



Benefits of Activity-Based Pay

According to the American Transportation Research Institute's (ATRI) annual study of the leading issues affecting the trucking industry, motor carriers, who made up 51% of the respondents, overwhelmingly picked the driver shortage, while drivers, comprising 35% of respondents, listed compensation as their top concern.

It's not that fleets have reduced pay rates, in fact the National Transportation Institute (NTI) reports truck driver pay rose on average close to 10 percent last year. At the same time, the modern supply chain presents both carriers and drivers with challenges that offset increases in pay per-mile including reduced average length-of-hauls and reduced productivity. Drivers are often being asked to do more than steer the truck to its destination. Private fleets, in particular, often have drivers doing tasks such as loading and unloading, even stocking store shelves. Truckload and LTL carriers will often have to help unload as well, plus they have detention time to account for.

One solution that continues to be discussed as a way to glue together the common concerns of those in the trucking industry is Activity-Based Pay. Rather than being paid strictly by the mile, drivers are, as the term implies, paid by the activity. Per Joe Evangelist (EVP at Transervice Logistics) as quoted in Fleet Owner, "The premise of incentive-based /productivity pay is to ensure drivers are motivated to perform. It is geared toward making the delivery process precise as opposed to make as many stops as you can make in an eight-hour shift."

It's hard to put a price on productivity. But here are five clear reasons why adopting an Activity-Based Pay system can add value to your organization – in addition to the fact that when drivers are more productive, it also means more revenue for your company. Activities include things like pre- and post-trip inspections, drive time, fuel time, driver assisted loading or unloading, stop time, wait time, etc.



Flexible Solutions

Activity-Based Pay makes the most sense where multiple stops are made – e.g., relay loads, spotting trailers, recording detention, etc. One of our customers breaks out pay when drivers must deliver to multiple locations instead of just one, otherwise known as “peddle miles.” As a result of tracking these peddle miles and being compensated accordingly, drivers whose runs are under 30 miles saw upwards of a 20% higher pay-per-mile compensation rates than if they made fewer deliveries on longer runs.

Another BOLT customer that delivers from six mills to customers in a regional operation, had described their challenges in piecing together dispatch and pay like a “jigsaw puzzle without a box top for guidance.” The company now pays its drivers in “segments,” and the rate can also be broken out per mile on longer trips. Plus, loading can have a pay structure, which can include a self-load fee at the mill, and even a bonus for scheduled deliveries at odd times like after midnight on a Friday and on holidays.

Better Recruiting

Adopting a strategy that gives drivers the opportunity to make more money while also getting them more home time is a win-win. Activity-Based Pay can be especially attractive when seeking drivers for night and weekend runs since those activities can be assigned added value. A recent hiring announcement from a national carrier, for a dedicated night driver delivering loads to a major retailer, promoted a “three-day work schedule with activity-based pay calculated by mileage and stops. You decide how much you earn and how often you are home.”

Reduced Turnover

With Activity-Based Pay, turnover may initially increase as poor performers rotate out, but over the long run, turnover can drop dramatically due to increased pay and employee engagement. Through experience, we’ve found that fleets can reduce their driver turnover rate by as much as 20% by implementing well-defined pay options.



Less Oversight

Activity-Based Pay changes the role of the dispatch in the supply chain. Drivers now have the motivation to improve their performance and management can focus on removing obstacles that block their path. With the myriad of ELD technologies and sensors now being incorporated into trucks, BOLT is able provide management with reliable data concerning everything from what is affecting the schedule along the route to wait time and handling activity at the delivery end. Every piece of information that can be gathered helps in the development of a more efficient operation.

Cultural Change

Activity-Based Pay creates a culture of productivity. It's not a raise. Drivers have to earn their keep. Not only do drivers work harder when incentivized properly, such a system aligns employee performance with company objectives such as improving delivery times, increasing fuel economy or promoting safe practices to maintain an excellent CSA score. Outward results start from within — setting clear targets and expectations, and providing constant feedback to help employees meet their goals.

We have seen fleets switch to activity based pay that have achieved an immediate 15% - 20% productivity increase. The end result of moving to an incentive-based pay package is either more work per driver or less drivers needed to get the work done. In some cases, a fleet can gain additional business because it has the extra manpower available.

Ultimately the goal of incentive-based / activity based pay is to ensure a fair day's pay for a fair day's work – for both the driver and the fleet

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