



TRENDS IN TRUCKLOAD RECRUITING AND RETENTION

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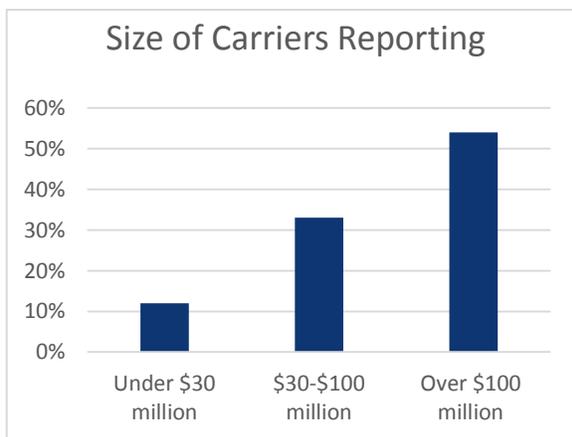
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ABOUT THE SURVEY

This report is the seventh in a 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 also will 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.

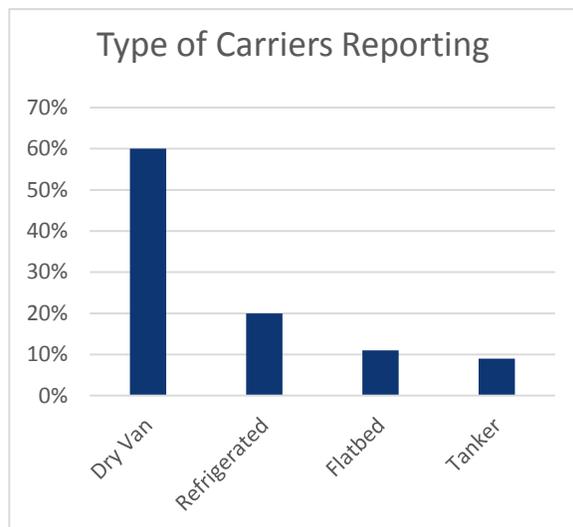
The survey is not a valid, random sample; rather, it reflects the perceptions of Driver iQ's customers and potential clients. However, it represents the views of recruitment managers who operate over 75,000 trucks.



Fifty-four percent of the responses came from carriers over \$100 million in gross operating revenues. Where appropriate, we will break out by the size of carrier.

Because 60% of the carriers responding were dry van, we did not break out any findings by type of carrier.

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. Email LBatts@DriveriQ.com with any feedback.



ABOUT DRIVER IQ

Driver iQ provides comprehensive, accurate, and reliable background screening and driver monitoring services to the trucking industry. Driver iQ has built and maintains the industry's most up-to-date proprietary driver employment history database with accurate, detailed, and actionable reports. 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. The vast majority of the largest truckload carriers rely on Driver iQ every day. We'd love to tell you why! Email digsales@driveriq.com with any questions.

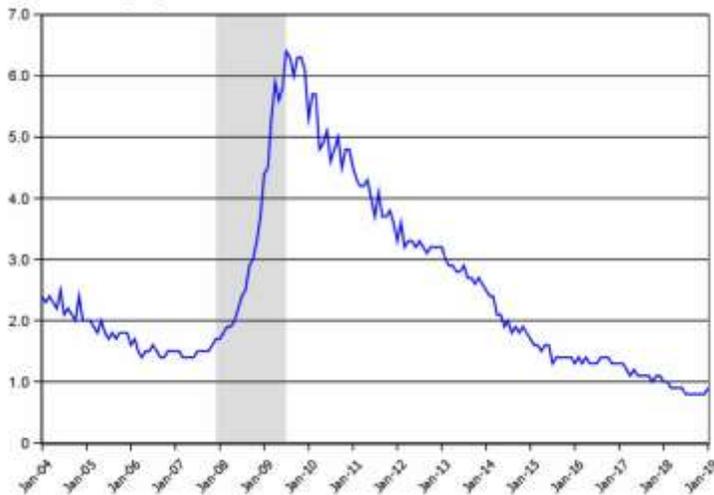
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CURRENT EMPLOYMENT ENVIRONMENT

Motor carriers' efforts to recruit and retain drivers are not being done in a vacuum. Other industries are also facing a tight jobs market where too few people are looking to fill too many jobs.

The most traditional number used to describe the jobs market is the unemployment rate, which was 3.8% percent in February 2019, slightly down from 4.0% in January 2019. The lowest was 3.7% in September and November 2018.

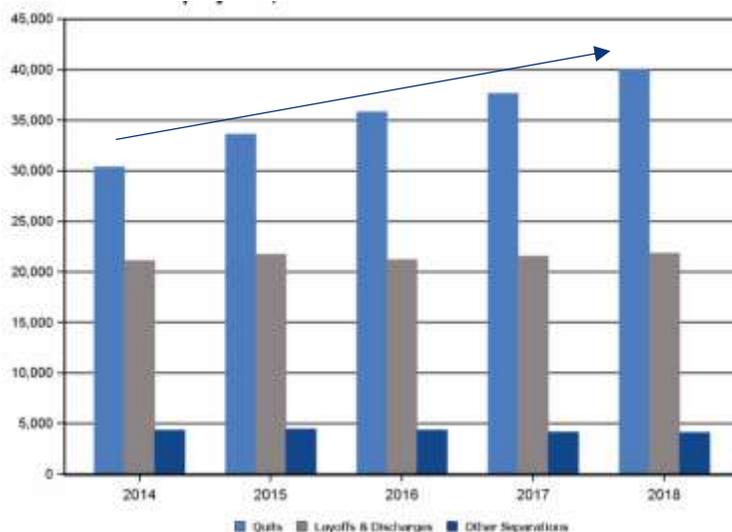
Number of Unemployed per Job Opening



But a more interesting number is how the ratio of unemployed persons per job opening varies with the business cycle. Currently there are 0.9 unemployed workers for every available job (slightly up from 0.8 in late 2018). When the most recent recession began (December 2007), the ratio of unemployed persons per job opening was 1.7. The ratio peaked at 6.4 in July 2009. In other words, 0.9 people were looking for work for every one job that was available.

Source: Bureau of Labor Statistics, March 15, 2019

Annual Quits, Layoffs and Separations



At the same time, the number of quits rose in 2018 for the ninth consecutive year, reaching 40.1 million (up 33% over the last five years). In contrast, the number of layoffs was half that at 21.9 million and has remained fairly constant over the last five years.

Source: Bureau of Labor Statistics, March 15, 2019

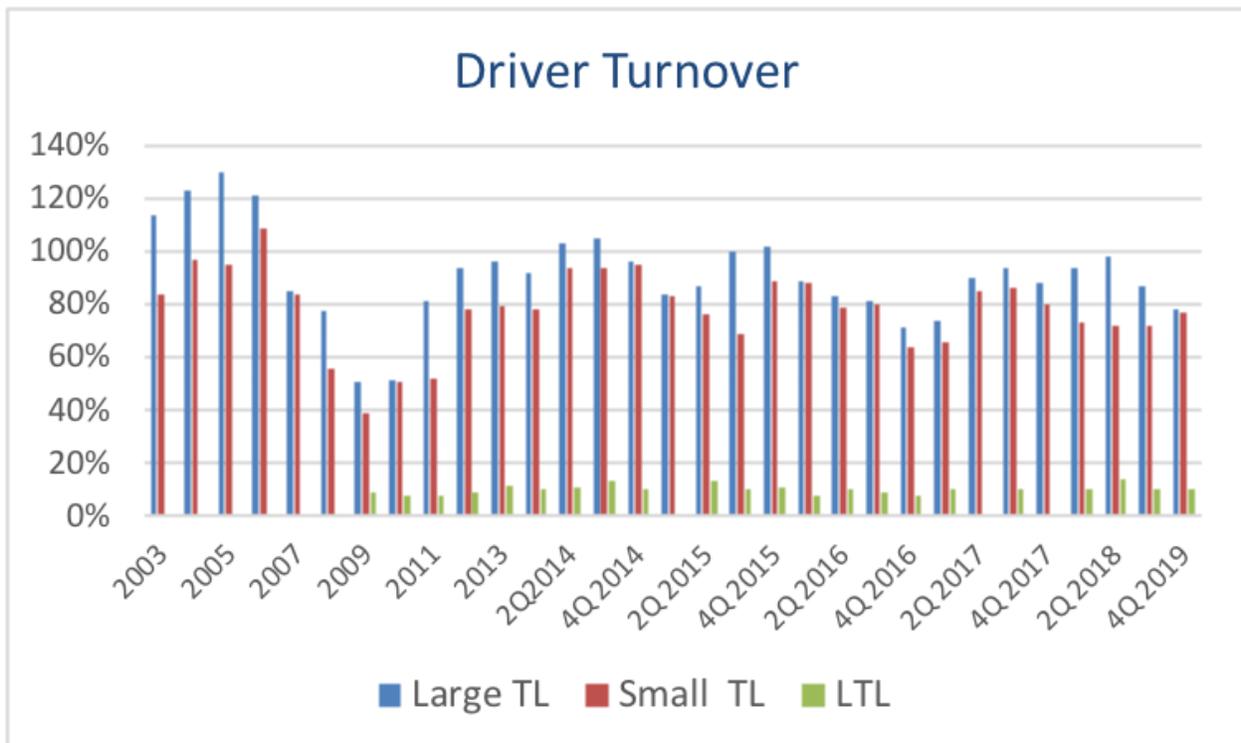
TURNOVER

Recent Driver Turnover

According to the American Trucking Associations (ATA), the annualized turnover rate for large carriers (that is, carriers over \$30 million in gross revenue) dropped 9 percentage points to 78%, 10 points lower than it was during the same period in 2017. The drop is the third consecutive quarterly drop.

The annualized turnover rate for smaller carriers (less than \$30 million in operating revenue) increased to 77%, just 1% point below that of the larger carriers. For the first time since 2016, the turnover rate for large and small carriers was about the same.

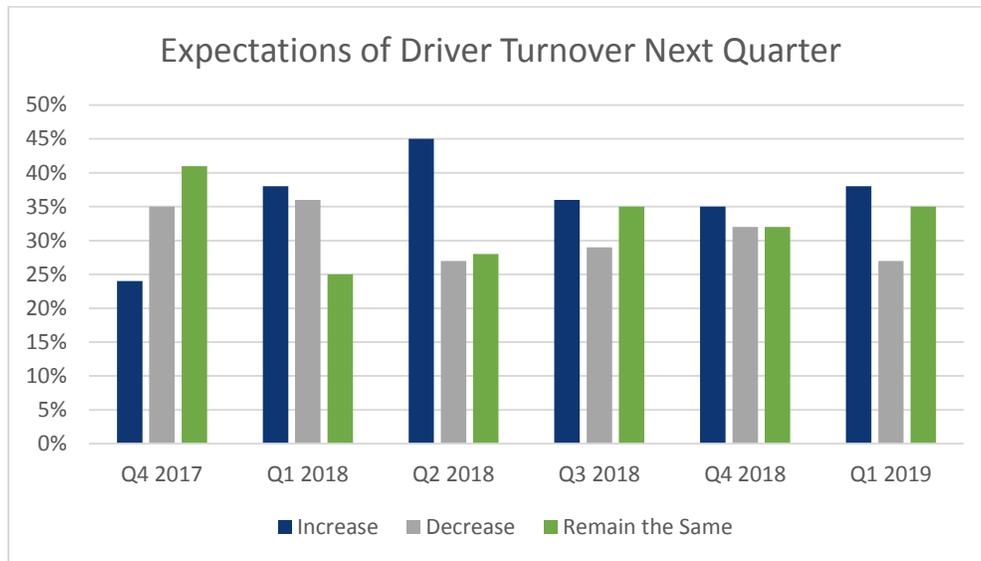
As will be discussed later, while the driver market remains tight, carriers are not seeing the huge turnover rates that they experienced during 2003-2007 when the economy was also booming. This is primarily because today, carriers are not expanding their fleets, pay increases for drivers are kicking in, and those drivers who are perennial job hoppers have probably finally found a home.



Source: American Trucking Associations and Transport Topics

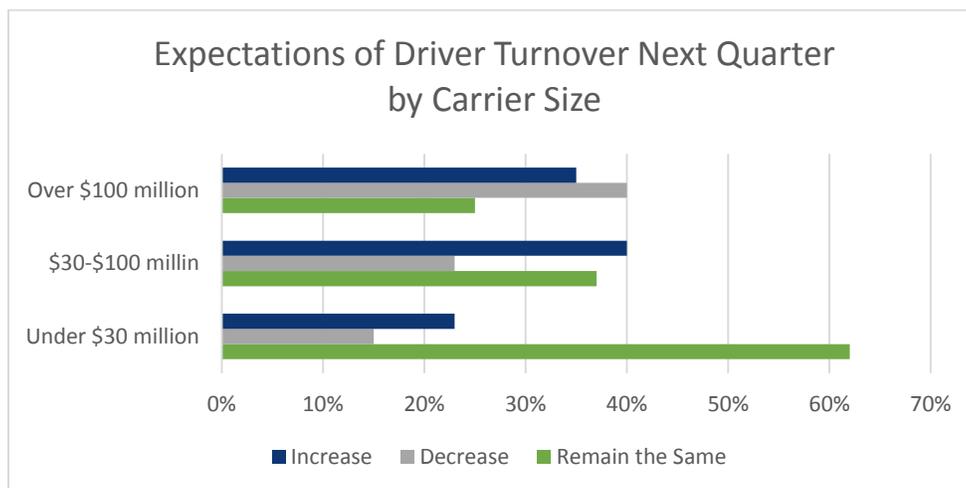
Expectations of Future Driver Turnover

While ATA's data reflects what has already happened, Driver iQ asked recruiters what they think will happen in the next quarter. While turnover was down for larger carriers in Q4 2018, in Q1 2019 carriers were more likely to expect it to increase (38%) or remain the same (35%). The lack of any clear-cut consensus more likely reflects a factor of many things: the carriers' uncertainty about the economic future, their own efforts to control fleet size, their emphasis on higher compensation, and their efforts in retention.



Source: Driver iQ Recruiting & Retention Survey, Q1 2019

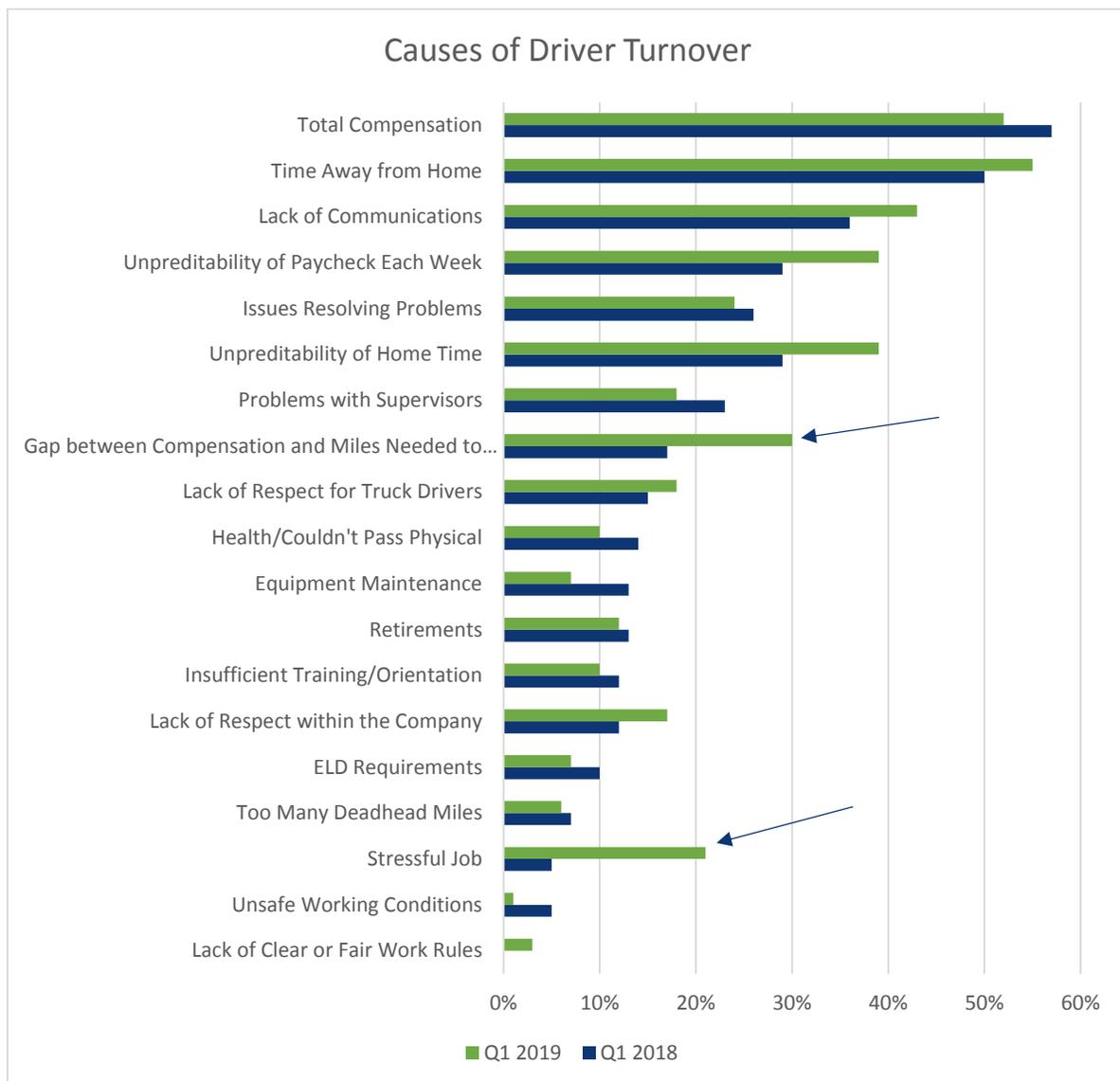
Perceptions of driver turnover vary by carrier size. Forty percent of the larger carriers believe turnover will decrease next quarter, while 62% of the smaller carriers think it will remain the same.



Source: Driver iQ Recruiting & Retention Survey, Q1 2019

Causes of Driver Turnover

The causes of driver turnover center around three areas: total compensation, time away from home, and communications within the company. Over the last year, time away from home slightly edged out total compensation as the major factor. This is probably because carriers have adjusted their pay packages considerably, as will be discussed later. The biggest jump was the realization that truck driving is a stressful job. As the driver population becomes older, the stress factor is felt even more acutely. Also increasing was the gap between compensation and miles needed to make it, which probably reflects the full implementation of the ELDs.



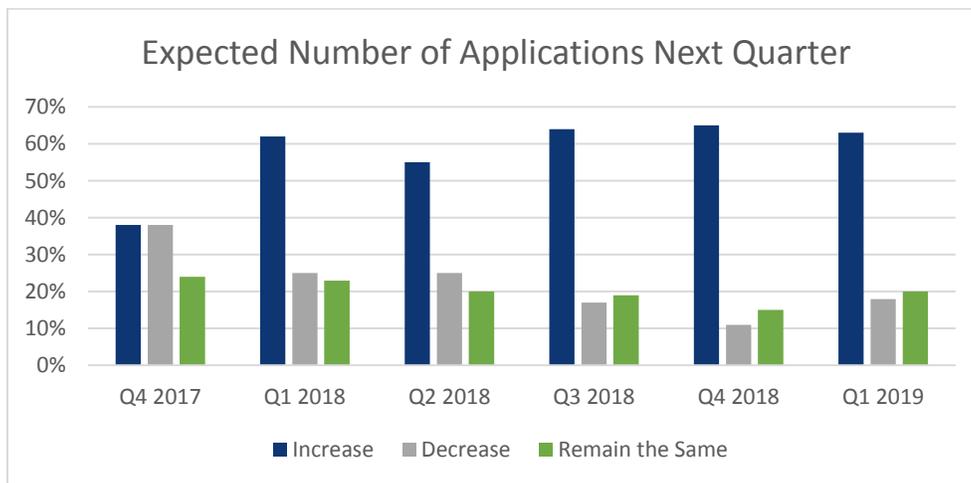
Source: Driver iQ Recruiting & Retention Survey, Q1 2019

The sample size within each category by carrier size was too small to report.

APPLICATIONS

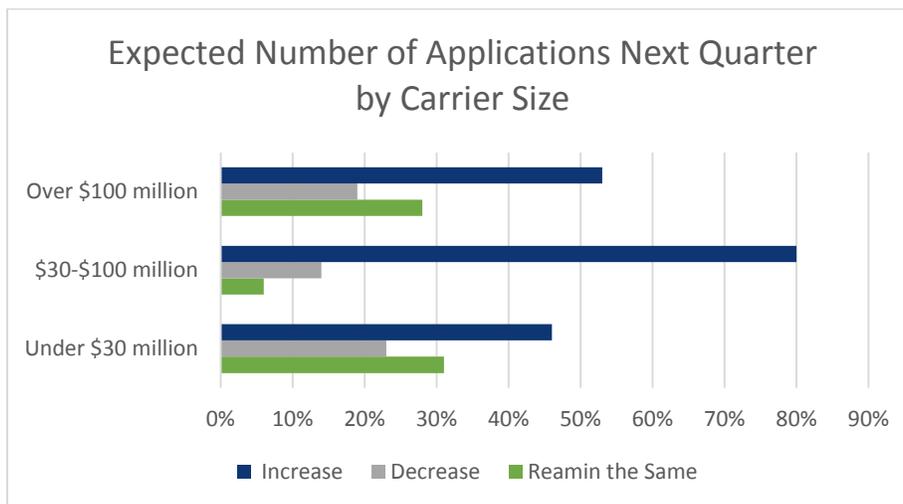
Expectations of Number of Applications

The percent of carriers who expect the number of applicants will increase has remained in the low 60's for the last three quarters, even though no new pool of applicants has been discovered and the traditional pool is not getting any larger or deeper. This feeling of optimism is probably because carriers are even more aggressive in their recruiting efforts – offering higher pay, more benefits, more aggressive performance bonuses, and sign-on bonuses. But as was noted in Q3 2018, most expect that the quality of those applications will decrease. As a result, they have to wade through more apps to find someone they want to hire, resulting in more recruiters and more background checks.



Source: Driver iQ Recruiting & Retention Survey, Q1 2019

Across all sizes of carriers, the majority thought the number of applicants would increase, with mid-size carriers being the most optimistic.



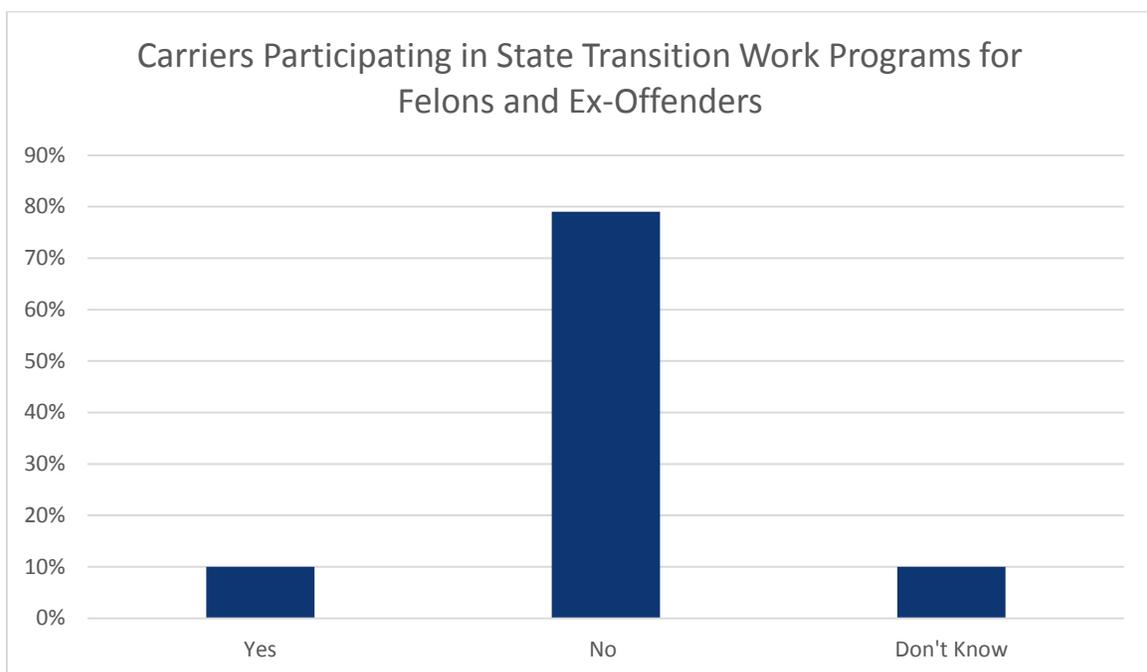
Source: Driver iQ Recruiting & Retention Survey, Q1 2019

New Sources of Drivers -- Felons

As Driver iQ has noted, the current pool of driver applicants is not getting any deeper, so carriers have been looking at non-traditional sources for drivers – post gulf-war veterans, women, and younger drivers. However, as we found out, not all carriers have programs to attract these individuals. In fact, as was reported earlier, over 35% of the carriers have no programs to attract veterans;¹ a similar number have no programs to attract women drivers;¹ and 40% of the carriers would not hire younger drivers (18-21 years of age) for interstate commerce even if they'd gone through extensive training.²

Currently under Equal Employment Opportunity Commission Guidelines, carriers cannot unilaterally deny employment to a felon.³ Carriers can deny employment if the felony was relevant to job description, the felony was recent, or the individual failed the CDL requirements, i.e. their crime involved a commercial vehicle, was for interstate drug trafficking, or reckless driving. However, some states and the Federal government are now encouraging carriers to consider hiring felons as soon as they are released from prison, with some offering CDL training and testing while still in jail.

We were interested in seeing how many carriers were participating in such programs. Our survey indicated that only 10% of the carriers participated in such programs. The sample of carriers utilizing such programs was too small to determine what the retention rate was.



¹ Driver iQ, "Trends in Truckload Recruiting and Retention Survey," Q2, 2018

² Driver iQ, "Trends in Truckload Recruiting and Retention Survey," Q4, 2018

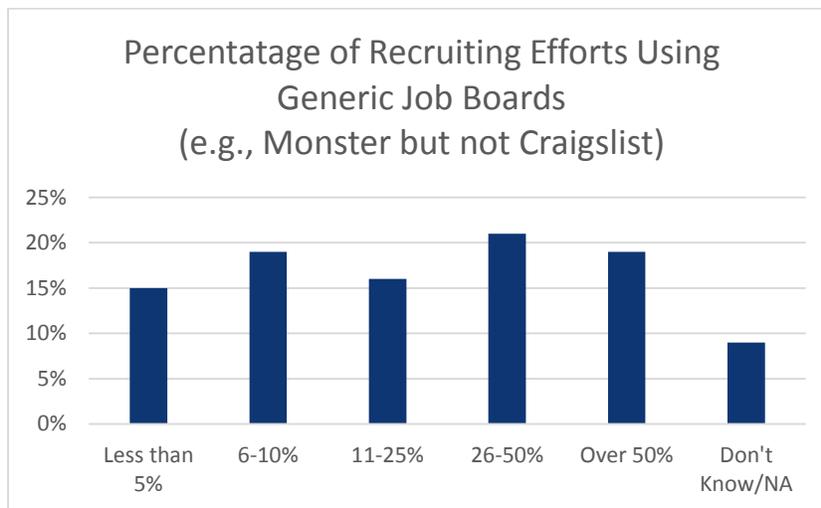
³ www.eeoc.gov/lois/guidance/arrest_conviction.cfm

Source: Driver iQ Recruiting & Retention Survey, Q1 2019

Usage of Job Boards

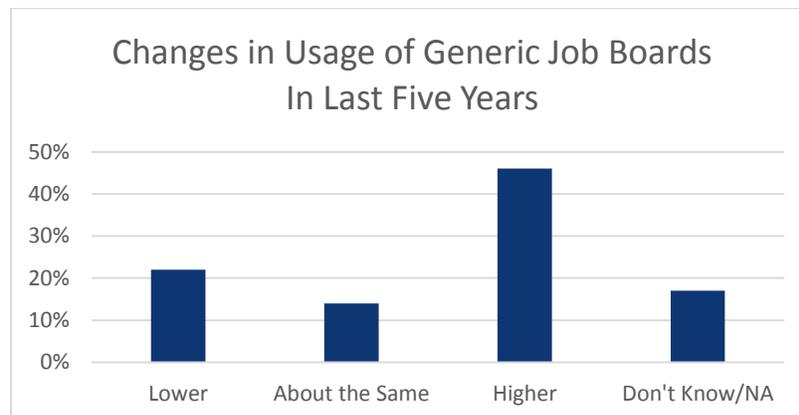
With the widespread use of the internet, carriers are no longer forced to rely upon billboards, pamphlets at truck stops, and newspapers aimed specifically at drivers in a geographical area to find individuals looking for a job. Today, applicants and recruiters can utilize the common platform of job boards to enable meaningful conversations with no geographical constraints at an affordable cost. Since both parties have profiles on job boards, it becomes easier for them to look for one another.

We were interested in seeing how the use of generic job boards, e.g., Monster, compares to Craigslist. Only 15% of the carriers reporting were using Generic Job Boards for less than 5% of their recruiting efforts. The sample size with each within each category by carrier size was too small to report.



Source: Driver iQ Recruiting & Retention Survey, Q1 2019

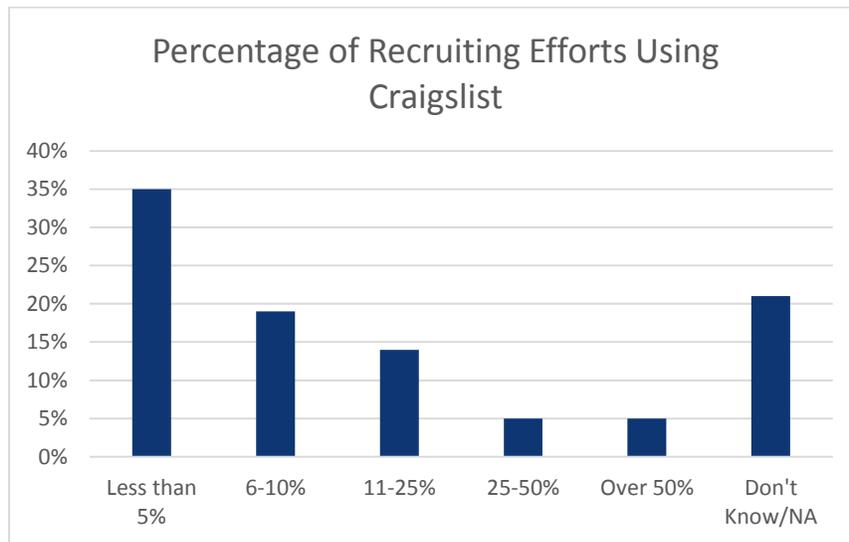
Not surprisingly, the use of such job boards has grown over the last five years. However, it is interesting that 22% are using them less today than five years ago.



Source: Driver iQ Recruiting & Retention Survey, Q1 2019

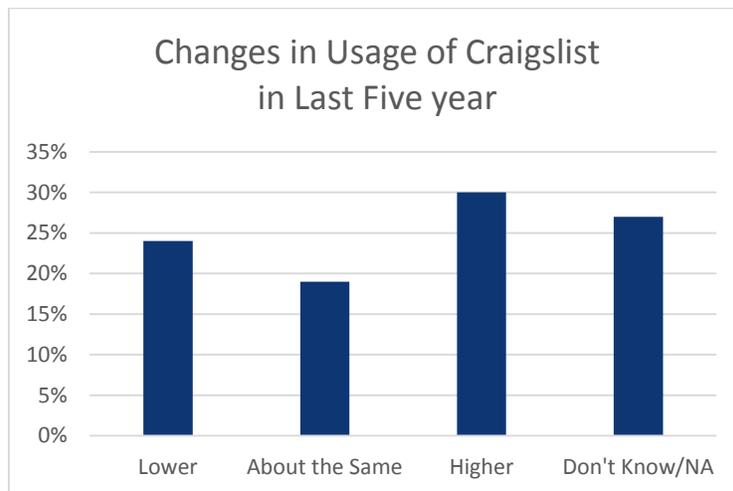
While generic job boards like Monster center all their services on the job market, Craigslist offers community-based bulletin boards and classified-ad services. Monster is substantially higher in cost while Craigslist is normally free. In addition, Monster's regular listings run 60 days compared with Craigslist that run for 45 days. The designs of the two listings are also different. Craigslist supports a select range of basic HTML codes that change the appearance of text. Monster sells add-on design features and customized ad templates that use corporate logos.

Given these differences, we were interested in seeing if carriers were using Craigslist. Turns out, Craigslist is not commonly used by the truckload industry.



Source: Driver iQ Recruiting & Retention Survey, Q1 2019

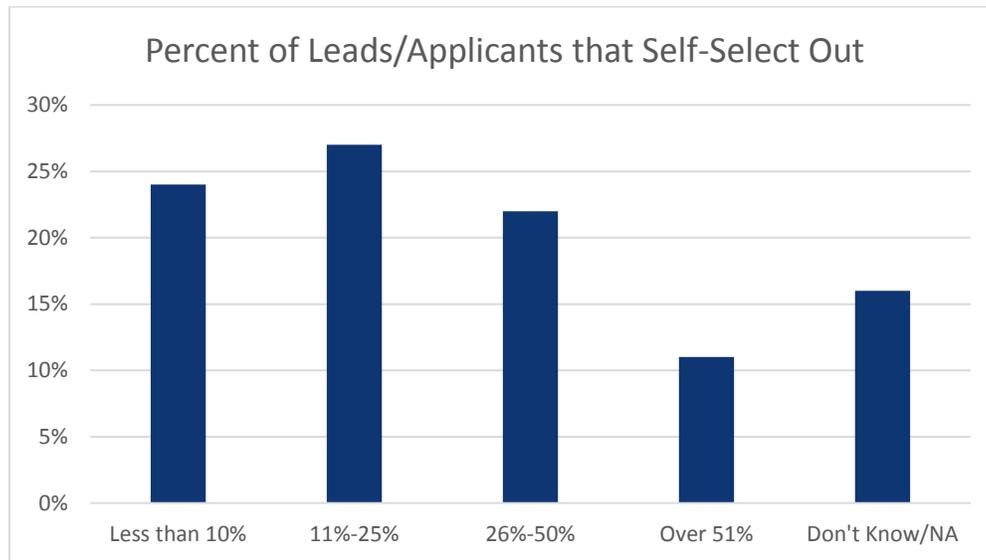
The usage of boards like Craigslist has been mixed over the last five years.



Source: Driver iQ Recruiting & Retention Survey, Q1 2019

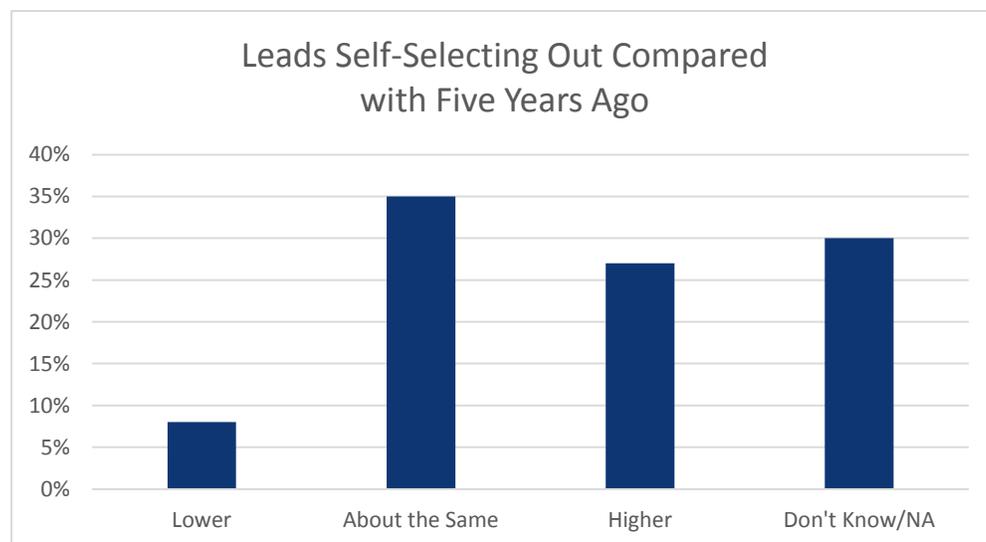
“Ghosting” the Application Process

Regardless of how a carrier attracts potential applicants, one of the major frustrations is that once a recruiter has a potential lead/candidate, he/she stops communicating with the carrier. Turns out that about a quarter of the carriers report that less than 10% of them lose contact with the lead. But 11% reported that they lost over 51% of their leads and don't know why.



Source: Driver iQ Recruiting & Retention Survey, Q1 2019

Unfortunately, the problem is not new and is not getting any better, with 61% of the carriers saying it is about the same or higher than five years ago.

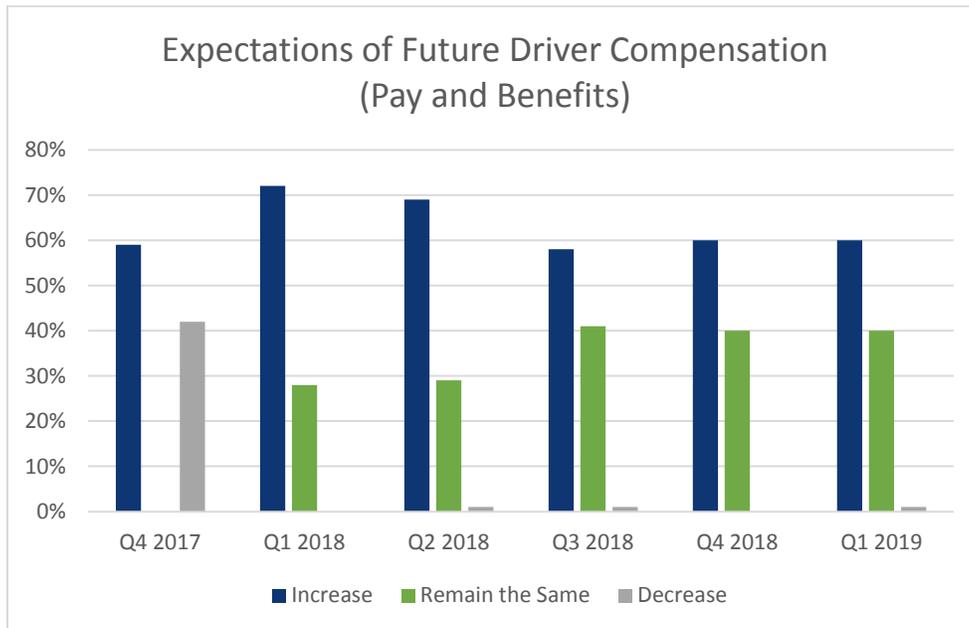


Source: Driver iQ Recruiting & Retention Survey, Q1 2019

COMPENSATION

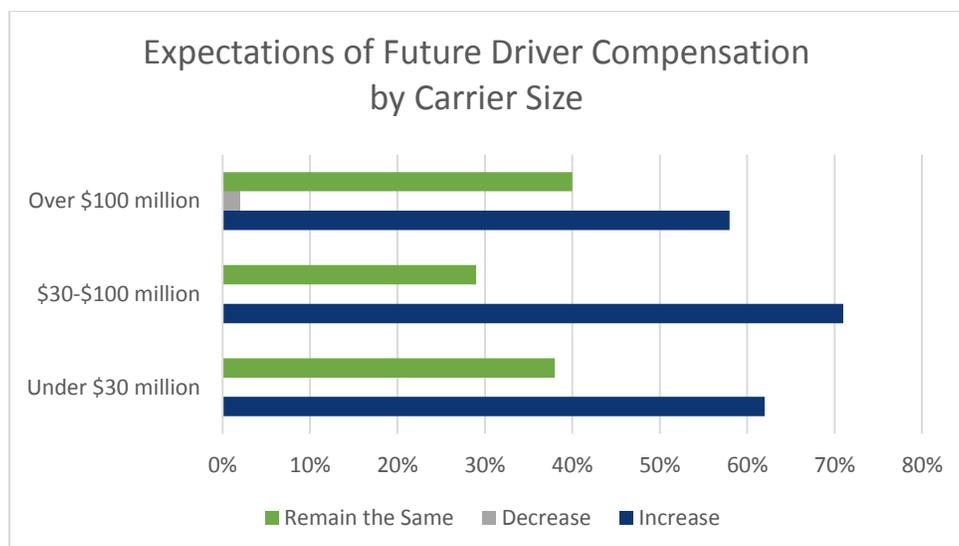
Expectations of Future Compensation

For the last three quarters, about 60% of the carriers have been very consistent in expecting that future driver compensation would increase. Likewise, around 40% continue to expect (or hope?) that compensation will remain the same.



Source: Driver iQ Recruiting & Retention Survey, Q1 2019

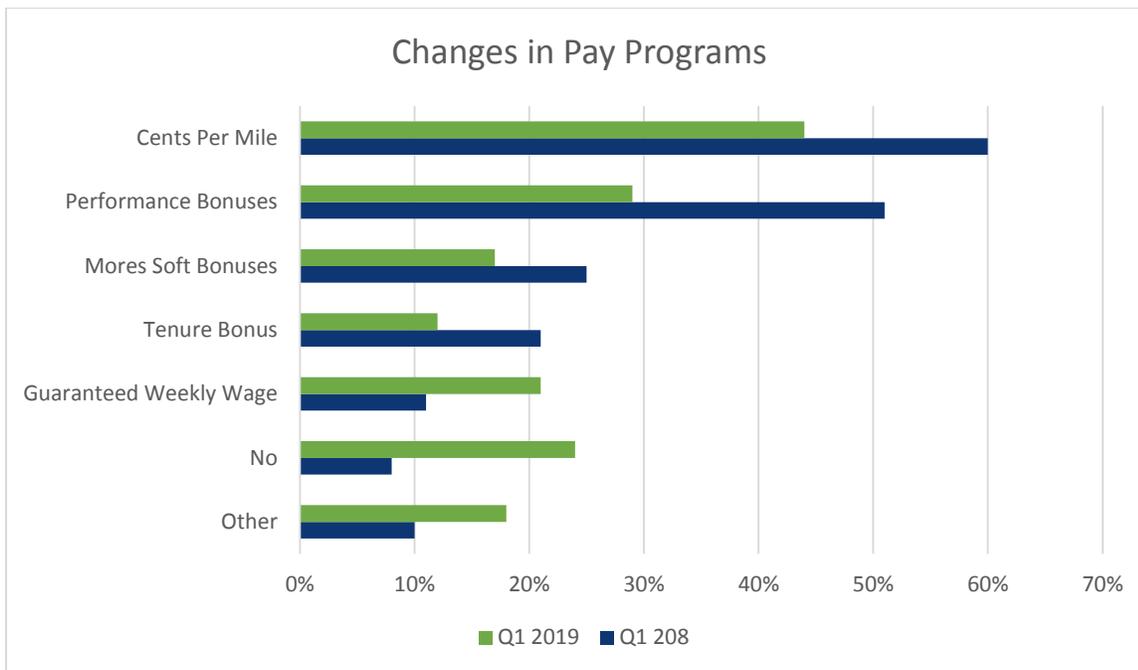
Regardless of carrier size, the majority of carriers believe compensation will increase in the next quarter.



Source: Driver iQ Recruiting & Retention Survey, Q1 2019

Changes in Total Compensation

Not only do recruiters believe that pay must be increased, but also companies are already raising pay. Carriers continue to adjust their pay packages to attract drivers as well as retain drivers. In the last year, 44% have adjusted their cents per mile. Interestingly, 24% have not made any adjustments. One of the most interesting changes year-to-year is that almost twice as many companies (20%) are offering some type of guaranteed weekly wage. The sample size with each within each category by carrier size was too small to report.



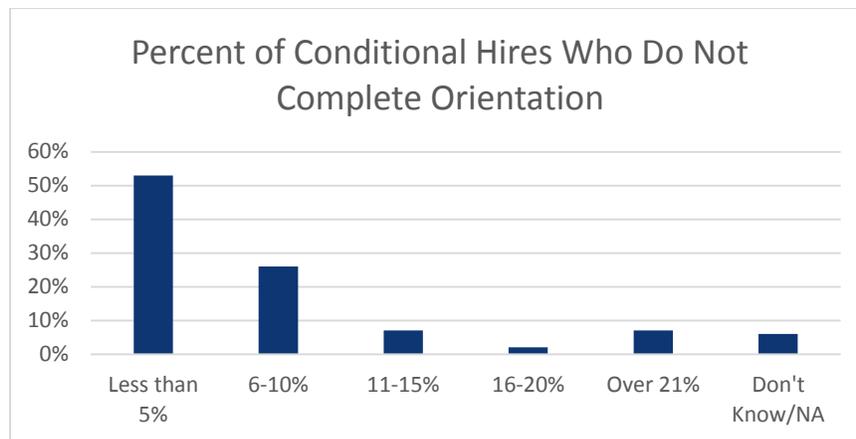
Source: Driver iQ Recruiting & Retention Survey, Q1 2019

ORIENTATION

Conditional Hires Who Do Not Complete Orientation

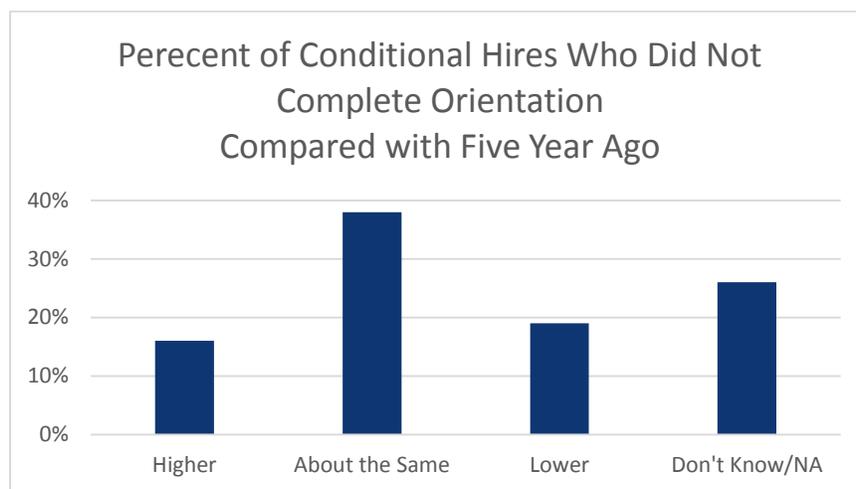
Last quarter, we discovered that 61% of carriers are placing conditional hires in orientation before all the information needed to make a hire (e.g. criminal check, past employment history verification). The primary objective is to get the applicant out of the driver pool by placing the individual in orientation.

The problem with this approach is that it costs money to provide a Greyhound bus ticket, housing, food, and training, only to find out that the candidate is not qualified. We were interested in seeing how many conditional hires were ultimately found to be unqualified. According to the survey, over 50% of the carriers indicated the less than 5% of the conditional hires don't complete orientation.



Source: Driver iQ Recruiting & Retention Survey, Q1 2019

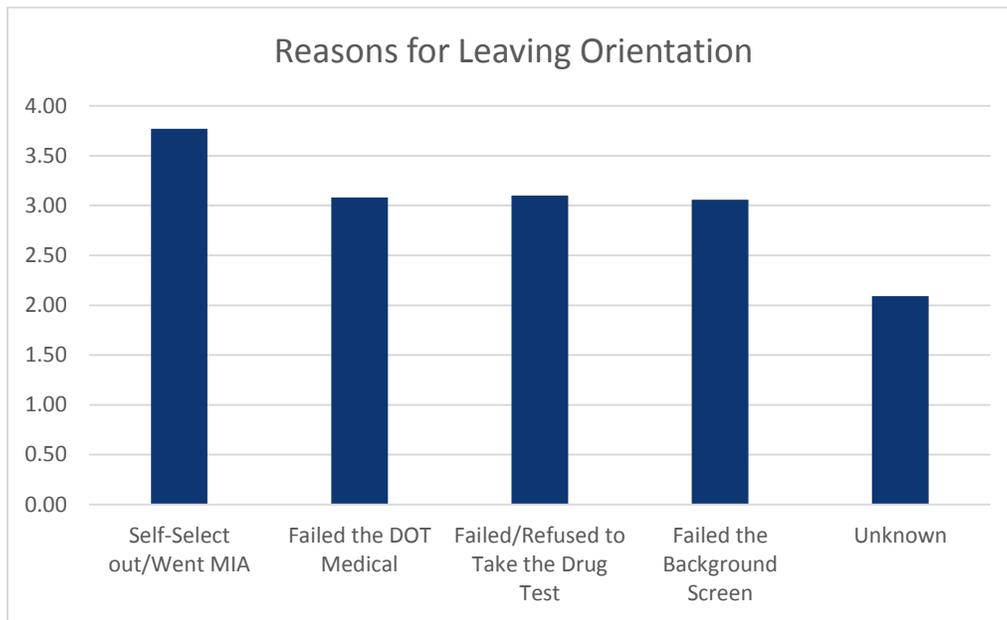
The problem is about the same as it was five years ago.



Source: Driver iQ Recruiting & Retention Survey, Q1 2019

Reasons for Leaving Orientation

However, the number leaving orientation before it is completed is high (42%). We were interested in finding out why the conditional hire left. The biggest reason appears to be that the driver self-selects out, that is, goes missing in action sometime during the orientation and never gives a reason (i.e., “ghosts” the employer). Carriers have reported that even while the driver is in orientation, he/she is still getting messages from other carriers and may have found the proverbial “better” offer. There are reports of drivers leaving for lunch during orientation and never returning. The sample size with each within each category by carrier size was too small to report.



Source: Driver iQ Recruiting & Retention Survey, Q4 2018

CHALLENGES FACING RECRUITING DEPARTMENT

Being a recruiter in today's environment is challenging:

1. The recruiting pond getting smaller, shallower, and murkier;
2. Recruiters compete with each other in the industry to find, secure, and retain drivers; and
3. Recruiters compete with almost every other industry for talented, motivated, hard-working people.

We were interested in finding out what recruiters felt was their biggest challenge. Turns out finding “qualified” applicants was the biggest problem. As noted earlier, while the number of applications is up, the quality is worse.⁴ And while pundits have pointed out that carriers compete with other industries, recruiters see their competition primarily as other carriers over pay.



Source: Driver iQ Recruiting & Retention Survey, Q4 2018

⁴ Driver iQ, “Trends in Truckload Recruiting and Retention Survey,” Q3 2018