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THE TRUCK DRIVER SHORTAGE: AN OVERVIEW AND SOME RECOMMENDATIONS

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INTRODUCTION

The driver shortage is now a well established and well recognized fact in the motor carrier industry. The American Trucking Association, its member organizations, and virtually every trucking firm in the United States now must deal with the problems related to this shortage. And, unfortunately, many of the industry's standard practices actually worsen this already bad situation.

The effects of the driver shortage have not been uniform throughout the industry. For some firms, particularly the small, specialized carriers, the shortage has effectively limited the growth of their business; due to a lack of qualified drivers, many of these firms have been unable to take advantage of opportunities that might otherwise be available to them. For other firms, such as the large, unionized LTL carriers, the driver shortage has created regional recruiting problems. While they may retain their current drivers because of union seniority rules, in many areas the LTL's are having difficulty attracting new drivers. For still other firms, especially the large, TL carriers, the shortage has meant runaway turnover, with annual rates often exceeding 150 percent.

In this paper, we discuss some of the sources of this problem and examine recent research that may point toward a possible solution of the driver shortage. Demographic, industry, and firm-specific factors relating to the problem are treated in the sections that follow.

DEMOGRAPHIC FACTORS

The change in the demographic make-up of the U.S. workforce has been a major contributor to the current driver shortage. Moreover, current demographic trends indicate that tomorrow's driver shortage will be far more severe than that of today. This will occur for two reasons. First, the number of potentially qualified workers in the labor market is dwindling. Simply put, while the educational level of the American workforce is the highest it has ever been, the reading and comprehension level of these workers may be the lowest they have ever been. The number of applicants who fail the "dress rehearsals" of the new commercial driver's license tests supports this statement. For instance, 57% of those taking the California commercial drivers test fail to achieve a passing grade.[1]

Second, the makeup of the workforce has shifted away from the traditional truck driver labor pool, the 25-45 year-old white male. The people who will be driving trucks for the next twenty years have already been born. The forecast of the maximum number of people who might be available in the workforce can, therefore, be fairly accurate.

Tomorrow's Driver

While the U.S. population will continue to increase in size, its growth rate will be far slower than in the past. Also, tomorrow's population, in terms of color, sex, and age, will bear little resemblance to that of today. According to the Hudson Institute's report, Workforce 2000:

> The population and workforce will grow more slowly than any time since the 1930's;
>
> Population growth will level off at an annual rate of 0.7 percent by the year 2000;

The labor force that grew by 2.9% for the 1970's will expand by 1% annually in the 1990's;

More minorities and women will enter the workforce.[2]

This slower growth in population makes the last point particularly relevant. It now appears that by 1991, 70% of the new entrants to the job market will be minorities or women[3]; specifically, 29% of all new workers will be Hispanic and 17% will be black.[4] If these projections prove accurate, by the year 2000 over 47% of the workforce will be female, 12% will be black, and 10% will be Hispanic. The significance of these changes can best be appreciated when it is noted that in 1979, 42% of the workforce was female, 10% was black, and 5% was Hispanic.[5] The significance of these changes can best be appreciated when it is noted that a 5 percentage point increase in the proportion of female in the workforce represents a 5 percentage point change in the proportion of males. In other words, a 10% swing.

The methods for managing this workforce must change as its demographic composition changes. It is quite likely that many, if not most, of yesterday's and today's managerial techniques will not have a place in the future. After all, it is going to be a "new ball game," and these old ways may simply not work. For that matter, they may not be working very well now, as the next section suggests.

INDUSTRY FACTORS

Several of our introductory points need some expansion. For small TL and LTL carriers, particularly those in special commodities, the lack of qualified drivers has limited growth for many years. The vice-president of personnel for one of the three largest liquid bulk carriers has stated that in the near future, a driver with DOT certification for hazardous materials and explosives will be like a free-agent baseball player--able to go wherever he or she wants and able to name the price.

Recent interviews with the top managers of 23 liquid bulk and explosives haulers perhaps best illustrate just how widespread the effects of this driver shortage are. Everyone of these managers described incidents where their firms passed up concrete growth opportunities because of a lack of qualified drivers. Additionally, they also provided examples of customers who had tried to form their own private fleets in order to improve service. Yet the customers' efforts were frustrated by the same factors that limited the carriers: high turnover and a lack of qualified drivers.

The shortage of drivers most clearly affects the LTL carriers in high cost areas such as New York and California. In one its regions, a large unionized LTL carrier spent $200,000 on help-wanted ads in 1988 but was able to recruit only two drivers. The large unionized carriers have not been immune to the labor shortage even in low cost areas such as Mississippi. For example, a firm with over $500 million in annual revenues spent five months trying (unsuccessfully) to fill a $12.00 an hour city driver job in Jackson, Mississippi, even though the average wage in the area is a rather low $4.51 an hour.[6]

Perhaps the most dramatic effects of the driver shortage can be found in the TL sector of the motor carrier industry. A recent survey of personnel and safety managers in member firms of the Interstate Truckload Carriers Conference of the ATA, found that almost 26% of the responding firms had turnover rates in excess of 76% annually. Schneider Transport, one of the most highly regarded firms in the industry, reported an annual turnover rate of 100%, despite a number of highly innovative programs designed to retain drivers.[7] All told, approximately 10% of the fleet belonging to the Interstate Truckload Carriers Conference is idle due to a lack of drivers.[8]

Fairly traditional industry practices are actually <u>increasing</u> the already acute shortage of drivers. Consider the way companies normally recruit new drivers. The motor carrier industry makes extensive use of magazine/trade journal advertising in recruiting.

For example, recent issues of The Owner Operator Directory have devoted more than 80% of paid advertising space to carriers' pleas for more drivers. One issue of this publication actually had ads from 98 different carriers. But most of the people who read these journals already work in the industry. This means that firms, in effect, are raiding each others' drivers. Since drivers will need expensive inducements to change jobs, carriers are involved in bidding wars for their services. But these inducements increase turnover. The supply of drivers stays the same, but the demand increases. Bottom line, then, is that payroll costs must increase.

Similarly, a few carriers have attempted to develop a larger pool of drivers. Some firms have now opened or reopened their in-house driving schools, while others have developed client relationships with commercial driving schools and community colleges. But these programs will contribute only a small number of drivers for the long run. Furthermore, as long as firms continue "stealing drivers" from one another, these new "graduates" are unlikely to significantly ease the driver shortage.

When these practices are considered in light of the demographic changes discussed earlier in this paper, it becomes critical for the industry to totally redirect its driver-recruitment strategy. Recruitment efforts must be targeted toward new audiences, e.g. Hispanic, black, women, older people. The "good old boy" in a baseball cap with a Hank Williams, Jr. song playing in the background, must not be the star of tomorrow's recruitment literature. Neither will he be the driver of tomorrow.

Obviously featuring minorities in recruitment advertisements will not solve the driver shortage. But they are a start, and a good one, at that.

FACTORS FOR THE INDIVIDUAL FIRM

Bottom line: the driver shortage is a personnel problem. This means that the controllable factors include supervisory practices, recruiting practices, compensation policies, training programs, and all other activities that affect the way the company deals directly and indirectly with its drivers. In the motor carrier industry, many of these personnel practices seem to be founded on false assumptions, outdated information, and at times, contempt for the employee.

A number of myths about drivers seem to have perpetuated themselves among managers and supervisors--that drivers are inherently unreliable as a 'breed'; that they are surly and motivated solely by money; that they have no loyalty to or concern for the company; and so on ad nauseum. This is very similar to the philosophy expressed in an 1899 Army Officers' Manual: Enlisted men are basically stupid, but crafty and bear close watching. Such attitudes tend to be founded on slim evidence (at best) and on experience with a few drivers.

Probably the most damaging result of these myths is the seemingly widespread belief that nothing can be done about many of the problems with drivers because, well, that is just the way drivers are. It is very easy simply to blame someone's "nature" for any problems that exist. However, it is not the way to solve these problems.

Research into drivers' attitudes toward their jobs and companies does not support any of these well-worn myths. Consider the belief that drivers are chronic malcontents. A 1988 study of job satisfaction among drivers did not support this. This survey found that on average, truck drivers were as satisfied with their jobs as were any other type of employee. Note the emphasis on the word "job." Drivers are satisfied with such aspects of their job as the feeling of accomplishment it brings them, the freedom to use their own judgement at work, and the opportunity to do different things from time to time.

Drivers are very dissatisfied, however, with the factors external to their jobs. For example, drivers are very unhappy with the way their supervisors handle them, with the way company policies are implemented, with the lack of praise they receive, and with the compensation received for the amount of work done. (This last point should not be overly emphasized. Complaining about pay is a common "smoke screen" for dissatisfaction with other parts of the job. Turnover is not a consequence, solely, of low pay.) When compared with other groups, drivers are particularly dissatisfied with these external factors.

What is the critical lesson in these results? Drivers are dissatisfied with the very things over which management can exercise the most control. The overall control of dispatch, the relationship between the drivers and the dispatcher, the respect (or lack thereof) shown drivers by all levels of management, supervisory practices, and unrealistic promises made during recruitment, can all be improved dramatically in many firms. Perhaps the following example of such poor practices most succinctly illustrates the problems in this area:

A driver from a central state developed problems with the electrical system on his truck while dropping off a load in California. His dispatcher had him constantly recharging the battery in an attempt to bring the truck back to the company's central maintenance facility. After driving for two hours without lights in the dark, the driver threatened to abandon the truck if repairs were not made on the road. The repairs were finally authorized, but the driver, who had an outstanding record, left both the firm and the industry.

In this instance, the dispatcher cost the company a very scarce, expensive resource--the driver--in an effort to save a few dollars on maintenance.

Was it worth it? That is, was it cheaper to lose and replace (if lucky!) a driver in order to save on repair costs? In answering this question, consider the fact that the cost of replacing a driver is assumed to be around $5,000. Also, keep in mind that this figure probably is quite low, especially when the potential damage costs of a new, "inexperienced driver" as opposed to a long-time "pro" are considered. Could a fully loaded rig be replaced for $5,000? Would $5,000 settle a personal injury lawsuit brought by a motorist injured by the new driver? Now answer the question: was it worth it?

SUMMARY

The motor carrier industry is experiencing a crisis that can fundamentally and perhaps permanently retard its growth. Yet there are a number of proactive, relatively inexpensive steps the industry can take in response to this problem. New, targeted help-wanted advertisements, innovative programs for in-house driver training, and revised, enlightened managerial techniques, are ways to begin combatting this problem.

A key question, however, is will firms be willing to make the kinds of financial and managerial commitments required for these new practices? But perhaps more basic than even this, is the question of whether management is willing to expend the energy required to reorient the firms? Will the industry continue "as is," and watch profit margins and market shares continue to decline? In some ways, this is the "life and death" question facing motor carriers. The answer not only will affect this industry, but also will exert a significant impact on the total U.S. economy.

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