The second half of 2014 brought the largest number of driver pay raise announcements Gordon Klemp has ever seen.

Klemp has been tracking data on driver pay packages since 1995 as the head of the National Transportation Institute. He says a cycle of pay increases began in the second half of last year, with Tennessee-based U.S. Xpress kicking things off with a 13% pay raise. Major truckload carriers such as Heartland Express, Crete Carrier, Barr Nunn and others followed. Some increases were as high as 20%, Klemp says. The highest were for teams that haul time-sensitive long-haul freight.

It’s not just the high numbers that are a first — it’s the pace. A normal cycle of pay increases runs about 33 months, Klemp says. If things continue at this rate, “we will probably wrap up the cycle in about 13 to 15 months.”

The reason, of course, is that fleets are having a hard time getting enough drivers to meet high freight demand, thanks to demographic changes, tighter regulations and other factors.

Basic laws of supply and demand would seem to indicate that if the industry has a high demand for truck drivers and there is a shortage of supply, that a raise in pay would solve the problem.

It’s true that driver wages have not kept up with inflation (although that’s true of American wage earners as a whole.) Many trucking company executives acknowledge that driver pay needs to increase.

“The thing we all struggle with is that in order to attract new entrants, the average pay...is probably going to have to go up to $65,000-$70,000,” said Scott Arves, president and CEO of Transport America, a diversified carrier based in Eagan, Minn., speaking last fall at transportation research firm FTR’s annual conference. “All we’re doing now is stealing from those who can’t afford to pay. Raising pay from $45,000 to $46,000 is not going to suddenly make this job attractive.”

But it’s not that simple.

How important is pay?

When John Elliott started interviewing drivers who left and surveying existing drivers in an effort to improve driver retention at his trucking company, he got a big surprise.

“Everybody automatically assumes pay is the number one driving force,” says Elliott, CEO of the expedited and regional truckload carrier Load One in Taylor, Mich. “That’s not the case. Respect was it, hands down. It was almost two to three times higher in scoring” in the surveys, done by the third-party company Stay Metrics.

Tim Judge, director of research for Stay Metrics and a professor at Notre Dame, says what the firm has learned is similar to job attitudes in other industries he has researched.

“When people complain, they most often complain about their pay,” he
says. “But while it’s true that drivers don’t like their pay, it is not one of the areas that best predicts turnover.

“It’s not that pay doesn’t matter – but it’s not the only thing that matters. It’s not the top issue, but it’s in the top three,” Judge says.

We’ll save those other reasons for a future story in this series. For now, it’s clear that trucking companies are turning to higher pay as a way to attract and retain drivers.

One of the companies that recently raised pay was Nussbaum Transportation. The Illinois-based truckload carrier last year implemented what HR Director Jeremy Stickling says is probably the biggest one-time increase in his time with the company.

“We like to keep our pay package above the industry average,” he says of the 6% increase. “We know we haven’t quite caught up to the private fleets.”

Although Nussbaum has traditionally enjoyed relatively low turnover, in the 30-40% range, officials started feeling the driver shortage last year.

“It was time to do something and get serious about it,” he says. “We wanted the average system driver to be breaking $60,000, with $70,000 possible for a very efficient, hard runner.”

How competitive is driver pay?

According to government statistics and a recent association study, Nussbaum is definitely above average in pay for a truckload carrier.

U.S. Bureau of Labor Statistics numbers from May 2013 (the most recent available) show that “heavy and tractor-trailer truck drivers” earned an estimated mean annual wage of $40,940.

A recent study by the American Trucking Associations suggests that median pay for truck drivers is a little higher than that — on par with the national median for U.S. households. In seven of the nine categories of drivers covered by the survey, pay met or exceeded the U.S. median household income of just over $53,000.

The survey found 2013 median pay for truckload national, irregular route van drivers was just over $46,000.

Driver turnover discussions often include the fact that private fleets and less-than-truckload fleets have far less turnover than truckload fleets — and that they pay drivers more. ATA’s survey found that private fleet van drivers, at $73,000, earned 58% more than the truckload van average. The National Private Truck Council’s annual benchmarking study found that average pay for drivers overall in the private fleet community was $62,000 in 2013.

ACT Research compared driver wages to those in construction, an occupation that attracts similar candidates and on average pays more.

Between 2004 and 2008, average annual wage growth for construction workers grew at almost three times the rate of long-haul truckload wages: 3.6% per year versus 1.3% per year (not adjusted for inflation).
Some of last year’s big pay increase announcements:

- U.S. Xpress, Chattanooga, Tennessee, increased base mileage pay for solo drivers an average of 13% and implemented simpler pay structure.
- Less-than-truckload carrier Con-way Freight announced an increase in pay rates and a simplified pay structure that cuts the time it takes drivers to reach the top pay scale.
- Schneider increased compensation for its van truckload drivers, 8-13% higher per mile.
- Illinois-based Nussbaum Transportation announced a 6% pay increase for over the road drivers, plus a $1,050 minimum weekly pay guarantee.
- Crete Carrier, Lincoln, Nebraska, announced an 11% increase in the overall pay package. Sister company Shaffer Trucking announced a 17% increase.

From 2009-2014, however, long-haul truckload wages have grown at a rate three times that of construction (4.2% vs. 1.5%).

As a result, long-haul driver wages have narrowed the gap relative to construction sector pay. An average $5.15/hour gap in 2010 closed to an estimated $3.29/hour gap in November.

“The difference in the wage growth rates certainly gives you an idea of where the hiring pressure has been the past few years,” says Kenny Vieth, ACT president and senior analyst.

**Beyond pay per mile**

No matter how much you pay drivers per mile, there are many factors that can reduce the actual amount they receive in their paycheck. And that’s a major problem, according to Rim Yurkus, president and CEO of Strategic Programs Inc., which does engagement surveys of current drivers as well as exit interviews for client fleets.

“In terms of engagement surveys, right now the number one complaint of current drivers is unpaid time and wasted time at the shipper,” he says, followed by the wasted time at the receiver, and by wasted time between loads.

When doing exit interviews over the past two years, he says, the issue of pay doesn’t appear until number three on the list, and that’s disappointment in how much money they make compared to how much they expected to make.

“That’s where all those inefficiencies come in,” Yurkus says. “People get hung up on the cents per mile, when the real enemy is the inefficiencies around what the driver has to go through in order to optimize their earning potential,” he says.

Some carriers are trying to address the uncertainties of driver pay. They are negotiating with shippers to cut wait times and/or get detention pay to drivers to help make up for lost time.

A number of carriers added guaranteed weekly pay levels in their announcements last year, according to Klemp, either for new hires or all drivers.

“Some percentage of our turnover historically has been caused by inconsistency in income,” he says. “Fleets who implement this are trying to take some of the ‘lumpiness’ out of the pay cycle and retain drivers who may become discouraged.”

So is pay making a difference? “I think it is making some difference,” Klemp says. “I think on the front end it’s helping control turnover, and the second stage is I think everybody’s hoping it’s going to increase the number of hires they get.

“If we don’t raise pay, we’ll just have more people dropping out of the driver pool.”

For more on sign-on bonuses, go to www.truckinginfo.com/drivers2015.

Do sign-on bonuses work? Go to www.truckinginfo.com/drivers2015 to read about this trend, as well as other installments in our year-long series plus additional online-only content.