

Workforce in the transportation and distribution industry

Transcript

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RANDOLPH SMITH:

Hello. I'm Eric Gonzaga, National Managing Partner for the Human Capital Services practice at Grant Thornton. And I'm pleased to be joined by Randolph Smith, who is the National Managing Partner for the Transportation and Distribution industry. Randolph, it's great to be here with you today to discuss workforce issues, and I am looking forward to discussing transportation and distribution with you.

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ERIC GONZAGA:

Well, Randolph, why is the industry struggling from your perspective?

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RANDOLPH SMITH:

Well, Eric, you know, from an economic standpoint, they're actually doing very well. But from labor issues, they have been struggling for years and are continuing to struggle. Especially in the transportation sector, the driver shortage has been exacerbated upwards of a hundred thousand short on drivers -- between 80-100,000 short on drivers -- especially in the long-haul trucking and in the truckload long haul part of the industry. The issues of being away from home are significant. Drivers want to be home more frequently. There are regulations with regard to how much they can drive per day. And so companies are being very aggressive in recruiting them, as they really kind of always have been. But we've seen pay skyrocket.

We've seen bonus payments both onboarding and retention bonuses. We've seen better issued help with parking, etc. So it's a very significant issue that's really disrupting the supply chain and has been, as we all know, for the last couple of years.

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ERIC GONZAGA:

Right. And, you know, Randolph, it's always been a struggle to get drivers. But why is that struggle more intense at this point?

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RANDOLPH SMITH:

Well, part of it is that the average age of drivers is pushing in the 50s. And people aren't attracted to the industry. As you know, unemployment's very, very low. It's difficult to attract someone to become a driver from another industry. Construction trade has been very strong, which is a situation where they're getting home daily in most cases. And just the lifestyle of being on the road. I was talking to somebody yesterday where a local company was offering drivers \$80,000 a year to drive where it's a local job, intrastate, home every night, along with a \$20,000 signing bonus. So this really kind of got a bit out of hand. And that labor shortage and the driver shortage has caused a real issue in the transportation and the distribution sectors.

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ERIC GONZAGA:

What do you feel are the biggest changes that the industry can make to address the worker shortage in conjunction with the outside bodies?

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RANDOLPH SMITH:

One thing, Eric, that's great about this industry is that all the various sectors and competitors work together to solve these problems. And they're kind of working together with both federal and state governments. They are addressing an opportunity to get younger drivers involved. Right now, you have to be 21 years old in order to have an interstate CDL. And so we've got people returning from the military and other young people who have experience or had their CDL but can't do over-the-road or enter interstate commerce. And so we're looking at some legislation to allow that to actually happen so that those 18 and older or 19 and older can drive, which would help tremendously. Another thing that they've done is hire people at their companies to work in other parts of the business, for example, their terminals or their docks, and get them involved in the business with the effort to convert them to drivers once they attain the age of 21. There are also many companies starting their own driver schools in an effort to train these guys, so that they're ready, -- guys and girls, frankly -- so that they're ready to drive when they attain the age of 21. And then also there's been more focus on, especially over the road, with partner drivers. So you have teams of drivers, two people per tractor, allows them to drive essentially 24 hours and makes the travel a little easier on each. And so that's been somewhat successful at various companies. We're especially excited about the fact the government's actually looking at legislation finally to allow these younger people to drive.

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ERIC GONZAGA:

When we think about some of the future solutions to meet the demand, what are some of these final solutions and strategies that the trucking industry can take?

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RANDOLPH SMITH:

The American Trucking Research Institute has released studies that show what the drivers' 10 biggest concerns are and what the carriers' 10 largest concerns are. And driver pay is, as you can imagine, highest from a driver standpoint. But it does remain on the list that the carriers continue to focus on pay. One other issue that has had a dramatic impact is there's been a lack of parking for these drivers. Lots of states have shut down their rest areas for various reasons.

And so that creates a real critical issue. Drivers sometimes spend a couple of hours a day looking for parking and they can only drive 14 hours, excuse me, 11 hours total out of 14 hours a day. So it's a really tough situation.

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ERIC GONZAGA:

From my perspective, certainly compensation and benefits, that's table stakes at this point. And the numbers are going up higher than they have historically. And like other industries, the trucking industry just needs to match the market to the extent that they can. However, what has become, and this is somewhat industry agnostic, when we think about the second phase after folks have enhanced their compensation and benefits, there are some very wonderful strategies that Randolph was talking about that certainly are helpful, like driving schools. There's some relationship there to health systems, opening up nursing schools to help with the nursing shortage. And that's been used to great effect. But ultimately the biggest change in all industries is taking care of the employee, emphasizing culture -- number one. And number two, enhancing appearance and transparency and communication with the team. And that would relate back to the truckers as well to get them to tie into the culture of the organization, because studies have found that compensation benefits are very important. However, is it going to be if you're paid fairly, competitively with the rest of the market, is that what's going to keep employees? And the answer is no. It really comes down to all things being equal, enhancing the culture. And so that includes things like training and education, but it also expands to the broader array of how you recognize, reward and motivate your employees. So I think from that perspective, it really comes down to culture and enhancing culture. Just to kind of show your competitive differentiation really is about your employees as opposed to just simply the differentiation in pay.

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RANDOLPH SMITH:

Eric, I'm curious, you've worked with many different industries. How might the transportation and logistics and distribution industries learn from things that others have done that have been successful?

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ERIC GONZAGA:

Ultimately, just in reference to organizational culture, successful companies -- and actually in the trucking industry we've seen that as well -- is in taking proactive action in terms of managing culture, perceptions by the employees and really taking feedback very seriously from employees, in terms of whether it's work-life balance or just simply the wants and needs of truckers themselves.

When you think about the greatest source of data nowadays, I mean, often times, whether it's Glassdoor or other online reviews, these are even taking into account within the context of the trucking industry, which historically hasn't been the case. So it's a good sign recognizing that this industry, which has struggled with drivers before COVID, and certainly it's more pronounced at this point -- it's just that trucking companies are beginning to get in tune -- not beginning -- they are emphasizing the need to stay in tune or get in tune with their truckers. No different than any other in this industry, recognizing that they're producers for the organization.

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RANDOLPH SMITH:

So thank you for joining us today. I hope the information we shared with you all was helpful. Also, I want to thank Eric for participating. Feel free to contact us with questions. Thank you.

