a specialization in logistics find their education most relevant to overall job performance. Business and commerce graduates also find their degrees to be helpful in performing in the logistics industry.

Moreover, both logistics and business graduates find their specialization to be relevant in managing business strategy. An education in logistics may be helpful in gaining entry into the logistics industry, but hard work, ambition, professional certification, and the ability to add value to the supply chain provide for upward mobility.

4.3 Advice to Future Logisticians

At the Logistics Institute Annual General Meeting in April 2006, a workshop was conducted during which professional members (P.Logs.) shared advice they would offer to new and future practitioners in the field of logistics. Some key themes emerged and the following are excerpts from that workshop:

Develop a Global Perspective

- Maintain a global outlook on logistics
- Have a strong knowledge of international geography
- Try to think of your next position or positions

Create a Goal and Work Towards it

- Lay out a meaningful and *flexible* career path
- Develop a short term and long term plan
- Get yourself into the most progressive organization so that you are exposed to the best minds and practices
- Choose a field that truly interests or challenges you
- Make a commitment to the profession instead of merely taking a job

Maintain the 3 Ps: Patience, Persistence and Perfection

1) *Patience*

- Don't try to rush and learn it all and try not to be discouraged; it takes time to achieve excellence

2) *Persistence*

- Try to remain balanced, positive and, never give up
- Always take risks and try new things

3) *Perfection*

- Believe in yourself and in your work.
- Always be accountable, professional and ethical.

Hone your Communication Skills

- Do your best everyday and always effectively communicate with your boss and co-workers
- Engage in oral or written presentations.
- Listen, observe and ask questions, but remember to do so in a professional and diplomatic way

You are in Charge of Your Career

- Keep in mind you determine the outcome of your career
- Never be afraid to ask questions like “why?”
- Ask for more projects and never be afraid to approach your boss
- You do not need to change your fundamental personality as you rise in the organization so be yourself

Build a Network Within the Office and the Industry

- Network, network, network
- Develop an outside network of logistics “friends”
- Seek a mentor or a few mentors and be a sponge
- Engage in leadership or pro bono activities outside the organization and join professional associations

Challenge Yourself to Grow Professionally

- Assume numerous roles, be open to change and think outside the box
- Make mistakes
- Differentiate yourself within team settings and take on leadership roles
- Show your employer that you are eager to do whatever it takes to grow

Engage in Continuous Education

- Have a strong skill set and master multiple areas of logistics
- Never stop learning!
- Join professional organizations and obtain a professional designation
- Be active in the logistics community and choose an employer that embraces education and development

Key Findings 2005 and 2006



2005

2006

Compensation

- P.Logs. earn approximately \$7k-8k more per annum than non-P.Logs. at the same job level
- Larger firms and logistic provider firms tend to pay the highest salaries at the top level
- Males, more often than not, have higher salaries than females at the same job level
- P.Logs. continue to earn higher salaries than non-P.Logs. at the same job levels
- Larger firms and logistic provider firms continue to pay the highest salaries at the top level
- Women continue to earn less than men at all levels except for lower management; however, the salary gap appears to be shrinking

Recruitment and Retention

- Employers have acknowledged the need for a balance between home life and work life
- Networking is crucial to gaining employment in the logistics and supply chain industry
- P.Logs. are more likely to be offered fully-funded training programs by their employer
- By investing in employee growth, employers continue to acknowledge the need for a home and work life balance
- Senior logistics practitioners agree that networking is crucial to gaining employment in the logistics industry
- As in 2005, eligibility for training and education benefits increases greatly with the P.Log.

Mobility

- P.Logs. change firms less often than their non-P.Log. counterparts
- Women tend to change firms more often than men; middle managers switch firms the least often
- Personnel in business services switch firms much more frequently than those in the public sector or manufacturing
- Further to 2005, while P.Logs. change firms less often, they are very mobile within their companies which makes the P.Log. an excellent investment
- Women continue to change firms more often than men
- As in 2005, personnel in business services switch firms much more frequently than those in the public sector or manufacturing