Opinion

Trucking in the Year 2014

By Joe White
Chief Executive Officer
CostDown Consulting

A Global Insight Inc. study on driver shortages commissioned by American Trucking Associations predicted that if demographic trends continue, the shortage of longhaul truck drivers could increase to 111,000 by 2014. Assuming that forecast will come true, here are some predictions of how a labor shortage could change trucking in only six years:

Driver labor costs will skyrocket. To attract candidates away from other industries that are losing millions of baby boomers to retirement, driver pay packages will soar, with annual wages averaging $70,000 to $75,000.

Less-than-truckload carrier turnover percentages will break triple digits, rivaling truckload rates. Two forces will be at play: the previously mentioned shortage of labor in other blue-collar industries driving up hourly pay for jobs that seem more attractive and less stressful than trucking — plus a healthy wage premium truckload carriers will be forced to pay drivers willing to sacrifice home time for higher wages.

Owner-operator numbers will decrease as company driver wages increase. Although rates will rise along with labor costs and mostly will be passed along to owner-operators, many independent contractors will view company drivers' significantly higher earnings plus benefits as sufficient reason to abandon the headaches and costs of truck ownership.

Companies will lower minimum-age hiring qualifications to 21 — as specified by the Federal Motor Carrier Safety Administration — and reduce or drop "years of safe-driving experience" requirements and other strict candidate safety qualifications.

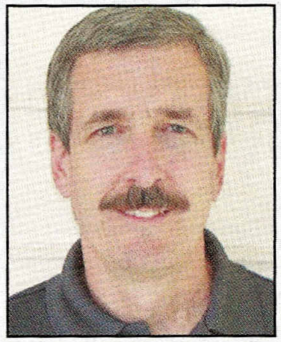
Insurance costs will soar as relaxed age and experience requirements for candidates boost premiums.

Even small carriers will have in-house training for new drivers, regardless of how the commercial driver license training revisions FMCSA is currently working on pan out. To compete, companies will be forced to develop compliant in-house training programs for inexperienced new candidates.

Nontraditional labor sources will be tapped aggressively and will focus on ethnic groups — especially Hispanics — and women. Retired drivers will be enticed back into the workforce for part-time assignments.

Average fleet age will increase. With larger percentages of revenue going to wages and insurance, less capital will be available for new equipment. To entice owner-operators wanting to become company drivers, carriers will provide equipment-purchase programs adding older equipment to their fleets.

Technician shortages will reach crisis levels. Blue-collar industries will offer tempting alternative jobs, while aging fleets — coupled with increased freight demand — will heighten demand for qualified technicians.



The point of these predictions is not to cause alarm but rather to allow trucking companies to develop plans well in advance to minimize their effects and costs. Here are seven possible actions:

■ Get serious about keeping the drivers you already have — develop and fund a formal retention program. Virtually all successful trucking companies have well-planned and well-funded recruiting programs, but only a few have done the same for retention. Carriers must be able to identify and resolve turnover issues, because improved retention lowers recruiting needs and increases the pool of experienced drivers.

■ Ready your company for operating with fewer owner-operators. Include developing an equipment-purchase program to acquire tractors from owner-operators. Offering such a program will attract aspiring company drivers to your organization first.

■ Begin replacing retiring fleet, shop and terminal managers with multilingual hires at locations where local demographics offer access to large ethnic groups. Driver candidates obviously must be able to speak English well enough to satisfy Department of Transportation requirements, but recruiting, training and retention all will benefit from strategic cultural hires — particularly in supervisory capacities.

■ Beta-test a part-time retiree program now. Design menu-style compensation plans compatible with retirees' needs, including health-care benefit options for part-time drivers.

■ Redesign your freight and customer network over the next six years. As the driver shortage increases, shippers and third-party-logistics providers will switch focus from "transportation spend" to "transportation assurance." Capacity will be king, and higher revenue will follow. Use that time to shed empty lanes and low-revenue accounts.

■ Look for strategic partnerships with other carriers to share freight and drivers to fill empty lanes and give drivers more home time.

■ Develop an effective and ongoing communication process to provide customers with information about the driver shortage and its effects on capacity and costs. Unlike fuel, there's no easily accessible and credible index they can monitor to understand the crisis.

No carrier in any category can afford to spend the next six years twiddling its corporate thumbs. Carriers acting today will be far better positioned to retain and attract drivers — and that soon will be a trucking company's biggest competitive advantage.

CostDown Consulting, Grayson, Ga., is a consultancy specializing in driver retention, driver productivity and fleet utilization.