

Keeping Up With Driver Pay



August 15, 2011



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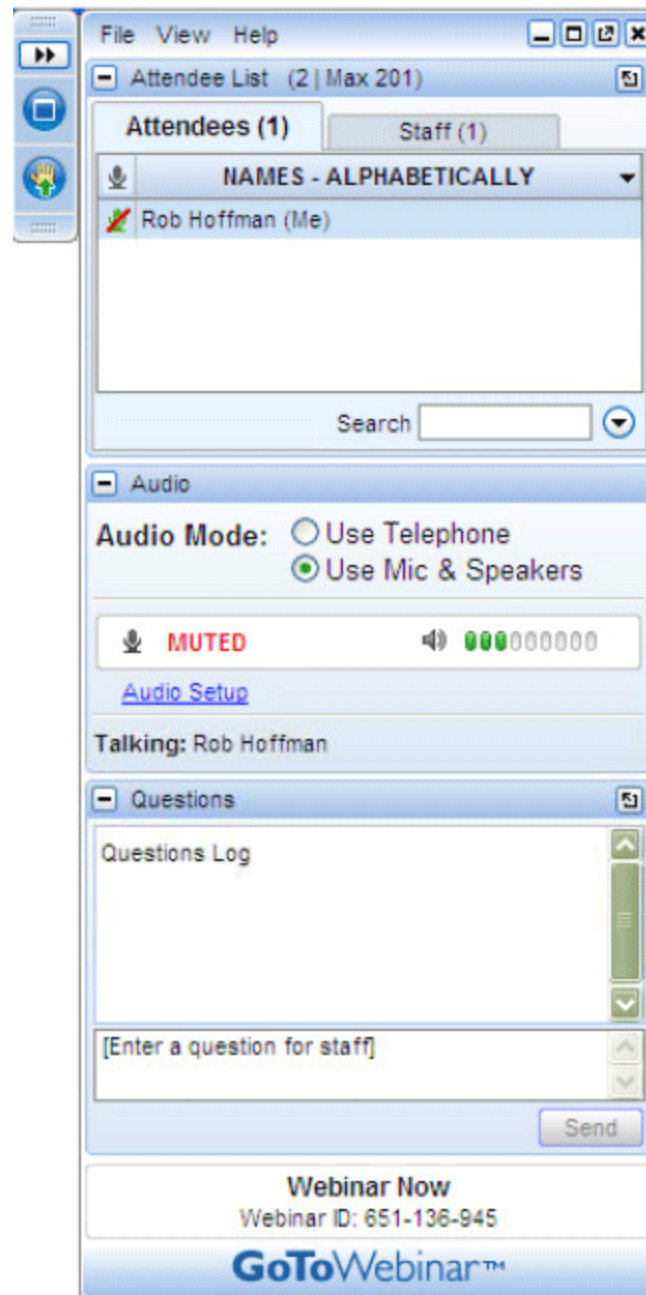
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Tips for using the control panel



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Overdrive Webinar August 15 , 2011

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Driver demand?

- Surgical downsizing
 - Cut the lowest producing drivers
 - Backfilled the turnover with the high producing drivers that were in the driver pool due to bankruptcies and carriers who had to cut to the bone
 - Between June and August 2009 the driver pool began to dry up
 - Today in most markets the quality of available drivers is marginal at best
 - Driver demand and supply are currently out of balance

Driver quality

- Unlimited unemployment benefits
 - 99 weeks of unemployment and counting
 - 35% of people leaving unemployment roles find in employment the following week

Average age has increased to 47

- Retirement and early retirement
 - Our driver population is aging fast

21-24	3.4	
25-29	9.0	
30-34	12.0	
35-44	32.8	
45-54	26.3	10.7
55-64	13.9	13.9
65+	2.8	2.8

Churn is starting

- Underground economy
 - Dr. Edgar Feige, an economics professor emeritus at the University of Wisconsin, says the underground economy has grown dramatically in the last 5 years in the United States.
 - Unreported income now is between \$2 trillion and \$2.25 trillion annually
 - The ratio of unreported income to reported income is now at levels seen during WWII

Where did all the drivers go?

- Part-time jobs
 - 10.1 million people now work part-time
 - The economy has been creating part-time jobs
 - 22% of people working part-time hold at least two part-time jobs

Where did all the drivers go?

- Unqualified for today's requirements
 - Dropped their CDL
 - Have a violation that makes them unemployable as a CD
 - Have a new habit that makes them unemployable as a CD
 - Lack current experience and are reluctant to “start over”

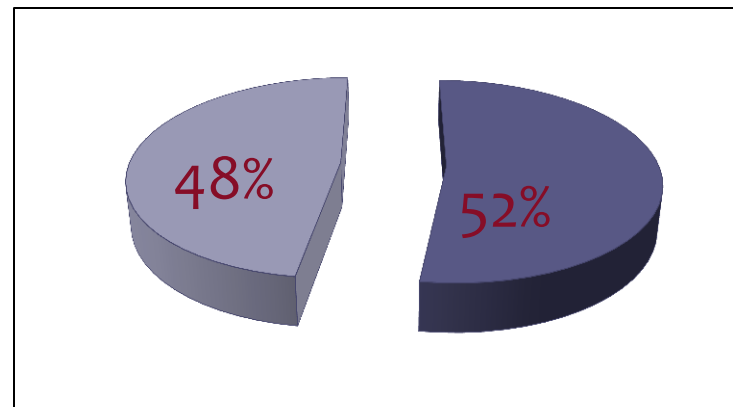
And don't forget - Capacity

- Some of the largest in-house schools are gone
 - We have gutted our ability to recruit and train large numbers of drivers
 - Rebuilding this capability will take time and reengineering of the job even longer

Will it get better- regulatory drag

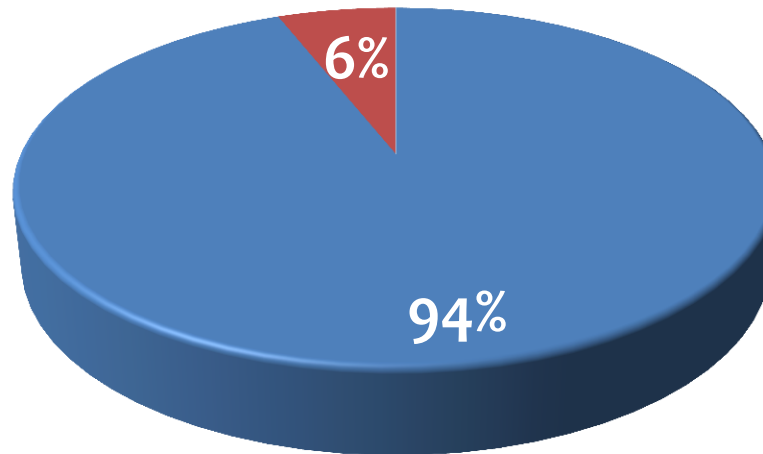
- CSA
 - NSDW Survey of 304 carriers found that when asked what will the impact of CSA have on the driver pool 72.6% expected a negative impact of between four and eight percent
 - Early look at fleets

52% of Vigillo customers have at least 1 BASIC over the Intervention Threshold (2000+ Fleets)



Will it get better- regulatory drag

- CSA 2010
 - Vigillo 700,000 drivers findings



Will it get better- regulatory drag

- Increasingly rigorous federal regulations
 - Reworked HOS could impact driver productivity as much as 15%

Will it get better- regulatory drag

- Hair Follicle Testing
 - Firms using currently
 - It could take out another 13% of applicants
 - \$150+

Will it get better- Actions needed

- Only if we get a lot better at
 - Retention management
 - Recruiting students and building drivers
 - Reengineering the job
 - Improving pay

Driver Pay Cycle

Driver Supply demand relationship		Market Characteristics
Driver glut (6-09)	→	<ul style="list-style-type: none">▪ Driver performance is closely reviewed and driver pruning occurs▪ Driver pay rates fall
Driver oversupply (11-09)	→	Increases nonexistent or < rate of inflation time frame between changes exceeds 1 year
Supply demand balanced (12-2010)	→	<ul style="list-style-type: none">▪ Driver pay changes inflation driven▪ Annual pay adjustments
Driver shortage (current)	→	<ul style="list-style-type: none">▪ Sign-on & referral bonuses▪ Pay restoration▪ <i>Pay increases in tandem with freight rates</i>▪ Push pressure increases▪ Pull pressure builds▪ Churn increases

Where is driver pay now?

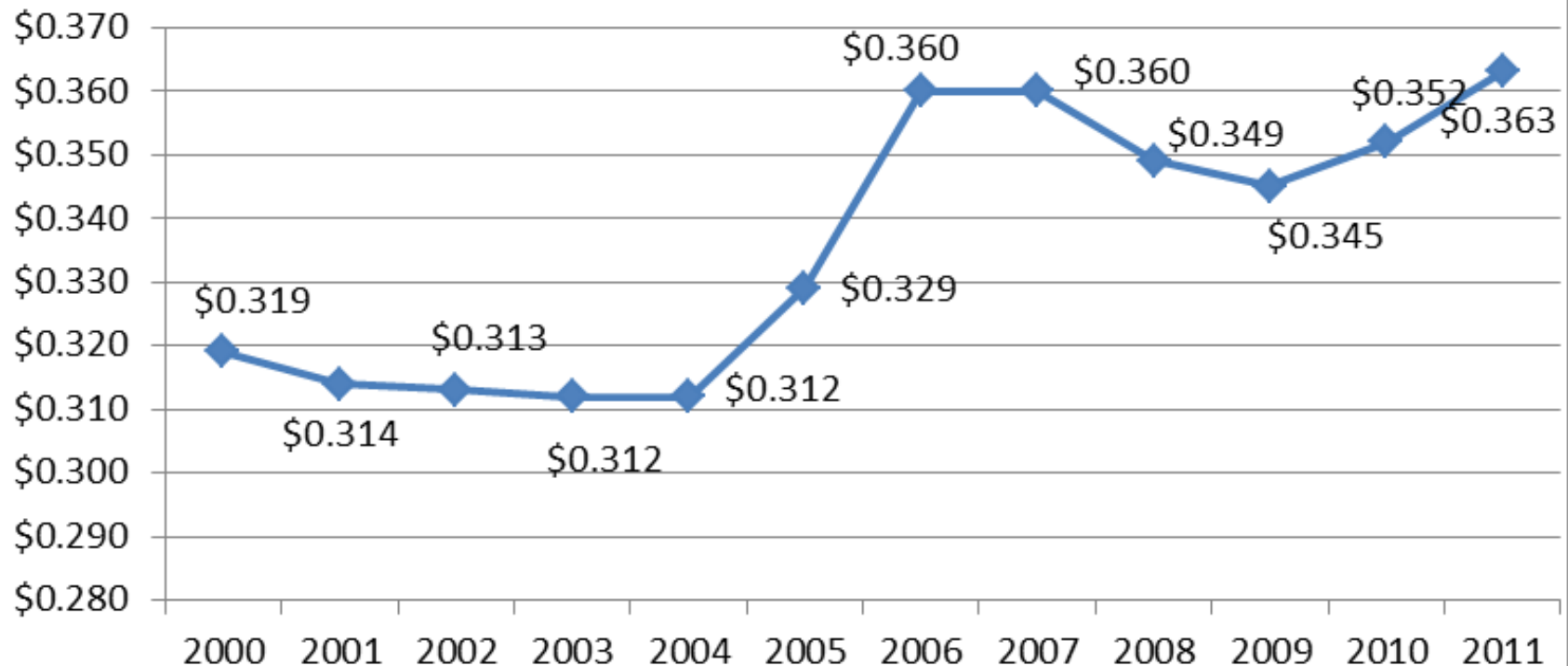
- Flatbeds
- Dry Vans
- Refrigerated

Company Drivers

Solo new hire 3 years experience

Spread \$.14/Bottom pressure \$.021

Dry Van 2000 - 2011

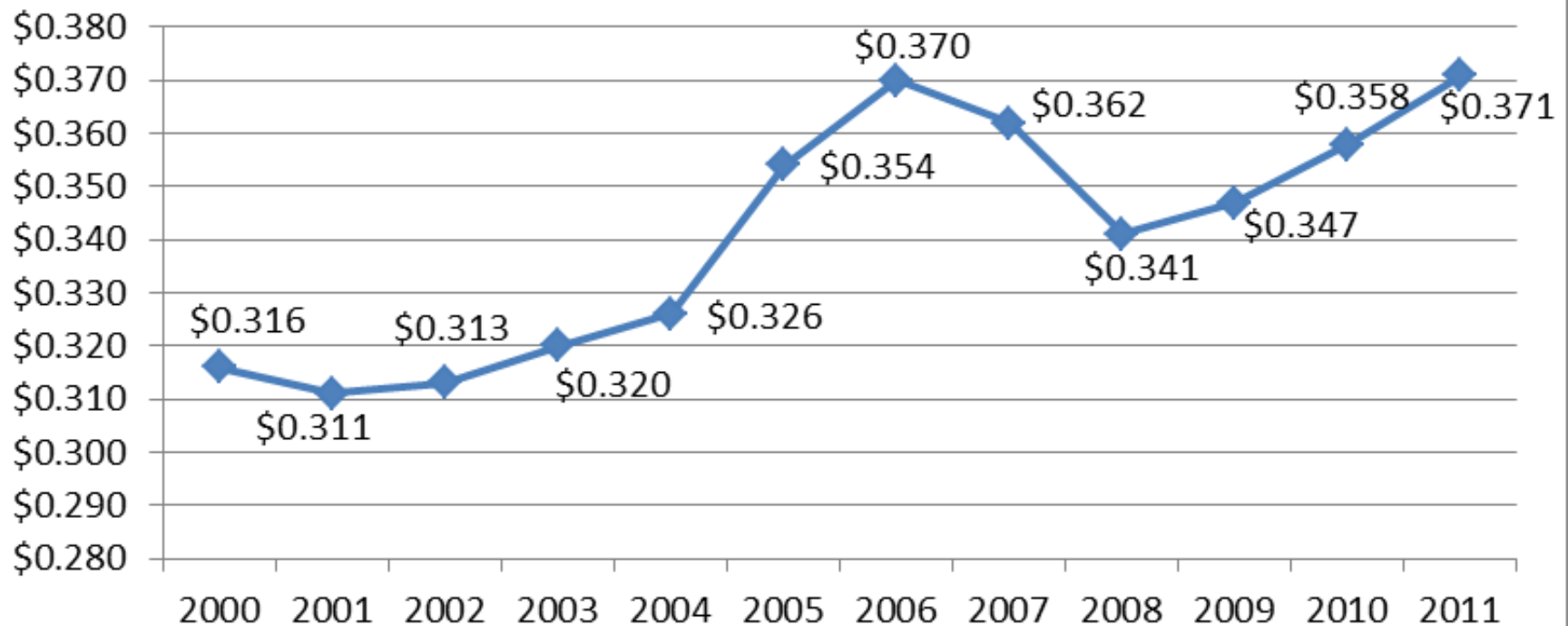


Company Drivers

Solo new hire 3 years experience

Spread \$.16/Bottom pressure \$.026

Flatbed 2000 - 2011

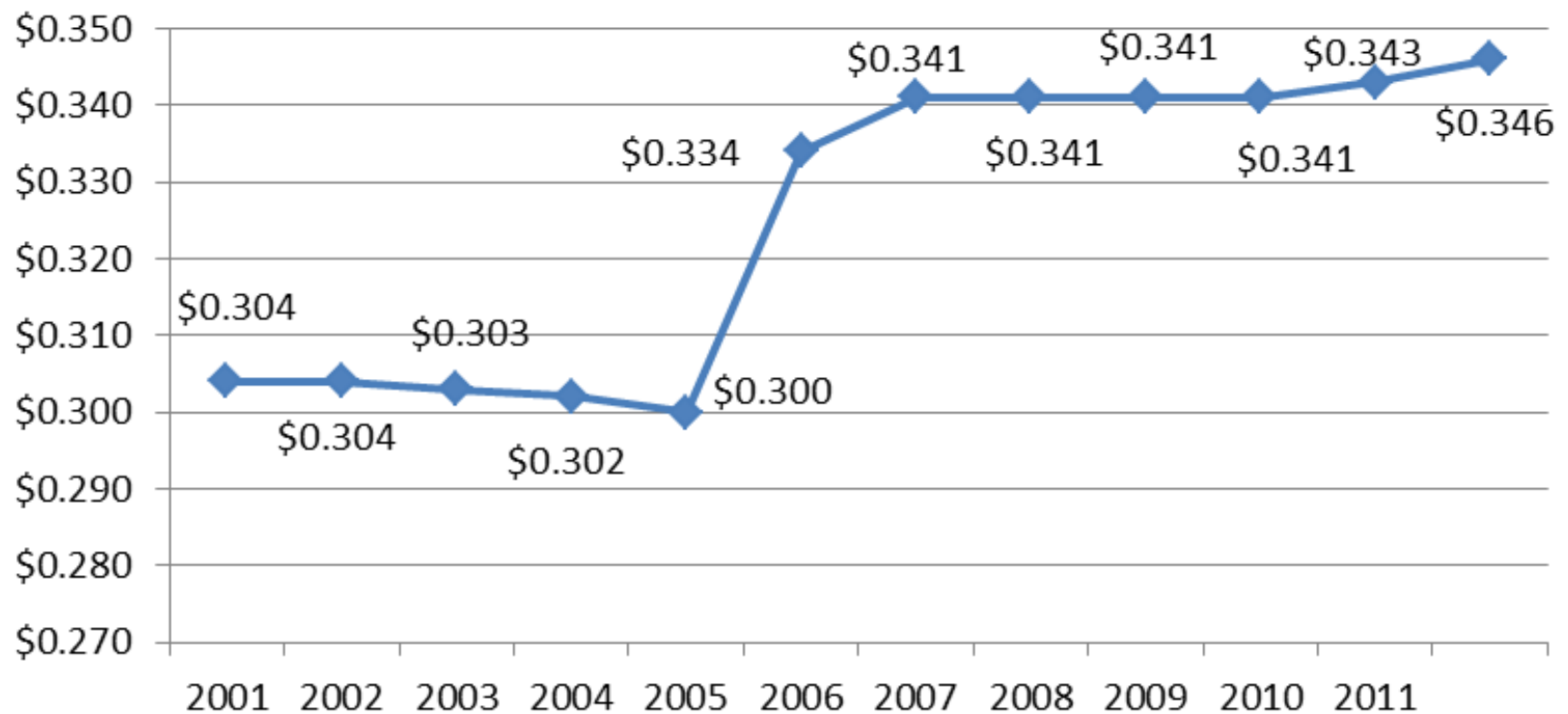


Company Drivers

Solo new hire 3 years experience

Spread \$.09/Bottom pressure \$.002

Refrigerated 2000 - 2011



Owner-operators

Spread \$.15/Bottom pressure \$.075

- Next stop - \$1.00 per-mile (clean)
- Increasing bond between carriers and Owner-operators
 - ✓ Financing
 - ✓ Business support tools
 - ✓ Options

Is the magic number for attracting better driver candidates in larger quantities to the industry ?

- Median private fleet driver pay was \$67,411
- These fleets have historically < 15% turnover
- They still have more applications than jobs
- They attract applicants from other industries

12 month forecast

- Company driver pay will increase \$.03 - \$.05 pm
- Owner-operator pay will increase \$.04 - \$.06 pm
- Continuing use of sign-on and transitional pay
- Increasing use of productivity pay schemes
- Teams will draw larger premiums
- Regionalization of driver pay
- Choices reflective of home-time needs of drivers

Questions

If you have a question that didn't get answered
today e-mail gklemp@natlsrvy.com



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Questions & Answers





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