Driver Retention Is Not That Easy

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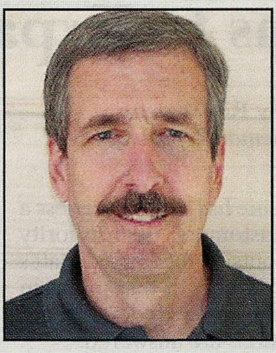

"Treat drivers with respect" is advice many self-proclaimed retention experts offer as the sole solution to high driver turnover. That's like advising carriers not to lower their rates during a recession: It's just not that easy.

The reality is this — an effective driver retention program is complex, structured and dynamic.

There are dozens of critical areas carriers must manage constantly to reduce turnover. A short list includes candid hiring practices, competitive employment offerings, truly understanding unique turnover issues by driver profile, use of a "benefit ladder" approach for compensation and recognition, adequate and flexible home time, new driver wage guarantees, comfortable and well-maintained equipment, targeted and consistent work-life improvement programs, communication campaigns, performance interviews and treating drivers with respect.

Space limitations and educational value will focus our discussion on the benefits of one of the least practiced but most effective areas from our short list — a benefit ladder approach for compensation and recognition.

At the heart of driver retention is loyalty. Drivers loyal to their employer rarely leave. Unfortunately, building driver loyalty is a long-term process. It doesn't happen overnight.

A benefit ladder satisfies the time demand of building loyalty by offering increased compensation and recognition opportunities for increased tenure. Each rung going up the ladder represents a higher level of seniority and benefit.

Many carriers use a similar approach to compensate drivers, offering higher mileage or hourly pay for higher levels of seniority. However, this model by itself falls short, in that mileage and hourly pay alone do not provide enough incentive to motivate drivers to stay long enough to take the next step up.

The retention value of the benefit ladder is that the higher a driver climbs, the less likely he or she will get off the ladder.

Before designing our benefit ladder, let's look at a sampling of compensation and recognition offerings we might use, beginning with the traditional and expanding into the creative: Increased mileage pay, increased vacation time, driver ranking system, choice of runs, advancement opportunities, increased annual retention bonus, extra home-time days, performance bonus multipliers, new equipment guarantees, layoff and wage protections, employee stock options, etc. The list is limited only by imagination and capital constraints.

Constructing the ladder requires building individual rungs by matching a selected benefit to a defined level of seniority. Each step up the ladder increases the benefit level.

Where possible, benefit ladder design should provide solutions for your company's unique turnover issues. For example, ladder design can help reduce the higher turnover rates experienced with drivers who have fewer than 90 days of tenure by adding a bonus rung in each of the first three months of employment. After completing each rung (a 30-day period), new drivers earn a $500 bonus that encourages retention while offsetting the low earnings associated with the new job-learning curve.

Payout strategies are an important part of benefit ladder design. Staggering payouts are very effective constructs to motivate drivers to stay longer. Expanding on our new employee example, the month one and month two $500 bonuses could be paid out at a rate of 50% with the unpaid balance ($500) added to the month three bonus. The actual payouts would then be $250 for month one, $250 for month two and $1,000 for month three. This payout timeline complements our goal of keeping new drivers employed past the critical 90-day mark.

Like all other areas of your driver retention program, your benefit ladder can't be static. It needs to change in anticipation and support of changing driver expectations.

An excellent near-term example is the effect the Federal Motor Carrier Safety Administration's Comprehensive Safety Analysis 2010 will have on wage expectations. Drivers with safe driving records will expect premium pay. Carriers that modify their benefit ladder to provide increased pay and recognition for increased periods of "no violation" driving will be the most competitive in terms of both retaining and recruiting the safest drivers.

The trucking industry's anticipated driver shortage is going to reach critical mass soon as increasing freight volumes, aging driver demographics and CSA 2010 driver disqualifications merge to form a labor resource challenge like none we have experienced in the past.

Our worst experience to date was in 2005, when turnover rates for large truckload carriers averaged 130% with a driver shortage then of 20,000. Imagine how high turnover rates will become when we are more than 100,000 drivers short.

So the obvious question is this: "How prepared is your organization to meet this unprecedented challenge?"

Recalling two previous statements may help frame your answer:

1. An effective driver retention program is complex, structured and dynamic.

2. Building driver loyalty is a long-term process.

Driver retention is not easy. There isn't any one magic bullet. Our discussion focused on only one of the dozens of areas that need to be part of your retention efforts.

Developing an effective driver retention program is a significant challenge that requires work, resources, diligence, flexibility, keeping current on competitor retention efforts and inspired creativity. Trucking companies that acknowledge and embrace that challenge will be the only ones able to compete during the fast-approaching driver shortage.

CostDown Consulting, Grayson, Ga., provides programs and training focused on driver retention and general cost control.