

BLOG

Ongoing Driver Shortage Should Prompt Incentives Rethink

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The transportation industry has endured a driver shortage for years, but the pandemic pushed it to an extreme, especially in the DSP, 3PL, courier, and last mile delivery space. To stay competitive and stay in business, delivery companies must consider shifting their approach to recruiting and retention.



Factors Intensifying the Driver Shortage

Many drivers found that it is simpler and safer to collect unemployment and stimulus checks than drive delivery vehicles. At the same time, the pandemic interrupted the schedule of key commercial driving schools.

Previously, drivers who completed training at one of these major schools were hired to drive for the company they trained with for one year. They would then go on to drive for other transportation and delivery companies after their year was finished. Due to the pandemic, these drivers were kept on for another year, eliminating a large crop of new commercial drivers from the transportation space.

As states end enhanced COVID-related unemployment benefits and the training school pipeline returns to normal, we expect that some drivers will return and the shortage will become less acute, but that's not a certainty. Competition from other industries - trades that are seen to be less dangerous, less taxing, and more rewarding - also attributed to the shortage and will persist.

The Risks of Lowering Driver Standards

With delivery demands skyrocketing during the pandemic, delivery and transportation companies had to hire drivers with less training and less experience to keep up, making costly accidents more likely. Desperate companies asked their insurance carriers to make exceptions and waive typical compliance requirements to insure these less experienced drivers. Given the state of the delivery industry and the urgent need for more drivers, some insurers have complied. They understand their role in keeping deliveries on track.

Tread carefully. Not thoroughly vetting your drivers could lead to a high turnover rate - either because drivers are not truly invested and leave seeking greener pastures or because they get in accidents and

need to be let go. If insurance carriers see a turnover rate of more than 50%, they will automatically deny coverage.

Attraction and Retention Techniques

- *Develop Paths for Growth:* One of the challenges delivery companies face when trying to attract and retain drivers is that many don't see a career path. Delivery company leaders would be smart to lay out a clear growth path for all employees, showing them how they can go from driver to manager to company executive. This will incentivize drivers to stay with a single company longer and to stay within the industry throughout their career.
- *Pay a Competitive Wage:* Plain and simple: if you aren't paying a livable wage, higher than comparable roles in other industries (i.e., construction), no good driver will want to work for you. Note that this is only one crucial part of a larger solution. One company needed to bump salaries up to \$14,000 a week in order to gain experienced drivers, indicating deeper industry issues.
- *Make it Worth Their While:* The working atmosphere of delivery driving is seen as unappealing. Companies need to fight against this perception by offering better benefits and fostering a happier environment that supports work/life balance.

Leveraging Benefits Packages

Insurance benefits could be the key to attracting and retaining good drivers. Risk Strategies is working with clients to offer employed drivers life insurance that they can take with them if they ever leave the company. This is an incredibly valuable benefit rarely seen. If it proves effectively enticing, we will expand the benefits packages further, offering pet insurance and other products currently not offered in transportation. Thinking outside the box is necessary when no normal tactics seem to be working.

If you're in the transportation industry and have felt the impact of the ongoing driver shortage, Risk Strategies experts are here to help. We have extensive experience in the space and can provide counsel and solutions, including the benefits package option outlined above. Interested? Reach out below.

Want to learn more?

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