Trends In Driver Incentive Programs
TRUCKING COMPANIES have a huge job in recruiting new drivers, which is why many make it their primary mission to retain the drivers they already have.

“Tightness in the availability of drivers has required us to look at innovative ways to attract and retain those drivers that we would like on our team.”

—SCOTT WHEELER, PRESIDENT OF DASEKE INC.
LEGENDARY ECONOMIST Herbert Stein, who was the Chairman of Council on Economic Advisers under Presidents Nixon and Ford, had a famous economic dictum: “If something cannot go on forever, it won’t.” The real decline in driver wages has been taking place for many years—40 years by some counts—but this data from the National Transportation Institute (Figure 1) shows how bad the decline has been in the last 10 years. As the downtrend has continued, it has failed to bring new blood into the industry, and as a result, drivers who entered the business 30 or 40 years ago are nearing retirement age, and new recruits aren’t there to replace them. This makes retention of the current pool of drivers an enormously important task for trucking companies.

“To be able to be a truck driver used to be quite a good blue-collar, middle-class job, but over the past 40 years, it has kind of dwindled away.”

—GORDON KLEMP, PRINCIPAL OF THE NATIONAL TRANSPORTATION INSTITUTE
Has the Long Slide in Driver Wages Reached Its 40-Year Low?

IN A SHORT TIME, the world of truck driver pay has done a 180-degree turn. The downward trend of all those years has reversed. The question is whether it is a secular shift with some degree of permanence or a short-term phenomenon prior to another downturn in real compensation.

“This was a conscious decision to make the trucking industry a dog-eat-dog industry. The prices of trucking got cheaper, but the ability to make a living evaporated.”

—LARRY MISHEL, A DISTINGUISHED FELLOW AT THE ECONOMIC POLICY INSTITUTE, QUOTED IN BUSINESS INSIDER ON TRUCKING DEREGULATION OF THE LATE ’70S AND ITS IMPACT ON WAGES

“The changes we’ve seen are unprecedented in terms of the speed of pay. What is also unprecedented is that we are seeing pay changes that are substantially outside the parameters of what is normal.”

—GORDON KLEMP, PRESIDENT OF THE NATIONAL TRANSPORTATION INSTITUTE

“Heartland has always strived to take a leadership position for driver pay. This pay increase, along with our existing benefits package, is going to offer the compensation that our drivers truly deserve. Their service to our customers and their professionalism is the reason we can offer an improved pay package.”

—MIKE GERDIN, CEO OF HEARTLAND EXPRESS, ANNOUNCING A PAY INCREASE IN JULY IN A PRESS RELEASE

The race to the bottom has become a race to the top, with companies that rarely say a word about their pay increases publicly touting them online. The top tier of those companies have become known in the industry as the SuperPayers.
The SuperPayers

THE RANGES IN THE CHART on this page represent how increases to each range have shifted from January to June 2018. Assuming 100,000 miles annually, the strong payers and very strong payers represent $3,000 and $6,000 at their midpoint, respectively, for annual increased driver earnings above the 50th percentile group.

“While there have always been some outliers, both high and low, Q1 2018 produced a new category that represents 6.75 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.”

—GORDON KLEMP, PRESIDENT OF THE NATIONAL TRANSPORTATION INSTITUTE

(Data courtesy of NTI)
SIGN-ON BONUSES are not a retention tool; they exist to bring new employees or entrants into the driver pool. However, their existence means that retention plans must be structured to counter the offer of money that can be obtained by moving companies or moving jobs.

“The sign-on bonuses remain in wide use and are actually spreading to other sectors of the truckload spectrum. The widest use of sign-on bonuses remains in the team driver segment, where advertised sign-on bonuses can be as high as $30,000.”

—GORDON KLEMP, PRESIDENT OF THE NATIONAL TRANSPORTATION INSTITUTE

**Figure 3**
Percentage of Companies Offering Sign-On Bonuses

- **Dry Vans:** 58.9%
- **Temp Control:** 62.7%
- **Flatbed:** 70.9%
- **Tanks:** 67.2%

(Data courtesy of NTI)
Average Driver Pay Increase

ONCE YOU GET past the super payers and the bonuses, these figures reflect the average driver income increases recorded by NTI in 2018 through the first half of the year.

PRESS ANNOUNCEMENTS ON THE DRIVER PAY INCREASE

“This represents the largest driver compensation increase in the 98-year history of the company and will impact approximately 60 percent of C.R. England’s driver force, now making all C.R. England driving jobs among the most competitive in the industry.”

—C.R. ENGLAND, MAY 2018

“The raise includes a mileage pay increase across the board of up to 6 cents per mile and an average hourly non-revenue rate increase of 9.4 percent for all drivers. In addition, Groendyke’s chemical drivers will receive a flat-rate increase that will bump their pay significantly. Demand for trucking is on the rise, and the number of available drivers isn’t keeping up.”

—GROENDEKYE TRANSPORTATION, APRIL 2018
DURING THE THIRD QUARTER of 2018, FreightWaves partnered with SmartDrive to conduct a survey of nearly 250 respondents around how the driver squeeze had affected the industry and to better understand what companies were doing to retain the talent they had. The responses came from shippers, carriers, drivers and others who are connected to the shipping industry. In the following pages, we will highlight results of the survey specific to those who indicated that they had driver incentive programs in place.

It may be hard to imagine that anybody would respond “no” to the question within the chart on this page given that the search for talent is generally seen as the primary issue facing the trucking industry, so there are two ways of looking at this data. The first is to say that yes, 80 percent of the respondents believe it’s a problem; that’s a big number. The second is to be astounded that a full fifth of the respondents said it was no problem.

“Some niches are doing extremely well. Drivers who haul pharmaceuticals or hazardous materials, for example, are niches. They’re a little bit isolated from the broader problems, so they’re hanging onto their drivers. There are isolated parts of the country where the same situation is occurring. It’s interesting because about 80 percent of the companies we survey are going to be ending the quarter having had a pay increase.”

—GORDON KLEMP, PRESIDENT OF THE NATIONAL TRANSPORTATION INSTITUTE
When asked about tactics that fleets have instituted to improve retention, it’s not surprising that more than 50 percent noted pay increases and driver incentive programs, while 20 percent mentioned revising routes. This is a reflection of the fact that one of the key reasons why drivers are leaving the field is that the younger generation of people who might want to be truckers do not want to be away for days or weeks on end. Revising routes with that in mind—rather than simply putting together a maximum length of trips designed to rack up miles and cents-per-mile totals—is becoming more of a standard operating procedure.

However, sometimes the things you may not imagine can have the greatest impact on driver retention. As Mike Posz, Director of Safety for Fraley & Schilling, explained about his own company during the recent FreightWaves and SmartDrive webinar, “We now have a pet policy. Two years ago, we instituted a passenger authorization policy for the first time at Fraley & Schilling, we have passengers and we have pooches in the cab.”

Klemp said he would imagine that the companies without incentive programs are those with a basic business model—possibly just “drop and hook” businesses or those that are simply transporting freight from point A to point B and little more. However, even with a company operating in such a simple capacity, Klemp believes they should not skimp on driver incentives as this is a missed opportunity.
SIGNING BONUSES are prevalent in the industry, but they often come with a problem attached that is particularly thorny when retention is a key issue: The new drivers are getting a monetary incentive, but the ones who are already onboard within the company are not. As Posz said, “Sign-on bonuses are definitely a double-edged sword. We have a $10,000 bonus, but that doesn’t mean we hand out a check for $10,000 at the end of orientation. It’s paid out over time, and we make sure it is aimed at retention. I’ve traveled a lot of miles, and I see a lot of creative billboards for other companies—upwards of $20,000 for bonuses. A lot of these drivers 20 years ago didn’t get a sign-on bonus, and now they see individuals receiving that. So you have to balance things because it can be viewed as a negative connotation.”

“Drivers are competitive by nature. When you see you’re falling short relative to your peers, it allows you to determine how you can improve, and it engages that partnership and communication between all levels of management and participants.” When a driver’s safety score is good, “we’re trying to find innovative ways to reward and recognize that, and a lot of companies out there are trying to do the same thing.”

—MIKE POSZ, DIRECTOR OF SAFETY FOR FRALEY & SCHILLING
In both the survey and the webinar, several respondents listed retention tactics that they would like to see implemented or that were already in place at their companies (see Fig. 7). Most of them appeared to be coming from company executives who were reviewing their own programs. These included a driver referral bonus (which Klemp and Posz said was a fairly standard operating procedure at most companies); a points-reward program, which sounds similar to the platform that Posz demonstrated from his own company on the webinar; a more customized approach, where companies ask drivers how they prefer to be acknowledged and customize the incentives for each individual (as was noted by a webinar participant); a family recognition program for spouses and children, which Posz noted was important; and another common driver request: more vacation time. According to survey respondents, the chart on this page demonstrates the effectiveness of the most common retention tactics.

With an increased focus on retaining the right drivers, it’s no wonder that more fleets are turning to performance-based programs to help craft their driver incentive programs. A data-driven performance program provides fleets with an unbiased view of their safest, most improved and overall best drivers. The result is a win for the fleet (safer drivers) and a win for the drivers (more money). Critical to ensuring a fair and consistent performance-based incentive program is a customizable driver scorecard that easily measures safety performance across metrics such as speeding, seat belt usage, mobile device usage, idling, etc. and enables fleets to quickly recognize and reward top-performing drivers.

Please rate the following driver incentive activities on a scale of 1 to 5 as it relates to achieving results. (1 being least effective; 5 being most effective).

![Figure 8](chart.png)
ONE OF THE BIGGEST reasons to retain drivers is not just to have a body sitting behind the wheel. It’s also to avoid the costs that are incurred when someone leaves. In a recent FreightWaves story, Eric Fuller, CEO of U.S. Xpress, said the hard costs of a driver departing were at least $5,000, and soft costs could easily reach $12,000. As Mike Posz said on the webinar, “I agree with those estimates. Internally, we use $5,000 to $8,000. The training of a new employee is significant. When you bring in a driver, our orientation is a weeklong process in Knoxville. That means you have to have hotel rooms, and you have to feed them through the week. When you look at these costs, it mounts up very quickly. We need to ensure that all hands are on deck and make sure we are doing everything we can to retain our drivers.”
IT’S NOTABLE THAT safety is so key in the incentive programs. As Mike Posz said, “A safe driver is not always about production…the most important thing that we can do is to get our drivers home safely.” During the webinar, Posz spoke about the extensive safety program at Fraley & Schilling, which involves a custom-built scorecard (more on page 15) that shows a driver’s safety score, as well as serving as an input platform for necessary data. The dashboard shows the driver how he or she is doing relative to the rest of the company.

“We paid out over $300,000 in bonuses last year, and we hope it’s going to be $400,000 this year. We are willing to do that because we know that that driver who is working within that system is much less likely to have an accident. The cost of a really serious accident is way more than that $300,000 or $400,000.”

—CHRIS WOODY, HUMAN RESOURCES AND SAFETY COORDINATOR, M&W TRANSPORTATION
WHAT FIGURE 11 DOES not show is whether the companies paying the biggest bonuses as a percentage of salaries are also the ones handing out the biggest increases in pay. There have been numerous reports from the broader economy that in order to combat labor shortages, companies are resorting to significant bonuses to retain employees, but increases in base salaries—which have a compounding effect—have been tougher to come by beyond the 2–3 percent increase that is widely reported. This is an area where it is hard to imagine how companies in the 0–4-percent range are able to retain drivers.

The question that comes to mind when looking at this data is whether the drivers who are not getting incentives have failed to do so on their own or whether their programs are setting goals that are too high. Regardless, the fact remains that more than half of the respondents indicated that 30 percent or more of their drivers—and that could be well above 30 percent—are receiving incentive pay.

“Using data to create a program that incentivizes our drivers gives me confidence in knowing that we’re reinforcing safe driving and protecting the motoring public. As a result, I’m happy to pay out for safety. In fact, I hope 100 percent or more of our drivers qualify for our quarterly safety performance bonus.”

—MATTHEW PENLAND, VICE PRESIDENT OF RISK MANAGEMENT FOR CYPRESS TRUCK LINES
What departments/personnel within your fleet are responsible for your driver incentive program?

Of all of the themes that are heard when discussion of retention begins, it's most often iterated that it is the job of everyone to participate in this process. Bad relations with a dispatcher can poison a relationship, and money alone won't fix it; getting lied to by a recruiter about the parameters of the job will leave a taste inside a driver's mouth that won't go away through money alone. As Mike Posz said about his company and each individual's responsibility when it comes to retention, “When everybody owns it, it's just like safety. You see incredible results.” And as Gordon Klemp said, “Twenty years ago, that would not be the case. We've come a long way.”
A PROGRAM THAT is still running on Excel is the sign of a company that needs digital assistance. Consider the contrast with the custom-built scorecard (Figure 14) that Fraley & Schilling has created—spearheaded by Ryan Schilling, Executive Vice President—as both an input and output platform for not just the management of important data, such as miles driven, MPG and Safety Scores, but also to inform the driver how he or she is doing in their various incentive programs. It’s a long way from a spreadsheet or the reports provided by a telematics solution.

Figure 14
Fraley & Schilling Driver Scorecard

Figure 15
What tools are you using for running your program?

- Excel Spreadsheet
- Custom-built Scorecards
- Reports Included in Telematic Solutions
- Other

(Courtesy of Ryan Schilling, Fraley & Schilling)
If you could improve upon your driver incentive program, what changes would you make?

**THE DESIRE TO OFFER** more frequent incentives, highlighted by survey respondents, was echoed by Gordon Klemp: “When they are able to reward people more often, it seems to have a bigger impact. There was a time when early programs were all annual, and that is just too far out to keep the driver interested.” And as Mike Posz said, “It helps when a driver gets pulled over for a roadside inspection, passes it with flying colors and then sees a reward for that in their next check.”

Another target of rewards that needs to be acknowledged is drivers’ families. As Posz said, “If you can touch the family at home, it provides them with some additional recognition. It recognizes the spouse’s role in keeping things at home rolling.” Both Posz and Klemp were supportive of the recent plan by U.S. Xpress to offer free upfront tuition for an online college not just for the driver, but for any combination of two family members at the same time. “I would think it’s a small percentage of drivers who think they’re doing an adequate job of providing enough money for a college education,” Posz said.

Retention can only do so much. A new pool of drivers will ultimately need to be recruited. All the tools being used to retain drivers—higher pay, educational benefits, and even letting dogs in the cab—will need to be shifted to getting new people behind the wheel. And it is possible that those things won’t be enough and new inducements will be needed. In short, the industry will need to “hammer down!”

**Figure 16**

![Bar chart showing the percentage of participants who would make various changes to their driver incentive program.](chart.png)
Conclusion

As we see in Figure 1, driver wages have declined since the 1970s. The first four rows mark actual wages in the heavy and tractor trailer category, according to the Department of Commerce, in that year’s dollar amounts, while the final row marks 2017 wages adjusted into 1979 dollars. This drives home what we said before in quoting an economist from that era: Driver wages cannot go down relative to inflation forever. It particularly cannot do so in an era when the greatest population surge of modern times—the baby boom—is nearing the time when retirement, disability and eventually death will remove this great worker pool from the economy. Meanwhile, getting new recruits is difficult; one trucking executive shared that he gets incredibly excited anytime he gets an applicant who was born in the 1970s, even though that would put the candidate above 40 years old. That’s why retention has become such a central part of company efforts in 2018. That emphasis is not likely to end soon, barring a severe economic downturn that would make the demand for drivers shrink. And nobody wants that.
As discussed in the webinar and survey results, driver incentive programs are imperative to addressing the driver retention issue. As you think about your program, it’s important to remember that these programs are challenging to get right.

Although their ultimate goal is to keep each fleet’s greatest resource (i.e., drivers) safe, successful and feeling valued by their employer, some driver incentive programs have unintended consequences. For example, rewarding drivers simply on the number of miles driven or deliveries made could lead to driver fatigue or unexpected risky driving behaviors. If you are starting a driver incentive program or enhancing your existing one, there are several factors that can positively impact your program.

To ensure success, it’s important to:

- Understand your drivers’ motivations
- Establish a timeframe
- Set attainable goals

With hundreds of fleets and thousands of drivers, SmartDrive has experience helping fleets create performance-based incentive programs that focus on leading versus lagging indicators. The SmartDrive SmartIQ® Driver Scorecard provides best-practice metrics built to improve performance, influence behavior and ultimately drive better outcomes.
THE SCORECARD ALLOWS fleet managers to measure driver performance across three key areas:

- **Safe Driving:** Built into the Scorecard are SmartDrive Safety Score metrics. You can use these KPIs to assess safe driving performance and objectively compare drivers.

- **Driver Efficiency:** Fuel consumption KPIs can be used to assess the fuel efficiency of a driver based on actual (ECU-based) fuel consumption and mileage data.

- **Improved Driving:** Use coaching metrics to track the number of coachable events per driver. You can use these KPIs to track the number of coachable events per driver and assess whether your drivers are getting the coaching they need to improve or not. The Scorecard can also integrate data from other sources and be customized to meet each fleet manager’s specific needs and goals—delivering a holistic approach to measuring driver performance.

Remember that, although money is a great incentivizer, not all incentives involve money. Talk to your drivers, survey them and find out what motivates them so that your incentive plan fits their needs. Usually, you’ll find that a combination of monetary and non-monetary incentives is more powerful than just one or the other. Ultimately, any driver incentive program needs to create better driver incentive performance and increase retention in order to pay for itself via cost-savings coming from reduced accidents, workers compensation payouts, insurance premiums and more.

HAVING THE RIGHT METRICS IS CRITICAL TO RUNNING A SUCCESSFUL DRIVER INCENTIVE PROGRAM.

For more information on creating a performance-based driver incentive program for your fleet, contact SmartDrive today at 866.447.5650.