

PREDICTIVE SELECTION SOLVES RETENTION, SAFETY & PERFORMANCE

PAPER TRANSPORT LEADS INDUSTRY WITH
JOB BEHAVIORS PREDICTIVE DRIVER HIRING SOLUTION

**“WHEN YOU BRING IN A BETTER-QUALITY CANDIDATE
EVERYTHING GETS BETTER IN YOUR BUSINESS.”**

JEFF SHEFCHICK

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Historically, driver retention plummets during periods of economic growth and recedes when freight volumes decline. This pattern did not hold in 2019 and 2020.

Retention rates were in freefall in 2019 when the freight economy cooled after a white-hot 2018. In the third quarter of 2019, turnover reached an annualized rate of 96% for large truckload carriers (more than \$30 million in annual revenue), the highest on record since the second quarter of 2018. And smaller carriers felt the pressure too, seeing turnover rise six points to hit a 73% annualized rate.

Falling retention negatively impacts fleet profitability by dragging revenues down from idle equipment and inflating the costs of fleet administration – erasing profits which are already contracting. It also puts a heavy strain on the culture of transportation companies.

DRIVING THE CHURN

Estimates by industry experts put the average cost of recruiting, hiring and onboarding each driver at \$11,500. Given current churn rates and the size of the truckload sector, carriers collectively spend more than \$8.8 billion per year just to keep driver capacity stable. Solving retention represents a tremendous opportunity to unlock new profits without having to expand.

Many leaders may feel turnover is an uncontrollable function of the economy, an unavoidable cost of doing business. Many take comfort in believing they're likely no worse off than their next competitor.

Due to competitive pressures, motor carriers often feel compelled to relax hiring standards to maintain and grow their capacity by widening the applicant pool. But a new breed of trucking leaders are zeroing in on retention by upgrading their selection practice.

These leaders believe that focusing on who they hire - not economic forces out of their control - can turn the tide against turnover.

Rather than hiring any driver with minimum qualifications who raises a hand, these leaders are deploying new selection technology to explore how drivers will behave on the open and in front of clients. And these tools are paying off by predicting how safe, loyal, and productive candidates will be compared to the best, most highly tenured drivers in their fleet.

PREDICTIVE = PROACTIVE = PROFITABLE

Most carriers focus on confirming minimum qualifications and technical skills but have no ability to assess a driver's behavioral make up – the way they will act unsupervised, during pre-trip inspection, on the radio with dispatch, and over the road with other drivers, law enforcement and in front of clients.

Without this foresight, motor carriers hiring practice becomes the de-facto method for screening applicants. This means most companies only find out if they've made a good or bad personnel decision after spending thousands to recruit, hire, onboard and train. The expensive technology many carriers employ only tells the story of turnover and safety incidents after they take place and can do little or nothing to prevent them.

And turnover costs are just one outcome of hiring decisions. The people companies put behind the wheel have most, if not all, direct impact on business health, from accidents rates, miles driven, fuel efficiency, unscheduled maintenance costs and customer satisfaction with driver interaction.

SELECTING FROM TOP TWO-THIRDS OF CANDIDATE POOL PREVENTS TWO-THIRDS OF PROBLEMS (OR MORE)

The performance and profitability of drivers, and most workers, fits the Pareto Principle, commonly known as the 80/20 rule, which means roughly 80% of the effects come from 20% of the causes. Similarly, for any given fleet, the bottom third of drivers cause two thirds or more of costly, hazardous problems:

- No-shows, shifts missed
- Headaches with dispatch
- Unfavorable interactions with law enforcement
- Unscheduled maintenance costs
- Excessive fuel costs
- Poor interactions with customers
- Avoidable accidents and property damage

Predictive analytics brings x-ray precision to the recruiting process by identifying applicants who have the right attitudes and behaviors to be successful from the start.

Attitudes and behaviors are more important than technical job skills, which can be developed with training and technology. By using predictive insights at the point of hire, fleets are able to get off the merry-go-round of driver turnover and raise profitability.

PUTTING PREDICTIVE HIRING TO THE TEST

In March 2018, Paper Transport, Inc. (PTI) reached a critical juncture. Ben Schill, vice president of the De Pere, Wis.-based truckload carrier, was disturbed by the fleet's rise in turnover of 10 percentage points since January to surpass a 70% annualized rate.

The high turnover negatively impacted the fleet's operations and culture. He began to explore options to improve the recruiting process, thinking that perhaps a mathematical solution would help PTI identify safe applicants who would be a better fit for the company.

"My mind was slanted around predictive analytics and that space," he says.

Schill discovered a predictive behavior assessment tool from JOBehaviors. In the competitive trucking business, he recognized that adding more qualifications to the hiring process might be risky in terms of sustaining business growth, but management of PTI was fully onboard.

The company, which operates about 900 power units, began using JOBehaviors in October 2018. Going forward, all driver applicants had to take the online assessment that predicts commitment, safety, professionalism, productivity, customer care and other areas of job performance.

From that point, the company only hired candidates who rate in the top half of the hundreds of thousands of drivers who've taken the assessment.

JOBEHAVIORS PREDICTIVE HIRING TOOL IS TURNKEY

JOBehaviors conducts extensive behavioral analysis with top rated drivers in the industry to formulate objective, scientific pre-hire assessments. It combines the method with a proprietary rating system to determine how closely candidates match behaviors of the best, worst, or average drivers on the road.

To serve the transportation industry, JOBehaviors has pre-hire assessments specifically engineered for long haul drivers, delivery drivers (who typically have more customer interaction), freight handlers, diesel mechanics, school bus, and motor coach drivers.

The assessment takes drivers about 10 minutes to complete with simple questions asking them to choose behaviors they identify with. The method controls for social desirability by presenting choices that appear equally positive, making it virtually impossible to cheat.

As soon as candidates complete the assessment, JOBehaviors 5-star rating system clearly advises companies whether to move forward or end that candidate's journey in the hiring process. Each star represents percentiles. Driver candidates in the top 50% (3, 4, and 5 stars) are most likely to stay and positively impact a

fleet's culture and profitability. Likewise, the bottom percentiles are far more likely to leave and cause a drain on profitability.

Implementing the tool can be done with step-level changes. A fleet could at first avoid 1-stars to focus on the top 70% of candidates, for example, and then at a later date raise the bar to the top 50% of job applicants.

The tool is a turnkey system. When fleets sign-up they get an online account and a custom URL link to send to drivers as part of the job application process. The URL can easily integrate with the workflow of driver applicant tracking systems.

Drivers do not see their scores when finished. The results are instantly emailed to a recruiter as well as archived for the fleet.

CARRIERS CAN ACHIEVE STEP-LEVEL IMPROVEMENTS

After flipping the switch in October 2018, Paper Transport had an opportunity in February 2019 to use JOBehaviors for a group of about 50 drivers who applied to PTI at the same time. The drivers worked for a different motor carrier that PTI replaced by taking over a dedicated customer account.

If a random group of drivers took the assessment, Schill predicts about half would score 3 to 5 stars on the assessment. In this instance, 80 percent of the drivers scored in the top 50 percentile. The results validate the accuracy of the JOBehaviors predictive tool, Schill says.

"It made sense because all of the drivers had been [at the previous carrier] for a while," he says. "The average tenure of the drivers was multiple years and their job performance was high."

About 40 percent of PTI's drivers, to date, have gone through the JOBehaviors assessment since October 2018. One of the first benefits that PTI realized was a higher percentage of drivers showing up for orientation.

For years, PTI's orientation no-show rate hovered around 30 percent. With JOBehaviors the rate dropped to 10 percent straightaway and the cost savings were immediate. PTI is now spending far less on pre-paid transportation and lodging expenses for no shows.

Since October 2018, driver turnover in the first 90 days fell by 33% and the fleet's overall turnover rate went from 79% to 48% on an annualized basis.

"I wholeheartedly believe that JOBehaviors is crucial to a lot of this," Schill says.

Management expects to realize further improvements in turnover as a larger percentage of the fleet goes through the JOBehaviors hiring process.

RETENTION IS JUST THE BEGINNING

The cost savings from reducing driver turnover by hiring committed drivers from the start can be significant

for any size fleet. Using a conservative estimate of \$10,000 to replace every driver who leaves, a 1,000-truck carrier will stand to pocket \$3,000,000 in savings annually by reducing its turnover from 80% to 50%:

Before JOBehaviors: 1,000 drivers X 80% turnover rate = 800 drivers replaced annually

After JOBehaviors: 1,000 drivers X 50% turnover rate = 500 drivers replaced annually

Benefit with JOBehaviors: 300 fewer drivers replaced annually

Using a predictive behavioral tool at the point of hire also will bring a greater percentage of 3, 4, and 5-star drivers (top 50 percentile) in the fleet, and turnover rates will continue to drop and fleet performance continue to improve.

PTI has seen improvements in driver performance across the board since it implemented JOBehaviors in October 2018. Drawing straight-line conclusions for the changes is difficult because 60% of drivers in the fleet, as of February 2020, were not brought through the predictive hiring process.

From a top-level perspective, Jeff Shefchik, president of PTI, credits JOBehaviors for the company's ability to bring in higher quality candidates. Besides reducing turnover, the company has seen improvements in the areas of driver training, equipment maintenance, customer service and safety, he says, "When you bring in a better-quality candidate, everything gets better in your business."

Ben Schill has tracked step-level changes for all these areas by analyzing data from PTI's driver scorecard. Comparing data for new driver hires in 2018 to new hires in 2019 by month of tenure (1st month, 2nd month, etc.) shows the improvements at PTI that can be attained by any size fleet by using predictive analytics at the point of hire.

Productivity

A lower no-show rate for orientation and turnover in the first 90 days directly impacts revenues by having fewer empty power units for shorter periods of time.

Data collected from 230 fleets that participate in the Truckload Profitability Program (TPP) from the Truckload Carriers Association show the daily revenue per truck for flatbed and refrigerated carriers varies from a low of \$3,000 to a high of \$5,000. For dry van fleets, the range is between \$2,800 and \$4,800 per day.

Productivity gains for PTI have come not only by lowering turnover but also **from a more engaged driver force**, says Kornowske, **willing to take extra loads during the workweek.**

Fuel Efficiency

Despite the best efforts of truck manufacturers and aftermarket suppliers to optimize fuel economy, studies show as much as 30 percent of mpg is directly controlled by drivers. Generally, every one-tenth (0.1) increase in MPG saves a motor carrier \$1,000 annually in fuel expense.

PTI has seen fuel efficiency improvements from JOBehaviors. **The MPG scores for drivers it hired since with JOBehaviors are 3% higher than drivers hired prior.** Idle time reduction has been the most significant improvement. “Drivers care a little bit more,” Schill says.

Maintenance

Drivers who are engaged and performing at a higher level inspect and care for equipment properly. Low-performing drivers do the bare minimum and increase fleet maintenance costs from road calls and breakdowns.

A study by the Technology Maintenance Council (TMC)/FleetNet Vertical Benchmarking Program shows dry van truckload carriers averaged 14,333 miles between breakdowns in 2019, and their average cost of unscheduled repairs was \$513 per incident.

With a more engaged driver workforce in 2019, PTI’s fleet maintenance costs were under budget. Although the costs went up, as they do every year, the rate of increase in 2019 was lower than previous years, Kornowske says.

Safety

One of the most worrisome trends in the industry is the increased number and cost of truck accidents. According to data tracked by the TPP program in 2019, truckload carriers had a preventable accident rate of 0.484 per 100 million miles. The cost of preventable accidents and insurance has doubled in the past seven years to reach \$0.009 per mile.

Drivers hired by PTI in 2019 have had fewer preventable accidents and fewer speeding infractions than drivers hired in 2018. The average safety scores of PTI’s scorecard improved a modest amount in 2019, but the year was among the company’s safest ever. **“What we have found is that a safe driver is going to score well on the assessment,”** Kornowske says.

ACHIEVE SUSTAINABLE LONG-TERM GROWTH

The cost savings PTI achieved from reducing turnover have to be weighed against the slower growth that it experienced in the first few months as a result of approximately 50% of driver applicants not making the cut.

Paper Transport is willing to make this tradeoff to have a more sustainable and profitable model of future growth.

“We certainly cannot grow as fast as we used to but over the long term we are going to grow more,” Kornowske says.

As part of its long-term growth strategy, Paper Transport is able to accurately predict the success of drivers it hires from CDL schools with the JOBehaviors assessment. Once new drivers go through PTI’s training

program, they have performance scores in PTI's scorecard system that are higher, on average, than tenured drivers.

For PTI to identify high performance drivers from CDL schools who lack a previous track record in the industry further validates the use of predictive analytics for hiring.

“Now we have committed people coming through the door that really want to work with us,” he says.

Appendix: The Trucking Industry—By the Numbers:

- **96%:** the annualized turnover rate of **large** truckload carriers in Q3 2019
- **73%:** the annualized turnover rate for **small** truckload carriers in the same period
- **\$11,500:** the average cost of hiring and onboarding a driver
- **\$8.8 billion:** the estimated spend for the trucking industry to **replace labor** annually, at present state

- **5-10%:** percentage of qualified drivers that **show up** to orientation trainings
- **65%:** percentage of qualified drivers that stay on with the company **90 days after training**

- **\$513 - 14,333:** average cost of unscheduled repairs for a breakdown vs. average number of miles driven between breakdowns in 2019

- **30%:** percentage of miles per gallon that is **directly controlled** by drivers in the field
- **\$1,000:** amount of fuel expenses **saved** per one-tenth (0.1) increase in MPG

- **\$.009:** the average cost per mile of insurance as it pertains to **preventable accidents** for truck carriers
 - This shakes out to about \$1,000 per driver in preventable accident coverage alone a year
- **100,000-120,000:** miles driven annually by the average truck driver

All of these industry statistics have one thing in common: the need for data-driven, step-level improvements in order to hire higher-quality drivers that conserve fuel expenses, respect the equipment, and ultimately drive safer & longer.

That's where JOBehaviors comes in – ready to help carriers hire more loyal, safe, positive and productive drivers on the road representing their fleet with a proven, scientific tool.