Opinion

Creative Retention Solutions: Copy That

By Joe White
CEO
CostDown Consulting

The lead story of this publication's June 18 issue discussed the growing problem of driver turnover and how even small truckload fleets, known for their ability to control turnover by maintaining close driver relationships, are now in need of creative retention solutions as their turnover rate has soared to 71%.

When searching for solutions to any problem, a good approach is to look for same-area success stories in similar companies and then incorporate that model into your own organization.

In the case of driver retention, there is a group of trucking companies with enviable turnover performance that use a very successful driver retention model, one that can be incorporated into any trucking company's operations. Surprisingly, that group is the industry's union trucking companies.

As a rule, union trucking companies have little to offer when compared with their nonunion counterparts. However, there are lessons to be learned by examining three retention influences that have historically kept their turnover rates low:

1. Higher wages.
2. Pensions.
3. Seniority-based job security and work opportunities.

Over the past decade, the wage gap between these two company types has diminished drastically, as nonunion companies aggressively increased pay in an attempt to attract drivers, while union company owners focused on negotiating minimal pay increases to become more competitive.

In addition, many nonunion carriers have been moving toward delay/detention pay policies that compensate drivers for most, or all, hours worked.

That leaves two retention advantages that still exist within union carriers, both of which can — and should — be incorporated into nonunion operations.

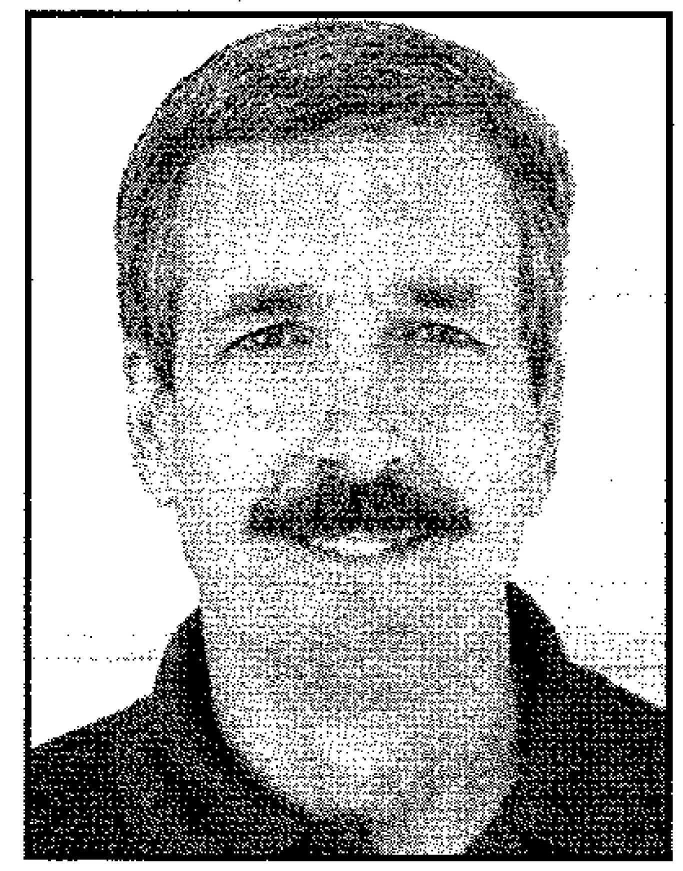
First, let's discuss pensions.

Traditional defined-benefit pension plans are too costly and risky for most companies to fund. However, many trucking companies do provide 401(k)s. A pension plan and a 401(k) are similar in that both provide funds for retirement. The perceived extra value of a pension plan is that employees know they can count on regular monthly checks during retirement.

What employees don't realize — and employers fail to communicate and leverage — is that 401(k)s can be managed toward the same result. The 401(k) stream of employee and company contributions, along with assumptions about rate of return and years to retirement, can be used to calculate the future value of a 401(k) at a specific retirement age. That future value amount then can be used to calculate monthly payment amounts from annuity-like investments at a given interest rate for a specified amount of years and — ta-dah! — you now have a defined-benefit pension plan.

These calculations are beyond the grasp of most employees, so companies should issue individual annual benefits statements to explain the pension-like benefit. For example:

"Fixed Retirement Income Forecast: If you continue to contribute $1,800 a year to your 401(k) with a company match of $600 a year, at age 65 you will have approximately $121,000 saved for your retirement. If that amount then were invested into interest-bearing investments, you could draw monthly retirement payments of $807 for a period of 15 years."



Obviously, footnotes would be included explaining rate-of-return assumptions used.

Seniority-based job security and work opportunities also provide great retention potential for nonunion companies. Program design should incorporate carrot-on-a-stick motivation, with benefits strategically placed on a "tenure ladder" to encourage employees to stay long enough to get to the next benefit level. Many nonunion carriers already use years of service to define pay scales, weeks of eligible vacation and company-matched 401(k) vesting percentages. Here are a few more seniority-based benefit examples for your program:

- Retention bonuses earned at day 31, day 61 and day 91 to encourage new hires to make it through these critical, high-turnover periods.
- "Anytime home days" (unpaid) used to extend home-time stays and awarded in increasing numbers based on years of service.
- Performance bonus "multipliers" based on tenure. For example: additional 3% of performance bonus paid for three years tenure, 5% for five years and so forth up to a capped amount.
- A no-layoff guarantee provided after an employee reaches a certain level of seniority.
- A no-wage-reduction guarantee after reaching a certain level of seniority.
- Eligibility for driver trainer positions, based on defined years of service.

The success of a seniority-based benefit program depends completely on its design, and the best way to test that design is to take an objective "tenure journey" through your program: Begin as if you are a new driver and ask, "If I stay for 90 days, what's in it for me?" Continue to ask the "what's in it for me?" question with increasing months/years-of-service dates to test the value and tenure placement of each benefit.

The program's design should encourage drivers to stay to reach the next level of benefit, while discouraging leaving because they do not want to lose the level of benefits already earned.

Communicating the pension potential of your 401(k) plan and implementing a well-designed seniority-based benefits program should temporarily help with your retention efforts. They will not, however, be all-encompassing or permanent solutions.

Because driver retention is a critical success factor for most trucking companies, today's new solutions quickly become tomorrow's standard operating procedures — if successful, everyone will copy them. Containing driver turnover therefore requires a comprehensive, ever-evolving retention program that effectively analyzes and addresses driver needs through the entire recruitment-to-retirement cycle.

New and creative solutions added to your retention program will help reduce turnover. The challenge is to continually find, develop and implement these creative retention solutions, thereby positioning your company as the one drivers want to work for — and other trucking companies want to copy.

Based in Grayson, Ga., CostDown Consulting provides trucking companies with driver retention, driver manager training and cost reduction programs and training.