Trends in Driver Incentive Programs: The Industry Speaks

Sept. 12 | 12 PM EDT
HIRE
TRAIN
MOTIVATE
RETAIN
Industry Overview September 2018
Gordon Klemp, President of
The National Transportation Institute
Industry Overview September 2018

Q2 2018 sees driver median pay on the move, tighter pay cycle with rapid change

We mark the start of the current driver pay change cycle to late Q4 2017. In a market that is net-short drivers, we were not surprised when we saw driver increases to continue with momentum into 2018. We were surprised to see some for-hire carriers announce second moves after changes they made in the Dec-March timeframe. It appears from our conversations with carriers everyone is looking for the sweet spot in their market, but it is being complicated by the growing difficulty of finding qualified drivers and the quickly shifting driver compensation landscape; and the need to buy time to adjust freight rates to support needed pay increases. For the 23 years we have tracked patterns of driver pay cycles in the for-hire fleet pay market it has always been the same; market pay leaders move, followed by middle payers and finally the lower quartile payers make adjustments. This process typically takes 30 months or more for completion. We believe this cycle will be complete in just 60 to 90 more days; in other words the current pay cycle will be compressed to less than 12 months.
Not only are we out of drivers, we’re out of folks to become drivers

The unemployment graph points out how critical our labor supply has become. This 10-year unemployment history indicates only about four percent of workers are unemployed, a level generally considered full employment. On top of that, according to the Department of Labor, the number of unfilled jobs to the available labor supply has not been so high since 1968. We already are net short thousands of drivers so how can we make up the gap? If the unemployed are not an option, we’re going to have to attract workers from other vocations. Some of the known technology that can make a big impact are at least three to five years out from real wide-spread use, too long under current economic projections. History teaches us that big problems attract money and innovation. To that, we believe increasing freight rates will raise driver pay to the point the job becomes attractive again.
2018 Driver Pay Change Activity

We’ve tracked more announced and implemented pay changes than any year in NTI's 23-year history and they are not slowing down yet

- Announced Pay Changes: 59.1% of TL Carriers made changes in Q-1 and Q-2 2018.
- Projected Pay Changes: 99% of TL Carriers will have moved by 12/31/2018…at least once and approximately 15% will have moved twice and 8% three or more times….Anderson Trucking, Atlantic Bulk Carriers, Barr-Nunn, Celadon Trucking, Covenant Transport, Crete Carrier Corp, D.M. Bowman, Dick Lavy Trucking, Equity Transportation, Hunt Transportation, KLLM Transport, Lawrence Transportation, Marten Transport, Maverick Transportation, Miller Transporters, Nussbaum, Paschall Truck Lines, Red Classic, Shaffer Trucking and Smith Transport have made multiple moves since Q4 2017
- Base pay mileage rates in high .40s up to mid .50s are not unusual, plus incentives for experienced drivers
- Team drivers now earning up to $0.72 in peak markets for OTR and $0.84 for Regional

The environment continues to heat up

- Shallow pool of qualified experienced drivers, difficulty meeting hiring and retention goals
- Minimum experience requirements are being reduced, pet/rider/equipment perks are on the rise
- Digital marketing of high earnings at carriers is soaring, and impacting turnover of 0-120 day drivers
- Carriers report mounting expenses to get in front of drivers, cost per hire is soaring, internal and external marketing strategy is paramount to success

Perks are on the rise

- Per Diem and the new tax plan, continues to grow in popularity
- Minimum weekly guarantee continues to be implemented, current average at 1000/week, but new rates exceed $1200-$1600
A new pay category emerges

Pay increases are now trifurcated

In our first issue of the National Survey of Driver Wages in 1995 we noticed that for-hire driver pay was bifurcated. In other words, there were two distinct categories both of which represent approximately 50 percent of the carriers sampled and were materially different in total income at their midpoints. While there have always been some outliers both high and low, Q1 2018 produced a new category that represent 6.3 percent of all carriers. This group of carriers reduced the population of strong payers and created a new category, at least for now, of very strong payers. So, we currently have 50th Percentile Payers, Strong Payers and Very Strong Payers. We mention this after reviewing Q2 data and seeing the pattern repeat from Q1. The ranges in the chart to the right represent how increases to each range have moved through June. Assuming 100,000 miles annually, the Strong Payers and Very Strong Payers at their midpoint represent $3,000 and $6000 respectively for annual increased driver earnings above the 50th Percentile group. We don’t believe the market will allow this condition to continue long term, implying that the 50th Percentile group will be forced to come up.
Sign-on bonuses spreading

Sign-on bonuses remain in wide use and are actually spreading to other sectors of the truckload spectrum. Niche freight i.e. Explosives & Ammo have felt the tightening of the driver supply and have introduced Sign-on bonuses to their recruiting strategies. Niche Sign-on bonuses we identified are ranging in the $2k to $10k range. The widest use of Sign-on bonuses remains in the team driver segment where advertised Sign-on bonuses can be as high as $30k. It is also worth noting that Private Fleets are beginning to use Sign-on bonuses to bolster their already very strong pay packages. Not surprisingly, drivers need to read the fine print because some rich Sign-on bonuses have a lot of resemblance to performance bonuses.
Serious obstacles

Decided lack of excitement about a driving career

- 55-70 hour work week
- Extensive away from home travel
- Unpredictable schedule
- Inconsistent work hours
- Physically demanding labor
- Relatively low pay
- Lack of prestige
Percentage of change for truck driver income has been very slow.
Driver income changes 2018

Effective Pay Increase Percentages YTD

- 2018 Forecast: 11.80%
- Northeast: 8.84%
- West Coast: 7.91%
- National: 7.67%
- Midwest: 7.21%
- South: 6.92%
- West: 6.28%
- Southeast: 6.27%
One of the major shifts we have witnessed since the advent of the 21st Century is gradual decline of the supply of HD Truck Drivers who were lined up to work for the private fleet sector. Private Fleets have long held the premier job for many truck drivers because of significantly better earning these jobs offered. In fact the historical spread based on W-2 income has averaged 28.5% over the last 17 years. Add to higher earning capacity driver friendly freight, regular home-time, little to no irregular routing, first class equipment, annual raises and major league benefits. This has provided them a significant advantage when it comes to recruiting highly qualified drivers. In fact many of the larger ones had waiting lists of 200+ drivers highly qualified drivers; all without running a recruiting ad. Where did these drivers come from? They came from for-hire fleets who taught them the ropes and honed their skills until the became attractive to private fleet recruiters. And then the left for a private fleet offering more money and a better lifestyle. But, those times are behind us. Private Fleets have been struggling to find drivers for the last few years. This has occurred because two numbers caught up with them. The first is retirements; private fleet drivers have long careers lasting 20-30 years, and they are retiring in record numbers. The second issue is they lack a core competency in driver recruiting because they have never had to compete for drivers. We do business with a lot of private fleets and they know where they are deficient and are working rapidly to improve their recruiting skills because many have business plans that require selective fleet expansions. Therefore, we believe the competition for qualified drivers will continue to heat up and the pay gap between for-hire and private fleet drivers will begin to shrink when we see the final 2018 W-2 numbers in about 9 months.
Creating a Driver Rewards Program that Delivers Results

Michael W. Posz, CDS

Director of Safety, Fraley & Schilling
About Fraley & Schilling

- 500 Drivers
- 5 Terminals – Regional Flatbed / Dry Van
- SmartDrive customer for 3 years – dual camera for exoneration and coaching
- Additional safety technologies – Omnitracs, Vigillo, Vertical Alliance
- Drivers are still the most advanced technology in the truck
Rewards Programs Focused on Safety

● Positive reinforcement gets everyone involved

● Individuals have everything to gain and nothing to lose by owning the overall safety effort

● Every member of the F & S Team is expected to make safety a daily practice that starts with promoting advocacy and ends with rewarding compliance
What Makes a Great F & S Driver

● **Values Safety**
  ○ Measurement: CSA Score, SmartDrive Safety Score

● **Gets the Job Done Efficiently**
  ○ Measurement: Mileage / Load, Paperwork, MPG, Idle %

● **Continues to Improve**
  ○ Measurement: Safety Score reduction week over week, top risk observations
### Driver / Contractor Pay Summary - Last 12 Pay Periods

<table>
<thead>
<tr>
<th>Pay Period</th>
<th>Pay*</th>
<th>Per Mile</th>
<th>Miles</th>
<th>Late BOLs</th>
<th>Late BOLs %</th>
<th>MPG</th>
<th>Hrs to Scan</th>
<th>Avg Hrs to Scan</th>
<th>Fleet Rank</th>
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</thead>
<tbody>
<tr>
<td>6/20/18</td>
<td>$1,676</td>
<td>0.698</td>
<td>2,823</td>
<td>5</td>
<td></td>
<td>28.2%</td>
<td>7.32</td>
<td>2 hrs</td>
<td>12/16</td>
</tr>
<tr>
<td>5/13/18</td>
<td>$931</td>
<td>0.769</td>
<td>995</td>
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<td>25.5%</td>
<td>6.95</td>
<td>3 hrs</td>
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<td>4/6/18</td>
<td>$1,578</td>
<td>0.602</td>
<td>2,514</td>
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<td>6.87</td>
<td>3 hrs</td>
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<td>$1,442</td>
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<td>16.4%</td>
<td>7.04</td>
<td>3 hrs</td>
<td>11/16</td>
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<tr>
<td>4/21/18</td>
<td>$1,407</td>
<td>0.527</td>
<td>2,683</td>
<td>4</td>
<td></td>
<td>22.1%</td>
<td>7.49</td>
<td>3 hrs</td>
<td>12/16</td>
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<tr>
<td>4/11/18</td>
<td>$1,073</td>
<td>0.837</td>
<td>1,907</td>
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<td>13/16</td>
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<td>3 hrs</td>
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<td>3/25/18</td>
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<td>1,615</td>
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<td>2,154</td>
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<td>3/4/18</td>
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<td>21.5%</td>
<td>7.3</td>
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</table>

*Pay is calculated for reporting purposes only. Please refer to settlement sheets for actual amounts.

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### Production / Pay Summary by Month

<table>
<thead>
<tr>
<th>Month</th>
<th>Pay</th>
<th>%/Goal</th>
<th>Miles</th>
<th>Late BOLs</th>
<th>Late BOLs %</th>
<th>MPG</th>
<th>Hrs to Scan</th>
<th>Avg Hrs to Scan</th>
<th>Fleet Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>May</td>
<td>$4,085</td>
<td>121.2%</td>
<td>7,407</td>
<td>2</td>
<td>28.2%</td>
<td>7.32</td>
<td>2 hrs</td>
<td>6 hrs</td>
<td>6/16</td>
</tr>
<tr>
<td>Apr</td>
<td>$5,430</td>
<td>121.6%</td>
<td>9,035</td>
<td>2</td>
<td>15.5%</td>
<td>7.10</td>
<td>2 hrs</td>
<td>9 hrs</td>
<td>6/16</td>
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<tr>
<td>Mar</td>
<td>$4,094</td>
<td>121.6%</td>
<td>9,520</td>
<td>2</td>
<td>17.2%</td>
<td>7.33</td>
<td>2 hrs</td>
<td>9 hrs</td>
<td>6/16</td>
</tr>
<tr>
<td>Feb</td>
<td>$5,053</td>
<td>121.3%</td>
<td>8,900</td>
<td>2</td>
<td>14.5%</td>
<td>7.04</td>
<td>2 hrs</td>
<td>9 hrs</td>
<td>6/16</td>
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<tr>
<td>Jan</td>
<td>$4,160</td>
<td>121.3%</td>
<td>8,250</td>
<td>2</td>
<td>19.7%</td>
<td>7.22</td>
<td>2 hrs</td>
<td>9 hrs</td>
<td>6/16</td>
</tr>
<tr>
<td>Dec</td>
<td>$7,074</td>
<td>121.3%</td>
<td>9,000</td>
<td>2</td>
<td>11.0%</td>
<td>7.10</td>
<td>2 hrs</td>
<td>9 hrs</td>
<td>6/16</td>
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<tr>
<td>Nov</td>
<td>$5,833</td>
<td>123.8%</td>
<td>9,215</td>
<td>2</td>
<td>15.2%</td>
<td>7.34</td>
<td>2 hrs</td>
<td>9 hrs</td>
<td>6/16</td>
</tr>
<tr>
<td>Oct</td>
<td>$5,036</td>
<td>122.0%</td>
<td>8,767</td>
<td>2</td>
<td>20.0%</td>
<td>7.05</td>
<td>2 hrs</td>
<td>9 hrs</td>
<td>6/16</td>
</tr>
<tr>
<td>Sep</td>
<td>$5,200</td>
<td>96.5%</td>
<td>7,549</td>
<td>3</td>
<td>22.3%</td>
<td>8.54</td>
<td>2 hrs</td>
<td>9 hrs</td>
<td>6/16</td>
</tr>
<tr>
<td>Aug</td>
<td>$4,573</td>
<td>96.4%</td>
<td>9,209</td>
<td>2</td>
<td>16.0%</td>
<td>7.37</td>
<td>2 hrs</td>
<td>9 hrs</td>
<td>6/16</td>
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<tr>
<td>Jul</td>
<td>$5,426</td>
<td>120.3%</td>
<td>10,273</td>
<td>2</td>
<td>20.5%</td>
<td>7.10</td>
<td>2 hrs</td>
<td>9 hrs</td>
<td>6/16</td>
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<tr>
<td>Jun</td>
<td>$5,207</td>
<td>120.5%</td>
<td>8,522</td>
<td>2</td>
<td>15.7%</td>
<td>7.34</td>
<td>2 hrs</td>
<td>9 hrs</td>
<td>6/16</td>
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<tr>
<td>May</td>
<td>$5,924</td>
<td>121.1%</td>
<td>8,320</td>
<td>2</td>
<td>22.0%</td>
<td>7.55</td>
<td>2 hrs</td>
<td>9 hrs</td>
<td>6/16</td>
</tr>
<tr>
<td>Average</td>
<td>$5,015</td>
<td>120.6%</td>
<td>8,919</td>
<td>2</td>
<td>23.8%</td>
<td>7.33</td>
<td>2 hrs</td>
<td>9 hrs</td>
<td>6/16</td>
</tr>
</tbody>
</table>

*Incomplete Month. Rev/Prod averages do not include the Hire Month or Current Month.

### Fuel Mgmt

- May: 28.2% MPG
- Apr: 15.5% MPG
- Mar: 17.2% MPG
- Feb: 14.5% MPG
- Jan: 19.7% MPG
- Dec: 11.0% MPG
- Nov: 15.2% MPG
- Oct: 20.0% MPG
- Sep: 22.3% MPG
- Aug: 16.0% MPG
- Jul: 20.5% MPG
- Jun: 15.7% MPG
- May: 22.0% MPG

### Paperwork

<table>
<thead>
<tr>
<th>90d Prod</th>
<th>% of Goal</th>
<th>90d Paperwork</th>
</tr>
</thead>
<tbody>
<tr>
<td>A++</td>
<td>116.6%</td>
<td>B</td>
</tr>
</tbody>
</table>

### SmartDrive

- 12 Wk Score: 71
- CSA Index: D
- 57.3 of 100
- Fleet Rank: 53 of 63

### 90d Paperwork

- 0.7 days
- Fleet Rank: 44 of 63

### Top 10 Pay Types in Last 12 Weeks

<table>
<thead>
<tr>
<th>Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Driving</td>
<td>$10,784</td>
</tr>
<tr>
<td>Load / Unload / Securement</td>
<td>$1,593</td>
</tr>
<tr>
<td>Shipper Related Premium</td>
<td>$1,300</td>
</tr>
<tr>
<td>Bonus (Safety / Miss)</td>
<td>$1,300</td>
</tr>
<tr>
<td>Vacation</td>
<td>$2,250</td>
</tr>
<tr>
<td>Layover / 34 Hour Reset</td>
<td>$2,250</td>
</tr>
<tr>
<td>Misc</td>
<td>$2,250</td>
</tr>
<tr>
<td>Short Trip Adjustment</td>
<td>$2,250</td>
</tr>
<tr>
<td>Detention</td>
<td>$2,250</td>
</tr>
<tr>
<td>Additional Stop</td>
<td>$2,250</td>
</tr>
</tbody>
</table>

### SMARTDRIVE

#### Weekly Score Trends

- Weekly Score: 57
- Trendline: 66
- Weekly Goal: 83

### Top 5 Observations

1. Unsafe Following (3:25 - 4 sec)
2. Unsafe Following (2:25 - 3 sec)
3. Exceeded Maximum Fleet Speed
4. Driver Seatbelt Unfastened (6:20)
5. Beverage

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### Click for Scorecard

- 2018 YTD: Pay: $24,622, $50.59/mi; Miles: 42,063; Prod: 116%
- 2017: Pay: $56,046, $50.59/mi; Miles: 108,735; Prod: 102%
Additional Rewards & Recognition Programs

● Scorecard Performance Bonus Program
  ○ Safety & Production

● Annual safety bonuses
  ○ Company Drivers
  ○ Independent Contractors

● Recognition Rewards
  ○ Above and Beyond Safety Efforts
  ○ Camera Observations
Results

- 55% reduction in accident frequency rate
- 50% reduction in DOT Recordable Accidents
- 10% reduction in self-insured retention costs
- $2 million added to bottom line since implementing SmartDrive
- Equals more money in the drivers’ pockets
Summary

- Safety results are driven by a company’s culture
- Safety must be a VALUE not a priority
- Positive reinforcement gets everyone involved
- Start with promoting advocacy and end with rewarding compliance
- When each individual team member accepts a personal responsibility the outcome is better, safer, more productive, and ultimately more profitable
Survey Results

Is the driver shortage affecting your fleet?

- Yes
- No
What tactics have you instituted to improve driver retention in your fleet? (Select all that apply.)
Do you have a driver incentive program?

- Yes: 60%
- No: 40%
Survey Results

What does your driver incentive program include? (Select all that apply.)

- Signing bonus
- Annual bonus
- On-the-spot program
- Employee recognition...
- Performance-based programs...
What departments/personnel within your fleet are responsible for your driver incentive program? (Select all that apply.)
If you could improve upon your driver incentive program, what changes would you make? (Select all that apply.)

- Make it easier to manage
- Increased number of...
- Additional data points
- Offer more frequent...
- Other (please specify)
Live Q&A

Submit Your Questions for Our Speakers Through the Q&A Button in Your Control Panel
Thank You!