A WHITE PAPER DISCUSSING

DRIVER SHORTAGES

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Driver Shortages

For well over a decade, the trucking industry has struggled with a shortage of drivers. The owners face hurdles while recruiting new talent and retaining current drivers. With nearly 70 percent of all freight moving on U.S. highways, the driver shortage affects the entire economy—from consumer pricing to shipping delays to shortage of materials. The struggle is industry-wide. For the fourth consecutive year, the driver shortage was the top industry issue overall on the American Transportation Research Institute's (ATRI) annual Top Industry Issues list.[1] There are a lot of reasons for the driver shortage, but the solutions to this dilemma are not as clear.

This white paper will describe several tactics for recruiting and retaining talent, then present several less-obvious options for consideration.

THE DEPTH OF THE DRIVER SHORTAGE PROBLEM

The current labor market poses unique challenges within the industry. The imbalance in the supply of and demand for drivers has been a chronic issue, but more recently has risen closer to the level of crisis.

How severe is the shortage? According to the American Trucking Associations (ATA), the industry was short approximately 61,000 drivers in 2019. Since freight volumes have been steadily on the rise since the end of the recession of 2008, the experts at the ATA predicted the shortage numbers would surge to roughly 100,000 by 2023 and 160,000 by 2028. Over the course of 2020 and 2021, the pandemic and the accompanying government mandates helped exasperate the shortage. As e-commerce and the demand for shipped goods skyrocketed, there was a surge in driver early retirements, and some drivers had family or health situations that limited their ability to work. Moreover, the ATA's Chief Economist Bob Costello remarked, "Truck driver training schools shut down, or they trained a fraction of what they normally do. Plus, DMV's were issuing fewer drivers licenses because they had limited hours."

In addition to the pandemic-related effects and the driver supply/demand, there are further contributing realities and barriers that influence the driver shortfall. There is an aging workforce and, as retirements continue, create looming outlook concerns. According to the Bureau of Labor Statistics, almost 30 percent (27.4 percent) of the industry's workforce is over the age of 55. On the other side of the age spectrum, the federal age requirement that a driver must be 21 years old to haul loads across state lines and must possess a commercial driver's license (CDL) creates a large recruitment challenge. There is currently bipartisan legislation under consideration in the House and Senate that would encourage younger individuals to join the trucking industry. The DRIVE-Safe Act includes a two-step program for prospective young drivers to complete once they obtain a CDL. As the legislation presently stands, these drivers would be required to log 400 hours of on-duty time and 240 hours of driving time with an experienced driver in the cab after earning a CDL. Once completed, the young driver would be able to participate in interstate commerce.

ATTRACTING AND RETAINING STRATEGIES

Attracting and retaining qualified truck drivers is a primary concern for nearly all transportation companies, ranging from small family-owned companies with annual revenues of $5 million to mid-size regional companies to larger national trucking companies. Coordinated attraction and retention efforts and incentives are more necessary now than ever. Increasing age, along with the effects of the lingering pandemic, have pushed many seasoned drivers from the workforce. With efforts to get younger generations in the driver workforce, companies are confronting the new attitudes of the Millennials—workers desiring more work-life balance and flexibility than those of earlier generations.

There is no doubt that consumers are affected by the driver deficit. The shortage of drivers contributes to a slowed supply chain, resulting in price increases across the board. However, the trucking companies are experiencing the most severe effects of this shortage. The desperation for qualified drivers is leading to higher wages and recruitment costs for the trucking companies. If the benefits of increased revenue are not passed along to the companies and consumers who pay for shipping, these are certainly worsening a trucking company's bottom line.

The duration and trajectory of the driver deficit is uncertain. In a market defined by high demand and rising labor costs, targeted and strategic efforts to recruit and retain solid, reliable drivers will assuredly expend resources of both time and money. However, at this point, the trucking industry has no other option.

CONSIDERATIONS FOR RETAINING DRIVERS

- **Compensation increases:** Often the first choice for employers looking to retain their employees...if they can afford it. However, higher pay often turns out to be just a short-term fix. Although pay must be competitive, other non-monetary improvements must be incorporated to fully satisfy the modern-day worker.
- **Performance recognition/reward top performers/ miscellaneous driver appreciation perks:** Recognition can come in many forms (gift cards, bonuses, time off, etc.). However, it's not the form that matters, it's the method. Strong employee performance should be communicated throughout the organization, and should be awarded based on meaningful criteria that employers would like to see emulated by their workforce.
- **Wellness benefits – physical and mental/ better health insurance:** Wellness benefits are an increasingly popular benefit in today's workplace.

Consider offering reimbursements or rewards for weight loss or smoking cessation, gym/health club memberships, or even a points system for employees who consistently engage in healthy activities. Don't forget to check with your health insurance provider to see what options they offer, and whether your annual premiums could be positively impacted.
- **Increased at home time:** One of the toughest parts of the job for many over-the-road truckers is time away from their homes and families. When trucking companies optimize routes and are able to provide more nights at home, they increase the satisfaction of their drivers.
- **Improve communications with drivers/get driver feedback and act on it:** While this may be a hard pill for some to swallow, in many ways a trucking company belongs as much to its drivers as it does to its owners. An employee who feels like a valued member of the team is more likely to exhibit the type of loyalty that owners do. When it comes to worker retention, get your drivers involved in the process. Ask THEM what THEY want: the answers might surprise you!
- **New, safer and better-maintained equipment (less downtime):** Would you send your spouse or children out in an unreliable vehicle? I'm guessing your response to that question is "no." Why should your drivers be any different? Aside from adding to driver satisfaction, well-maintained fleets decrease down time and costs from repairs and maintenance. Plus, don't forget the depreciation deduction come tax time.
- **Per diems for company drivers:** These reimbursements for expenses while away from home can be a powerful tool to put more take-home pay in the drivers' pockets.

CONSIDERATIONS FOR RECRUITING DRIVERS

- **Healthy sign-on bonuses:** In today's competitive hiring landscape, this may be a necessity to attract the right talent. However, as with higher pay for retaining drivers, remember that this strategy alone tends to not yield long-lasting results.
- **Competitive pay and benefits:** Consider tax-friendly options such as per diems to increase cash in your driver's pockets while helping your bottom line.
- **Better training:** As the old adage goes, "quality over quantity." Recognize the importance of top-notch trainers and be willing to invest in them as part of your long-term strategy.
- **Talent referral bonuses:** Having trouble finding drivers? Let your drivers help out! How does $5,000 or $10,000 to refer a friend sound?
- **Use of mobile-friendly applications/cut down and eliminate paperwork:** The keys here are speed, reliability and ease of use. Also, consider non-business options to keep your drivers entertained or help them connect with their loved ones while on the road.
- **Employment screenings:** Sure, you screen for moving violations, DUI's and criminal convictions, but what about personality traits? As you know, the life of a truck driver is not the easiest out there. Long-term success depends as much on the mental stability of the driver as it does on anything you can do.
- **Non-traditional recruitment channels:** "Kids these days!" Ever hear that one? The trouble is those kids are the ones you need to drive your trucks. Consider communicating through the channels they use, like social media, instead of the ones you're used to. Or how about a college career fair? Some of those liberal arts majors might think twice about a career in trucking when they realize the salary of their chosen fields.
- **Non-traditional applicants:** Can you say military? What better way to say "thank you" to those who served our country? The IRS even offers some lucrative tax perks to those hiring veterans of the armed forces. Also, more women are considering getting a CDL and driving trucks, so don't miss out on the increased pool of talent out there.
- **Lease-purchase program:** Many non-asset-based carriers are instituting a lease purchase program to attract drivers who want to be owner-operators.

- **Tax credits and grants:** Remember to research any available tax credits or grants available for new hires and training.

It is assumed that owners and managers of most trucking companies have a familiarity with these recruiting and retention tactics. We want to introduce two less-obvious tactics that trucking companies should consider when attempting to attract and retain drivers, such as retirement benefits programs and tax considerations.

RETIREMENT BENEFITS PROGRAMS

As we have established, attracting and retaining qualified truck drivers remains one of the top issues impacting the trucking industry.[2] While the DRIVE Safe Act could have a significant positive impact on this dynamic over the long-term, the issue does not appear to be going anywhere anytime soon.[3]

So, what are some more unique ways to attract and retain qualified truck drivers? This section will introduce considerations that pertain to company benefit programs—specifically, defined contribution retirement programs and then will introduce tax options worth considering. When designed appropriately, companies can effectively differentiate themselves with their retirement programs and not only attract new talent, but also improve retention of existing drivers.

401(k) Profit-Sharing Plan

A 401(k) profit-sharing plan remains one of the most common retirement benefits that is offered to employees, and the trucking industry is no exception. It provides an opportunity for employees to defer some of their compensation into a tax-advantaged investment account for their retirement and may also provide an opportunity to receive an employer contribution of some kind. That said, not all 401(k) plans are created equal. Consider the following plan provisions and data elements for the transportation industry within the context of your company 401(k) plan to get a sense of how it might compare to those of industry peers:[4]

- **59.1% of companies allow full-time employees to become eligible to participate in their 401(k) program within the first three months of employment.** While it might not seem like a material plan provision, designing a retirement program that is accessible to new employees sooner than what competitors offer can have substantial positive impact on attracting talent.
- **35.7% of companies provide some type of a profit-sharing or non-matching contribution to participant accounts.** (NOTE: these contributions generally do not require participant contributions.) Given the majority of industry peers do not provide such contributions, providing one could stand out to prospective and current employees if communicated effectively.
- **57.2% of companies provide a maximum employer matching contribution of at least 4% of deferred compensation.** Providing a company match within a 401(k) program is one of the best ways to incentivize employees to save for their retirement and provide a meaningful benefit.
- **38.9% of companies permit participants to become fully vested in matching contributions immediately upon satisfying eligibility requirements, while 44.5% have it take at least five years to become fully vested.** It's likely that the former statistic is a result of plans having elected safe harbor status in order to pass certain compliance tests by providing a minimum match benefit proscribed by the IRS. One of the requirements of a safe harbor plan is immediate vesting.
  If safe harbor status is not required and annual compliance tests are passed without issue, a company might consider vesting as a way to retain employees. If an employee were to terminate employment prior to becoming fully vested, any unvested money would be forfeited back to the retirement plan. In turn, forfeiture balances can be used to offset future employer contributions or to pay plan service provider fees.
- **96.6% of companies provided a deliberate education/communication campaign for employees about company retirement programs.** The types of channels most used include email, recordkeeper's participant website, corporate intranet and onsite group meetings. Regardless of how competitive your retirement program is, you cannot expect employees to engage in a benefit they do not fully understand. For that reason, ongoing education and communication about a retirement program and how to engage with it is paramount.
- **31.0% of companies offer their participants the opportunity to receive personalized financial advice during one-on-one meetings with an investment professional.** Developing a retirement savings strategy and asset allocation can be a daunting task for most plan participants. So, providing an opportunity for them to sit down with a qualified adviser can drastically improve plan engagement and employee retention, as the benefits will be viewed as true value add.
- **51.5% of companies pay at least some of the plans outside service providers' fees.** Although the fees associated with a company retirement program will almost always be less expensive than the fees that an employee would otherwise be subject to in an individual retirement account (IRA), picking up some or all of that expense for employees can make the plan more approachable and facilitate engagement. Importantly, plan-related expenses that are paid by the company (plan sponsor) are tax deductible.
- **62.2% of companies offer automatic enrollment.** Industry studies consistently suggest that implementing automatic enrollment is one of the most effective ways to improve participation in a retirement program and improve employee retirement readiness. While participants will always have the opportunity to opt-out of automatic enrollment, most do not.

As with most things, it is advisable that companies engage specialized experts to take stock of their retirement program's competitiveness and to identify areas of potential enhancement. Such an advisor/consultant will be able to work with you and your budget to create a retirement program that is aligned with the company's overall goal and objectives.

Schneider Downs Retirement Solutions strives to simplify the complexities of sponsoring and participating in a retirement plan. To that end, we offer a definable, measurable and repeatable process for governing a retirement plan that meets industry's best practice standards and the requirements set forth under ERISA. Our specialized team of advisors and consultants provide objective advice and expertise to help plan sponsors govern their retirement plans appropriately, mitigate risk, improve participant outcomes and support efficient and compliant plan operations.[5]

Tax Strategies

There are many areas where the tax laws can provide assistance in driver retention and recruitment. Here we will cover four of those possible solutions.

- **Work Opportunity Tax Credit:** The first is through hiring a qualified veteran that is eligible for the Work Opportunity Tax Credit (WOTC). Not all veterans qualify, but for those that do, the employer can receive a credit starting at $6,000 per qualifying veteran going up to $24,000 for qualifying veterans in some very specific situations. These credits are based on first year wages and there are also credits available for the second year of employment. There are prescreening forms that need filed by the 28th day that the veteran is employed with your company, so the WOTC does require some additional paperwork. With the ability to hire a very loyal employee, like a veteran, and being able to invest more cash into drive pay (with the additional cashflow from the WOTC), it can be a powerful tool for trucking companies trying to recruit and retain drivers.
- **Per diem:** Another powerful tax tool that trucking companies can use is to pay their employee drivers a per diem when they are traveling away from home overnight. The per diem covers meals and incidental expenses and is a standard $69 per day for the transportation industry. This is a tax-free benefit to the driver. It is very attractive after the Tax Cut and Jobs Act of 2017, which eliminated the employee business expense deduction that many drivers used to deduct these expenses from their personal income tax returns before 2018. Again, there are some additional record retention and reporting requirements, but a per diem plan can definitely put additional cash into the employee driver's pocket.
- **Lease purchase programs:** Many transportation companies have also created lease purchase programs for their drivers to purchase tractors and become independent contractors. This arrangement would create many tax deductions for the independent drivers. Drivers operating as independent contractors are entitled to deduct most of the costs associated with operating their vehicles, including fuel, repairs and maintenance, insurance, food while on the road, license renewal costs, safety equipment, cell phones and many other expenses. Many talented drivers may want to own their rigs, and the lease purchase program and the associated tax benefits could help with driver retention and recruitment.
- **Employee Stock Ownership Plan (ESOP):** A final tax solution for driver retention and attraction is to create an Employee Stock Ownership Plan. ESOP's allow drivers to earn a share of the ownership in the company. The stock owned plan can grow over their years of service, as the shares can be earned based on compensation and longevity with the company. ESOP's can create a "sense of loyalty" between the company and the employees, which improves driver retention. ESOPs are also a powerful tool for exit planning for ownership looking to sell their businesses. It gives them the opportunity to keep management and the employees operating under the same name and company structure, which many times protects the employees' jobs.

No Easy Answers

The struggle to find and retain qualified drivers is not going away anytime soon. Each trucking company will need to find solutions specific to their own unique situation. We do hope this report becomes a valuable resource for any trucking company struggling to retain and attract drivers.

For more information on how the Ohio Trucking Association or Schneider Downs can help you attract or retain drivers, please contact us at the information provided on the following page.

Ohio Trucking Association

The Ohio Trucking Association is a 100-year-old full-service trade association operating in Columbus, Ohio. With over 815 total members in the trucking, logistics, warehousing and moving industries, our promise to our members is simple: the Ohio Trucking Association will work to improve operational efficiency, profitability and relevancy for all of Ohio's transportation industry. Advocacy, professional development, networking and cost savings initiatives are the keys to carrying out this promise to our members. No matter what the cause, our industry is stronger when operating as one. We encourage you to explore more about becoming involved with the Ohio Trucking Association at **www.joinota.com**.

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Footnotes:

1 https://www.fleetowner.com/operations/article/21146110/driver-issues-top-atris-list-for-2020
2 "Critical Issues in the Trucking Industry – 2020" American Transportation Research Institute. Arlington, VA.
3 Costello, Bob and Alan Karickhoff. (2019). "Truck Driver Shortage Analysis 2019." American Trucking Associations.
4 "2021 Defined Contribution Plan Industry Report" Transportation Industry. PLANSPONSOR Magazine.
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