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How SMBs Can Navigate the Historic Truck Driver Shortage

In many ways, truck drivers are the backbone of the American supply chain. According to the New York Times, trucks are responsible for moving a whopping 72% of all American freight, which means truck drivers are crucial for getting everything from food to building supplies to consumer products into stores. Given that the Covid-19 pandemic strained the supply chain significantly in numerous ways, it is not difficult to imagine what a prolonged shortage of truck drivers in the United States might mean for daily life.

Unfortunately, no one needs to imagine a truck driver shortage because the problem is already upon us. According to the American Trucking Associations (ATA), the largest trade association in the country for the trucking industry, the U.S. trucking industry was short approximately 80,000 drivers in 2021 – an all-time record.

This shortage isn't necessarily unique: virtually every industry, from construction to nursing, is struggling with labor shortages. However, because the trucking industry has such a ripple effect on other sectors due to its role in preserving the supply chain, the truck driver shortage has a unique potential to impact almost every American life in some way.

The question is: How can small and medium businesses (SMBs) in the trucking industry combat this shortage to continue operating – and keep serving the marketplace with the vital services they provide? In this white paper, we will explore the strategies that trucking companies might use to rise above this challenging moment in their industry.

The Truck Driver Shortage, Explained

Why is there such a dire truck driver shortage in the U.S. right now? The answer is complex, with multiple factors creating a “perfect storm” that pushes drivers out of the industry and keeps prospective drivers away. Here are some of the biggest hurdles at play.

Wage and Mileage Transparency

The per-mile wages that most truck drivers make are a core frustration for several reasons. One of those is wage transparency. Many trucking companies aren’t necessarily transparent about their revenues – or how much money they make from a freight delivery – and that’s partly because the dollars-per-mile that drivers get paid is often significantly lower than those revenues. Drivers also don’t get paid for the time they spend stuck in traffic, which can add up over time.

Because drivers are paid per mile, they naturally want the most generous accounting of their miles possible. For most truck drivers, the “fair” way to count mileage is to go by “hub miles,” or the actual number of miles the truck has traveled.

However, many trucking companies use one of two other methods, called “practical miles” and “short miles.” These solutions often result in a lower number of paid miles than with the hub method. As a result, truckers may be underpaid—or feel they were underpaid—for the number of miles they drove. These transparency issues can drive even veteran truckers from the industry.

Cost of Entry

Especially for owner-operators, the cost of entry into the trucking industry is steep. Training to earn a commercial driver’s license (CDL) costs money and time. Purchasing a tractor-trailer costs money. Vehicle registration and license plates cost money. Even with good financing for a tractor-trailer, getting into this industry is expensive. Estimates typically put the cost of entry at anywhere between $5,000 and $15,000, without counting the truck or any other necessary equipment. These factors are substantial obstacles that keep new drivers out of the industry.

Work-Life Balance

Especially in the case of OTR jobs, truck drivers can spend days or weeks away from home at a time. While this structure has always been the case in the trucking industry, it is particularly unappealing to younger workers. Studies have shown that millennials and Gen Z care more about job flexibility and work-life balance than their parents did, to the point where those attributes are top considerations for evaluating a job.

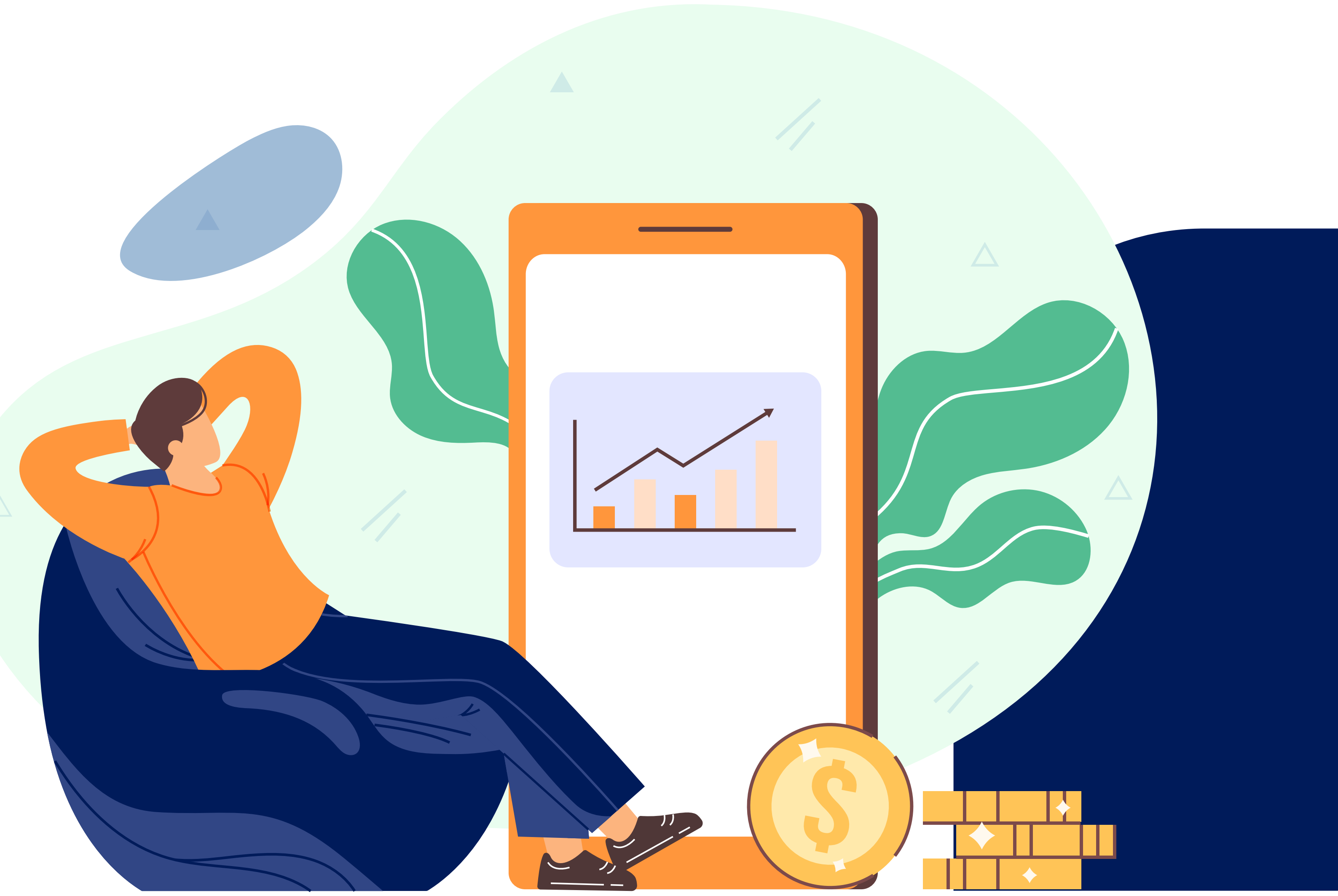
How SMBs Can Solve their Truck Driver Shortage

With so many factors driving veteran drivers from the industry and scaring away potential newcomers, trucking operators face a challenging environment today. As competition to hire or contract truck drivers remains fierce, the big question among operators is how to remain competitive against larger companies that can invest substantially in recruitment services.

The situation is not unwinnable. It is possible to find the right combination of incentives to attract and retain talent by exploring different strategies. What are some of these solutions you can consider to win over candidates and keep our national freight needs met?

Increase Wages

Money makes the world go around—and it’s still true that the potential for a robust compensation package is a primary factor in attracting individuals to work for any company.



With high demand for drivers and low supply, the laws of economics demand that businesses find ways to offer more competitive wages if they want to bring in and, more importantly, retain drivers. The current market conditions bear this out. According to the ATA, truckers' earnings are increasing at five times their historical average rate of change.

Small and medium-sized operators will need to match these increases to continue attracting talent. In a study by economists from the University of Wisconsin-Milwaukee, drivers who stayed with a company longer were paid an average of 6% more than those who quit the business. The study estimated the cost for a business to hire a new trucker at about $3,600, while the salary increases amounted to $2,800.

The message is clear. SMBs wishing to stay competitive and fully staffed in the freight and trucking industries will need to increase their base pay offerings and wages per mile. Factoring additional perks or benefits into the equation when economically feasible, especially those qualified for overtime can also increase hiring success and driver retention.

Supplement or Offset Training and Equipment Costs

One prominent strategy SMBs can use to attract more drivers is incentivizing younger drivers to enter the field. Working together to help offset the cost of training for and obtaining a CDL can bring in fresh team players—and when done right, assisting drivers to pay for training, equipment, and other startup costs can help instill a sense of appreciation that may keep your new drivers around longer. If trucking companies want to defeat the driver shortage, they need to focus on removing barriers to entering the industry just as they focus on attracting veteran, experienced drivers.

However, keep in mind that some loan-style training arrangements have begun to fall out of favor. In these scenarios, operators pay for training but require a long-term commitment to the company—and a repayment plan for the cost of their tuition. It can make sense as more than 90% of drivers leave their original company within a year of joining—often to chase other opportunities for better pay. However, increasing scrutiny on the inherent unfairness of such arrangements means they aren't a viable option.

Alongside improving wages, operators must tear down some obstructions preventing new and younger drivers from entering the industry. With a median age of 46, the truck driving workforce isn't getting any younger. Offering financial incentives to open the door to new drivers can help.

Modernize the Trucking Work-Life Balance

If this current job market has delivered one lesson to employers, it's that they must find ways to implement flexibility and work-life balance. That's trickier for trucking than many industries, but it isn't necessarily impossible.

Offering more vacation time, flexible paid time off, sick time, and more time between lengthy trips are all options. Offering jobs that mix local, regional, and OTR work is another possibility. Logistics companies must remember truckers aren't automatons: they want to be at home with their family at the end of the day just as much as the rest of us.

Even when truckers are on the road, employers can use strategies to provide a more "balanced" working lifestyle. That might mean providing bigger per diem stipends for food so that truckers can eat healthier while traveling. Subsisting on fast food and gas station snacks isn't conducive to a happy attitude—or an alert mind and body.

Improving work-life balance might even mean helping drivers make plans for keeping up with exercise and fitness on the road. Consider too the value of fostering a good rapport between drivers on your team so that they can communicate with one another while traveling. Ultimately, the important thing is for fleet operators to be visibly involved and concerned about drivers—not just the loads they haul.

While none of these tactics can solve the problem alone, they can have a cumulative impact on drivers that are positive for mental health and job satisfaction alike.

Support Your Truckers

In surveys of truck drivers, one pain point emerges repeatedly: a lack of respect. In one survey of truckers subscribed to industry publications, a shocking 67% of respondents said that a lack of respect plays into the hiring crunch operators currently face. That feeling stems from underpayment, poor load assignments, or too little time spent at home can all contribute to a lack of perceived respect. Even more importantly, drivers may feel their fleet operators abandon them when they face challenges on the road from law enforcement, weather conditions, and other problems.

These slights aren't imaginary if so many truckers cite respect as a problem. While altering the culture of a business is harder than raising wages or scheduling loads more efficiently, it is still a crucial step. Companies must consider how they interact with and support drivers. Implementing anonymous feedback and conducting periodic reviews with drivers are two easy ways to start making changes to improve retention and hiring.

Improve Hiring Practices

Especially in a competitive job market, the cost per hire in the trucking industry is considerable—almost $4,000, as we noted before. Employers can avoid driver shortages and hefty hiring expenses by retaining the drivers they already have.

Thorough background checks – which the Federal Motor Carrier Safety Administration already requires – are one way to ensure better, longer-term hires. At backgroundchecks.com, our wide range of background check services – including everything from criminal history searches to motor vehicle records checks to employment history verifications – can help you make better hiring decisions consistently.

With greater confidence in your capability to choose reliable and trustworthy drivers, you can aim to reduce churn—but only if you're trying to implement some of the solutions we've discussed along the way.

Conclusion

The truck driver shortage is a serious hurdle for any logistics company, but it's not impossible to solve. While there are certainly reasons why there aren't enough drivers to go around at the moment, most of those issues can be resolved through smarter employment practices and protocols.

If anything, the current dynamics of the trucking economy are opportunities for trucking companies to be smarter about how they attract, recruit, train, develop, support, compensate, and retain their drivers. Labor is a premium, valuable commodity in the trucking world. Employers who learn that fact now will have the best chances of navigating this driver shortage and thriving in a post-Covid economy.