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TRENDS IN TRUCKLOAD RECRUITING AND RETENTION

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Driver iQ Trends in Truckload Recruitment and Retention Survey

July 2017

This report is the first of a planned series of quarterly surveys designed to better understand and measure recruiting and retention experiences and expectations in the truckload sector. By taking the pulse of truckload recruiters across the nation, these surveys will ask core questions on recent trends and future expectations of applicants and recruits. Topical questions will also be incorporated depending upon current events with changes in recruiting sources, patterns, and outcomes in retention. The results of the survey will be coupled with observations of Driver iQ personnel engaged in the background screening industry.

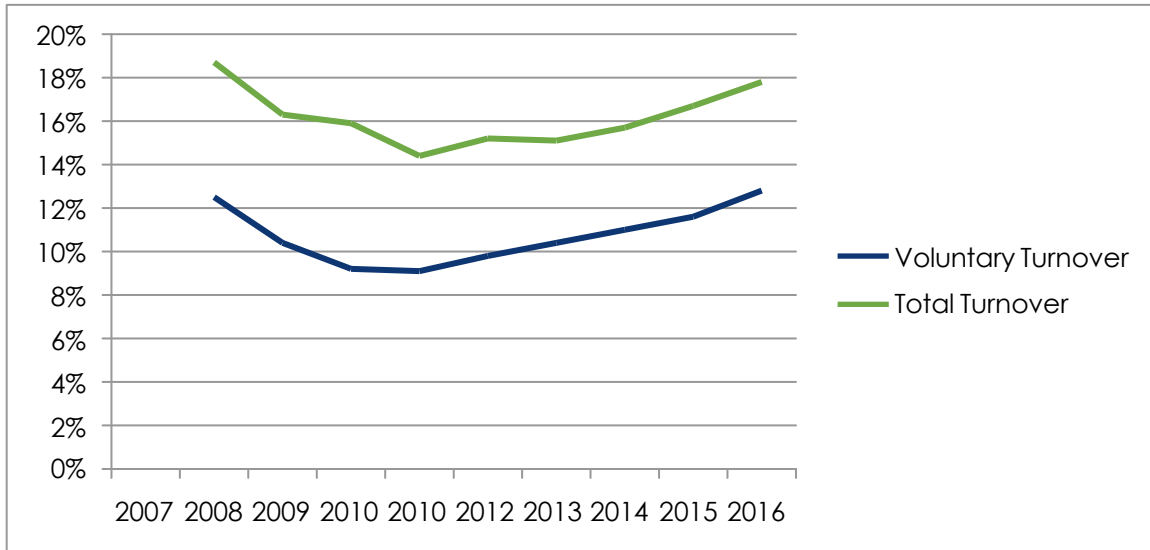
We wish to thank all who participated in the survey and encourage their continued support. We also welcome suggestions to make the surveys more informative and relevant.

Driver iQ, provides comprehensive, accurate, and reliable background screening and driver monitoring services to the trucking industry. Driver iQ maintains the industry's most up-to-date driver employment database with accurate, detailed, and actionable data. Carrier customers are granted access to employment verification, driving records, criminal record searches, and ongoing driver monitoring at rates considered the lowest in the industry.

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Graph 1
Turnover Trends
All industries; All Professions

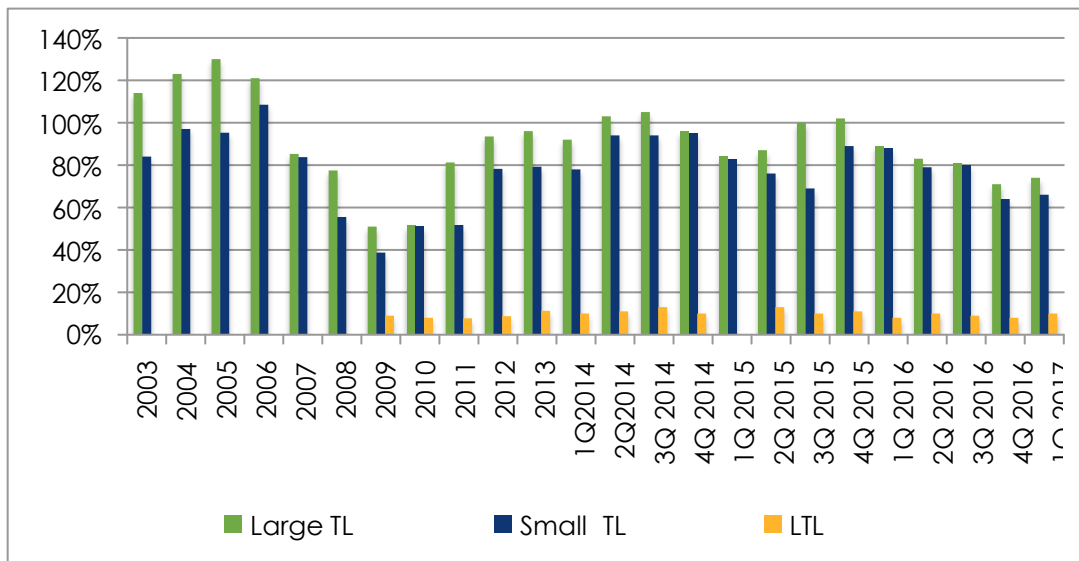


Source: www.compdatasurveys.com

According to data provided by CompData Survey,¹ the voluntary turnover rates for all industries is 12.8% and the total turnover rate is 17.8% for 2016. Turnover rates vary from a low of 8.8% in utilities to a high of 28.6% in hospitality. Manufacturing and Distribution, which includes trucking, has a voluntary turnover rate of 10.1% and a total turnover rate of 16.8%.

¹ Ann Barnes, Managing Partner, Altura Consulting Group, www.compensationforce.com

Graph 2
Trucking Industry Driver Turnover Trends



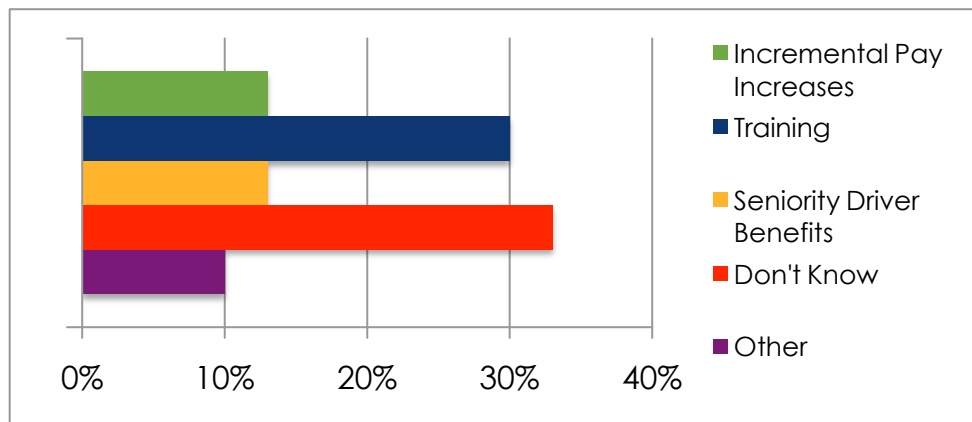
Source: *Transport Topics*

Historically, the only data on driver turnover has been the quarterly statistics published by *Transport Topics*. Data collected quarterly from carriers by The American Trucking Associations, Inc. breaks out the results by large truckload (those with more than \$30 million in gross revenues), small truckload (those with less than \$30 million in gross revenues), and less-than-truckload. The results are usually reported two quarters later. *Transport Topics* does not distinguish between voluntary turnover and total turnover. Truck driver turnover rates are generally four times greater than the industry in general, and eight times that in manufacturing and distribution.

OBSERVATION

As noted in Graph 1, during times of economic decline, turnover also declines in the trucking sector. Turnover increases as the economy improves and drivers have more options for employment with other carriers or in other industries. Smaller truckload carriers usually experience lower turnover than their larger competitors. Less-than-truckload's turnover rate is substantially lower than truckload because drivers operate on regular routes and regular runs with more predictable home time.

Graph 3
What Costs Are Included in Driver Retention?



Source: *Driver iQ Driver Retention Survey July 2017*

Historically, the truckload industry has estimated the costs of turnover, but has limited the focus to recruiting costs; not retention costs. The 2000 Upper Great Plains Transportation Institute² study, concluded that turnover costs varied from \$2,243- \$20,729 and average cost is \$7,923 for the 15 carriers studied. If one were to assume that for the 800,000³ truckload drivers, a an average turnover of 60%, and an average cost of \$7,923, then the total truckload turnover cost is about **\$3.8 billion per year!!**

The Institute's cost primarily included the costs of recruiting:

- Entry and exit administration;
- Fixed asset costs due to idle equipment and profit loss due to idle equipment; and
- Other costs, including safety, insurance/legal, maintenance, and productivity costs.

The study did not include the cost of retention, however. Respondents in Driver iQ's survey indicated that their retention costs included incremental pay increases, training, and seniority benefits. Included in "other" were also delayed sign-on bonuses and recognition awards. The large percentage of "Don't Know" probably reflected the fact that most of the responders were recruiters.

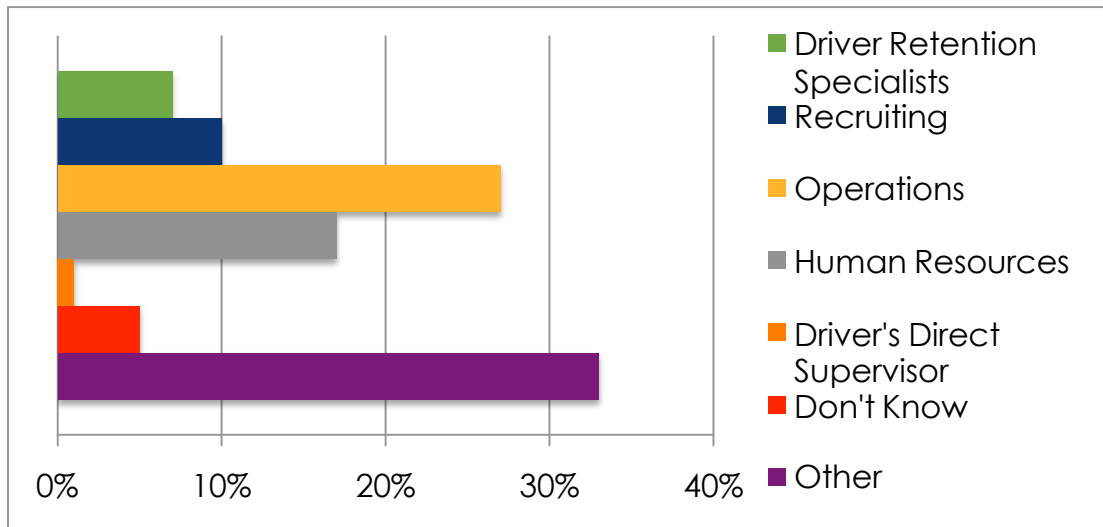
OBSERVATION

We believe that the \$7,923 cost of turnover seriously underestimates the true cost of turnover, and that further agreement among the industry is needed to determine what costs should be included.

² Upper Great Plains Transportation Institute www.ugpti.org/pubs/pdf/SP146.pdf

³ Truck Driver Shortage Analysis 2015, by Bob Costello and Rod Suarez, American Trucking Associations. Oct. 2105, page 4.

Graph 4 Who Owns Retention?



Source: Driver iQ Driver Retention Survey July 2017

While most trucking companies have directors of recruiting, very few have directors of retention. In an attempt to determine who actually owns retention, we found that Operations was primarily responsible. Interestingly, the driver's direct supervisor, whose actions -- or inaction -- are probably the underlying cause of most turnover, was held responsible less than 1% of the time. According to Dr. John Sullivan,⁴ the direct supervisor is best able to identify employees who are likely to leave and have the tools and approaches to prevent a "flight risk."

Most of the respondents picked "other" and indicated that "everyone who has contact with a driver" was responsible for retention. Yet if everyone owns it, is anyone responsible for it? Peter G. Furst concluded, in the safety context, that making everyone accountable is good in theory but not in practice, because "holding a group accountable is not practical and, therefore, unmanageable in practice."⁵

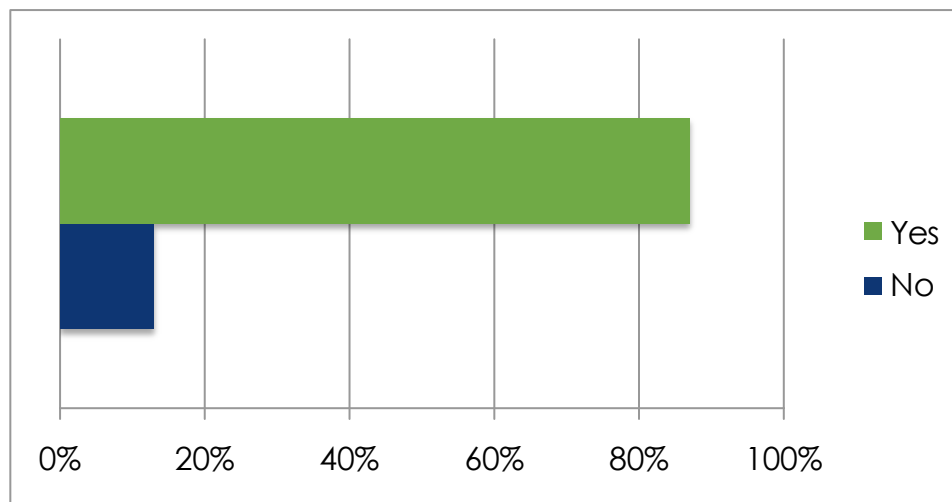
OBSERVATION

If each individual assumes that everyone is responsible for retention, we wonder if they also assume that any number of other people can take action. Therefore, there might be little pressure to take action. The end result may be that everyone is going to make the same assumption and no one will actually do anything to stem the departure.

⁴ Dr. John Sullivan, Want managers to Focus on Retention – Show them the \$ impact of Turnover, January 2017, www.drjohnsullivan.com

⁵ Peter G. Furst, "Everyone is Responsible for Safety: the Myth and Solution," January 2016, www.IRMI.com

Graph 5 Is Retention a Part of Driver Orientation?



Source: *Driver IQ Driver Retention Survey July 2017*

It is generally accepted that improved on-boarding reduces turnover. A recent study by ERE Media⁶ found that across all industries, 73% have revamped their on-boarding processes to improve their employee retention. The respondents noted that retention starts with first interaction with company during interview and vetting process. Orientation is the time when new hires connect with the company.

They also concluded that a well-thought-out orientation proves the correlation between their work and organizational values, which improves longevity.

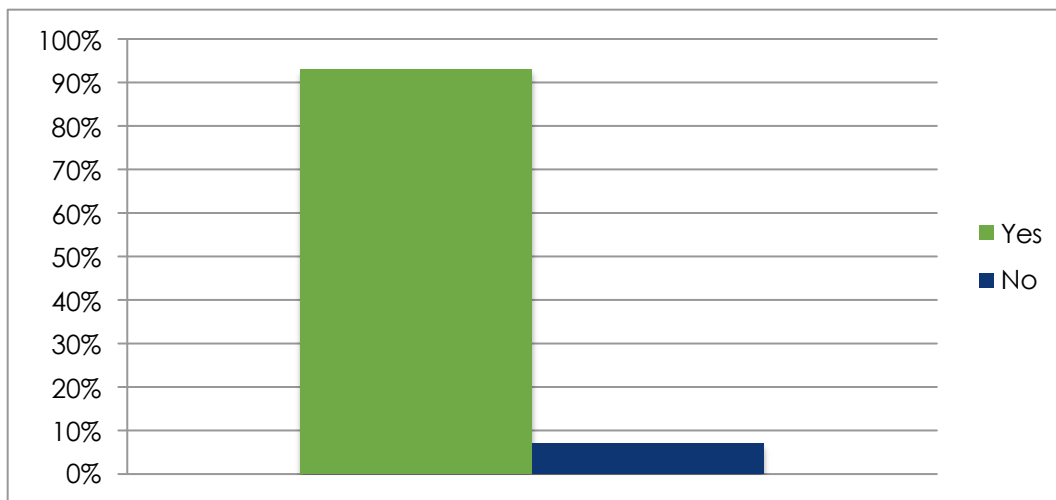
Our survey indicated that 87% of the carriers consciously include retention in their orientation program.

OBSERVATION

Because we found that retention is overwhelmingly included in respondents' orientation programs, we will be exploring this topic in future surveys to better understand what is included.

⁶ www.EREMedia.com

Graph 6 Do You Track the Source of New Hires?



Source: *Driver iQ Driver Retention Survey July 2017*

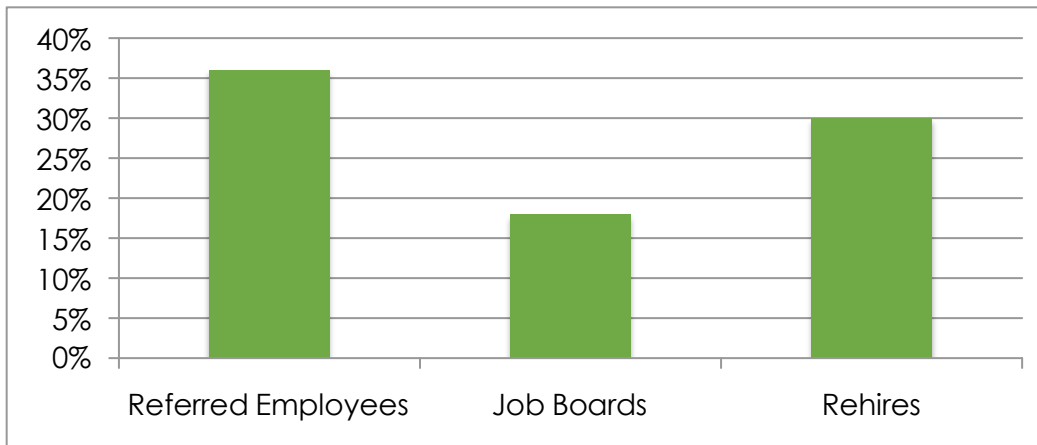
Trucking companies spend millions of dollars in advertising to hire drivers. They utilize social media, job boards, referrals from current drivers, job fairs, flyers, and rehires to attract applicants. We found that 93% of carriers tracked where their applicants are sourced.

OBSERVATION

Trucking industry is ahead of other industries in venturing beyond the traditional recruiting sources to find new drivers. Given the millions of dollars spent on recruiting, it is not surprising they diligently track the sources of new hires.

Graph 7

What Source has the Best Retention after Two Years?



Source: *Driver iQ Driver Retention Survey July 2017*

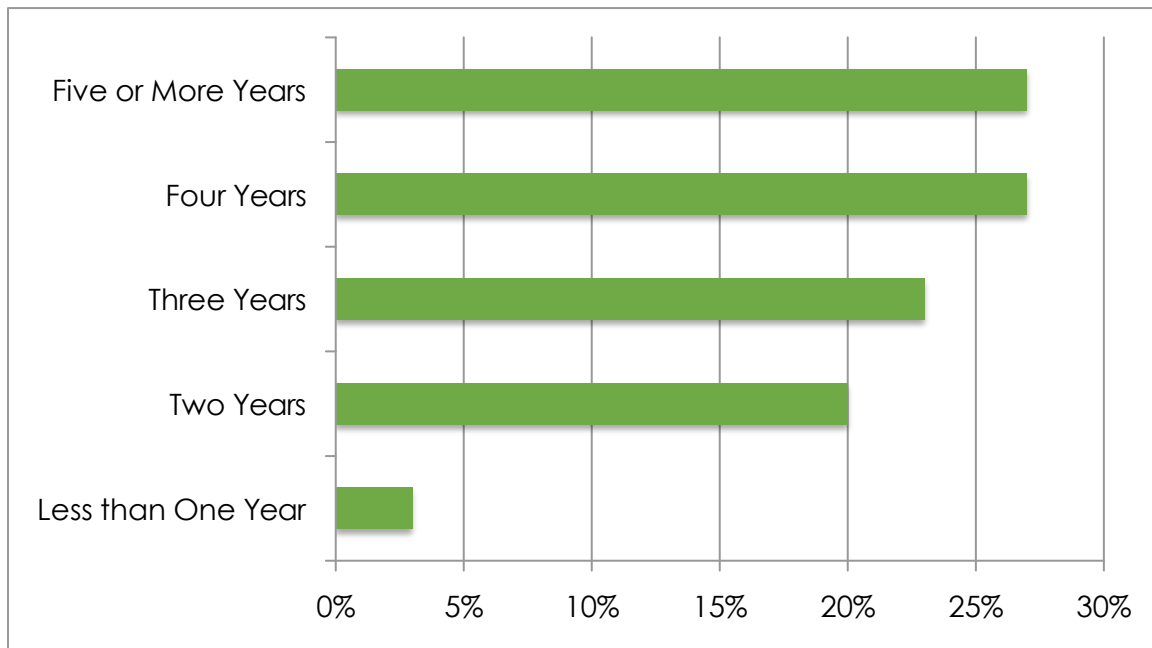
ERE Media found that the non-trucking-industry referred employees have a 45% retention rate after two years. They surmised that referred employees already had an idea what the company is like. Among non-trucking employers, only 20% of the employees recruited through job boards were still with the company.

Most trucking companies found that referred employees had a 36% chance of being with the company after two years. Applicants recruited through job boards reflected a less than 20% retention rate after two years, while rehires had a 30% chance of being with the company for two years.

OBSERVATION

More work needs to be done on the correlation between the sources of recruiting, and retention rates. Since we deal with both sides of the house (recruiting and retention), we recognize there is a distinct difference in goals between the two groups. We believe bringing the two groups together to discuss the company's ultimate retention goals would be beneficial.

GRAPH 8
What is Your Average Driver Tenure?



Source: *Driver iQ Driver Retention Survey July 2017*

ERE Media found that across all industries, 32% expect employees to job hop. Outside the trucking industry, the average tenure is three years. Job-hopping is becoming the norm across all industries. Interestingly, according to a 2017 report by Deloitte⁷, only 7% of millennials plan to leave “soon,” compared with 17% in 2016. However, 38% of millennials plan to leave within two years, compared to 44% in 2016. The author concludes that these changes are because the millennial generation is no longer the young, carefree crowd lingering at the local coffee shop. Instead they are maturing adults between the ages of 27-37 and are responding to changes in their personal lives and global realities.

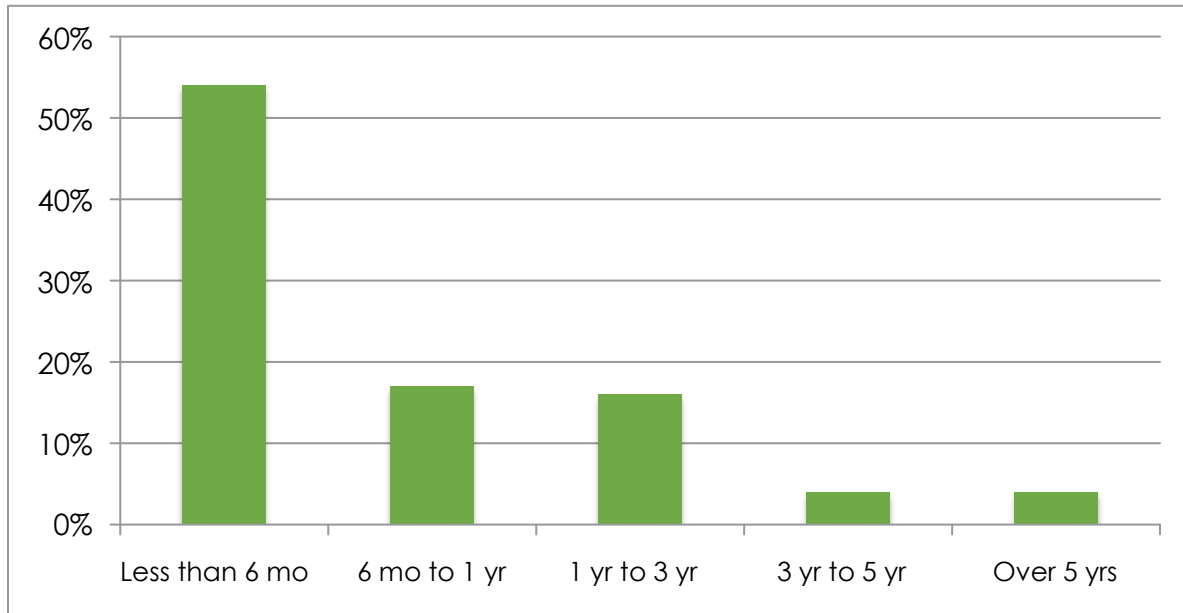
In the trucking industry, the average tenure is three to five years, not significantly different for business in general.

OBSERVATION

However, as the next graph indicates, if the industry can keep a new hire over one year, it generally has a chance of keeping that person for three to five years. We have seen no data that tracks the retention rate of millennials, even though trucking companies – like other industries -- are struggling to figure out how to attract and retain them.

⁷ Wes Gay, “Think Millennials are Job Hopping? New Study Finds they are More Loyal than Ever at Work,” Feb. 9, 2017, www.Forbes.com

Graph 9
Average Employment Length
of Driver iQ's Termination Records



Source: Driver iQ Previous Record of Employment Proprietary Database

ERE media found that 90% of new hires decide whether to quit or stay within the first six months. Not surprisingly, ERE found that 33% of new hires quit within six months.

For the trucking industry, 50% of Driver iQ clients indicate that a majority of the new hires quit within the first six months

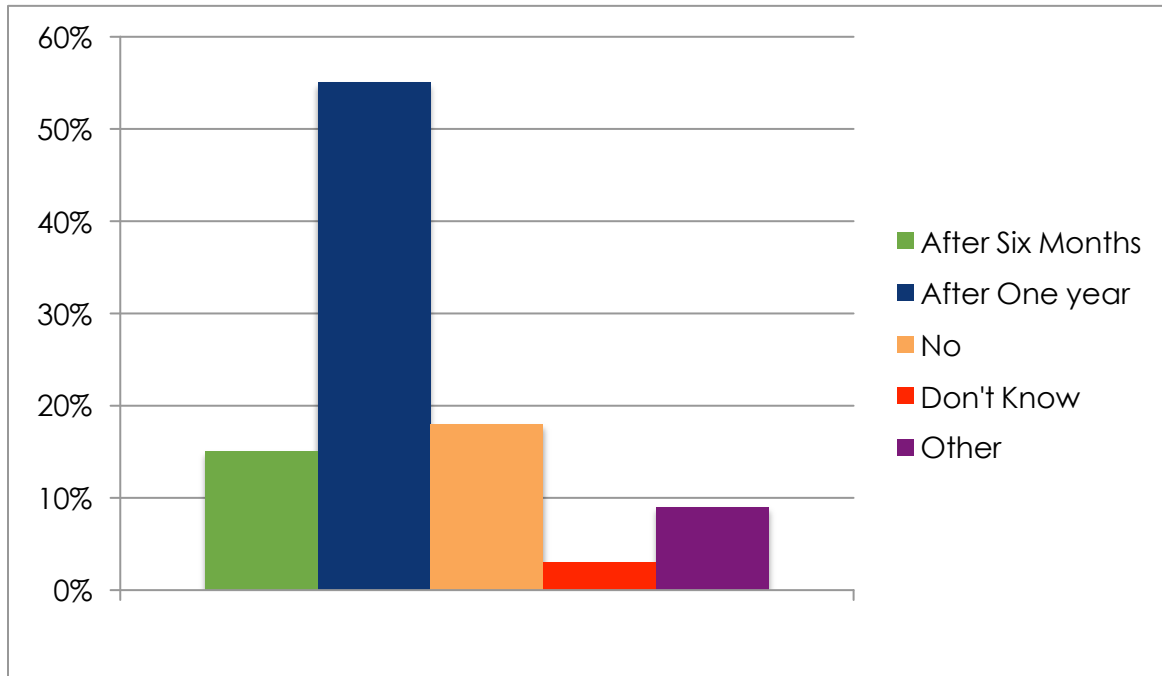
Therefore it is not surprising that the average longevity for termination records stored in Driver iQ's propriety database of Previous Records of Employments supports that conclusion. In fact, 54% of all records stored with Driver iQ were with the company for less than six months. An astonishing 71% were with the company for less than one year.

OBSERVATION

Clearly, if trucking companies can keep an employee past one year, they stand a pretty good chance of developing a long-term employee.

Graph 10

Do You Have Scheduled Driver Pay Increases?



Source: *Driver iQ Driver Retention Survey July 2017*

ERE-Media found that across all industries, 35% of new employees would start looking for a new job if they don't receive a raise in twelve months.

Seventy percent of Driver iQ customers have a scheduled pay raise within the first year. Some are scheduled during the first three to six months. Some carriers make a distinction based upon experience, while others factor in DOT violations.

CONCLUDING OBSERVATIONS

Even the limited statistics the trucking industry has on retention don't paint a pretty picture. But before the industry can begin to solve the retention issue, it must come up with a common, agreed manner to measure retention. Then it can determine cost of retention and, therefore, the true cost of driver turnover. It is only with a standardized way to measure retention that the industry can proactively improve and manage retention.

The purpose of this report is to begin an industry-wide dialogue regarding the benchmarking of data needed to support real retention efforts.