

Incentive Plans Driving Employee Retention in Transportation

In This Paper: Employee Incentive Plans can lead the way to Lighten the Load for Trucking Companies Attempting to Meet Driver Recruitment and Retention Challenges

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This article is intended as basic information only, it is not intended as legal advice, nor is it inclusive of the varying state laws that may apply, which may or may not be more restrictive. We encourage you to speak to your human resource professional or to consult an attorney for specific questions applicable to your company and employees. Information current as of publish date.

It's common knowledge that there are quite a few challenges to running a trucking company in today's day and age. Just to name a few: rising costs of equipment, fluctuating fuel costs, and the federal regulations that have been recently implemented and those that are right around the corner. Also not to be ignored is possibly the most pressing challenge in transportation today: The retention of drivers.

One of the most effective employee retention actions a transportation business can take is implementing an employee incentive plan. Employee incentive plans can be successfully deployed, though interestingly only after executive buy-in. Moreover, the financial benefits of incentive plans can be calculated and reported if the incentive plan is well designed from the beginning. It is also imperative that decision makers are patient regarding outcomes (12-24 months for some plans to produce outstanding results). However, Human Resource and Safety personnel will have a very difficult time obtaining C-Suite support if the Incentive Plan does not grant certain assurances such as improving safety and productivity while simultaneously making financial sense.

Why Bother Building an Incentive Plan?

The primary purpose of any incentive plan should be to achieve a set of predetermined goals agreed upon by employees, management, and the C-Suite. Ironically, many transportation companies already have incentive plans in place, but they might be falling short in reaching those predetermined goals (if there were any goals set at all).

Also, larger trucking companies are paying out very handsome signing bonuses that smaller to mid-size trucking companies cannot afford to offer. However, those smaller to mid-size companies can level the playing field by bolstering their performance-based compensation. That way, at the end of the year when doing their taxes, the drivers' pay numbers are equitable to their peers' who are working for a competitor.

How About Some Best Practices?

Regardless of whether you are just beginning to consider implementing an incentive plan, or your company has had one in place for some time now, it's never a bad time to share some best practices about Incentive Program Design that we know can be helpful while you review your employee retention program:

1. Make sure that results and pay are aligned. The desired results should be achievable, yet challenging. Consider using a tiered system of rewards, and at the same time keep the program simple. Surveying and/or soliciting feedback from the potential participants is always wise.
2. Communicate the company's long term goals to all employees and align the incentive plan with those long term goals.
3. Be certain you are rewarding the correct behaviors and the correct results. For example, make sure that your employees aren't cutting corners to reach their incentive plan's goals. One undesirable result might be that you discover that employees sacrifice safety and quality to reach a time-related deadline. That would be counter-productive to say the least. (1)

4. Consider a quarterly pay-out. Far too often, rewarding employees with annual bonuses (based upon incentive plan performance) makes it difficult to communicate what was actually achieved. Plus, the presence of a quarterly bonus can help bolster recruitment efforts while reviewing the benefits offering with a potential new hire.
5. Take the time to assess recent company performance. If there are no benchmarks, it will be difficult to assess whether or not actual progress has been made. Take into consideration seasonal business changes, the type of haul, and other relevant business criteria such as client or contract growth as well.
6. To mitigate risk and reduce the probability of a discrimination claim based upon favoritism, etc., be certain that the incentive plan be integrated into company policy. The most common places where the incentive plan policy could reside are in the Employee Handbook or in the Company Manual.
7. Set a budget. This might seem obvious, but many companies forget about the cost to begin an incentive plan. Specifically, set aside appropriate funding for development and implementation.
8. Establish that ALL employees are eligible to participate in the incentive program to some degree. Granted, a driver's goals are going to be different than a dispatcher's, but that shouldn't mean that all employees cannot contribute to reaching the goals agreed upon by the architects of the incentive plan. Some companies have broken out company incentives, department incentives, and individual contributors' incentives to meet that end.
9. Be mindful that an effective incentive plan is a proactive event, and not a reactive one. An incentive plan should never be used as a "quick fix" in a crisis situation.(2)
10. Allow for feedback from all participants. Some of the most successfully communicated incentive plans have identified or created a place (on site suggestion box, or email address) where employees can leave feedback. The opportunity for anonymous feedback would be ideal as well.

Yeah, Yeah... Cash Is King, But What Other Rewards Options Are There?

The general consensus is that incentive pay outs are maximized when a goal is met within a given span of time. However there isn't consensus on the type of reward(s) given to employees. Certain groups of employees might value some rewards more than others, and there might be geographical differences as well (football tickets for example might not be as valuable in a region that doesn't have a team nearby).

The point is, just about every employee when asked will state they want cash as a first option, but some companies refuse to offer cash rewards. Management should be very mindful of tax implications of cash rewards as well. Being certain that the money is set aside (remember budgeting) is wise because the only thing worse than not offering an incentive plan is offering one and not paying out the rewards to the employee(s) who have earned them.

To help you out, below are some alternatives to cash rewards for your consideration:

1. Merchandise – reward employees with anything with the company logo might work here.

2. Formal Recognition – as stated by the Canada Safety Council, “Formal recognition can take the form of a plaque, certificate, pin, or other type of reward or memento.” (2) Apparently formal recognition is more fondly accepted by tenured or experienced personnel. (8)
3. Special Assignments – allowing the drivers to select their routes, or allowing the driver to select routes that would allow them to return home more often.
4. Promotion – be careful with this reward, because there might be limited positions to promote to. Moreover, this incentive could lose its allure if it is perceived as unattainable.
5. Special Events-picnics, fairs, and community gatherings could all be used as an incentive.
6. Paid time off–consider rewards that include bonus vacation or casual days.
7. Gift cards-these can be an effective reward, especially to a local gas station or popular restaurant.

This could be an excellent opportunity to get creative and set your company apart from your competitors. On the flip side of the same coin, if a competitor is using an incentive reward that is generating excitement in your community or region, personalize the idea and roll with it!

Some Interesting Incentive Program Numbers

Here are some interesting numbers in regard to incentive programs in general. Some might serve as a cautionary tale:

- 39% of the transportation companies responding to a HireRight survey conducted in 2013 said they are increasing pay (4)
- 36% of the transportation companies responding to a HireRight survey conducted in 2013 said they are offering various incentive programs (4)
- 2 or 3 key metrics should be used to demonstrate a proven link to value when reporting results (5)
- 75% of safety incentive programs surveyed by the Government Accountability Office in 2010 had safety incentive programs that may affect workers’ reporting of injuries and illnesses (6)
- According to Towers Watson’s 2014 Global Talent Management and Rewards Study, only 45 percent of employees surveyed think managers are effective at making sure pay decisions reflect employee performance (7)
- According to Towers Watson’s 2014 Global Talent Management and Rewards Study, 52 percent of employees say their companies do a good job of explaining pay programs (7)
- 70 percent of short term incentive plans use pre-established targets to evaluate performance (8)

Summary

Remember the importance of communicating the fairness of your incentive plan. Making certain the plan is well communicated and everyone has an opportunity to be rewarded for their enhanced performance is paramount. For example, take this ideology from www.SimpleNumbers.me:

“Equity matters more than equality. Differences in pay aren’t a problem as long as they’re fair. When [employees] are paid less than [colleagues] who aren’t performing any better, jealousy, resentment, and discouragement often follow. When they’re paid less than teammates who deliver more value, they understand.”(3)

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