The Study on the Shortage of Professional Drivers in Canada

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Short summary:

The following paper provides the reader with an overview of the Canadian trucking industry and the issues that have and continue to impact the shortage of qualified drivers. The paper provides a historical look at the analysis of the industry going back to 1991 when the Government of Canada looked at the human resource challenges and opportunities of the industry.

This study led to the establishment of the Canadian Trucking Human Resources Council in 1994. The paper also describes the work of the Council from the research conducted and the products and services develop to address the human resource challenges.

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(1) Introduction to the Canadian trucking industry

(1.1) Economy

- Trucking plays a significant role in Canada's economy. The industry is involved in the vast majority of goods transported across the country, including raw materials, components and consumer end products. For example, 90% of all consumer items and food supplies in Ontario are shipped by truck (Ontario Trucking Association, 2008). Hence the saying "*if you got it, a truck brought it*".

- Canada's economic prosperity is closely tied to its trade activities, particularly with the United States, Canada's leading trading partner. Canada and the Unites States have the world's largest bilateral trading relationship.

- In 2009, as a consequence of the global economic slowdown that had started in 2008, Canada's trade with the United States decreased from $603 billion to $456 billion, a drop of 24.4 % (due mainly to exports falling by 28 %), while trade with other countries also decreased by 15 %. Trucking accounts for transporting 59% of the total value of trade with the Unites States.

- The value of Canada–U.S. trade transported by truck in 2009 was a meagre $270 billion when compared to the industry best year in 2000 where trades were $383 billion.

- In 2008, Canadian for-hire carriers drove 221.7 billion tonne-kilometres, down 1.4 per cent from 2007. Roughly 129.6 billion tonne-kilometres (59 per cent) were carried in the domestic sector and 92.1 billion tonne-kilometres in the international sector.

- The trucking industry is known to be an indicator of how well the Canadian economy is doing. In recent years, the trucking industry was severely impacted by the Canadian dollar rising to $1.103, surging prices of fuel, declines in manufacturing and of course the global recession that has severely impacted the movement of goods to and from the US.

- Recent studies have indicated that 60% of Canadian shippers were forecasting growth in their freight volumes for 2011 and that trucking would be the main beneficiary of this forecasted increase in shipments with 43% of shippers (Inside the Numbers with Lou Smyrlis, 2011).

- It was anticipated that improvements in the economy would lead to driver shortages once again.

(1.2) Composition and Structure

- There are approximately 50,000 trucking companies in Canada of which 80% are small- and medium-sized operations (Ontario Trucking Association, 2006). However, the 20% of large-sized firms employ approximately 80% of the workforce. Owner-operators, who more often work with for-hire firms than private ones, account for approximately 36,000 of those operations (Transportation in Canada, 2006).

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- In 2009, the trucking industry's labour force was comprised of 275,500 people with 254,300 employed workers. Compared to the previous year, the industry's labour force was 300,000 people with 289,200 employed workers. (Labour Force Survey, 2009)

- The trucking industry is highly male-dominated and the male/female ratio has hardly changed from 2007 to 2009 with men accounting for about 83% of the industry and women 17%. The difference is even greater in the truck driving occupation, with women occupying only 3% of truck driver positions. On average in this industry, between 2007 and 2009 women only made 70% of what men earned.

- Men's weekly earning went up every year from 2007 to 2009 from $886.45 to $895.88 to $918.12. However, salaries for women were more volatile, with average weekly pay changing from $626.49 to $667.20 to $610.08. (Labour Force Survey, 2009)

- Census 2006 data shows that the trucking industry has a higher than average age profile, with 46% of the labour force over 45 and 8% over 60. This may be explained by the observation that trucking is often a second career started later in life. Currently, 55% of those testing for a Class 1/A license are 35 years of age and older, while only 17% are aged 25 and younger. There is some reluctance to hire newer drivers, with 2.3 experienced drivers hired for every new entrant. (Canada's Driving Force Phase 2, 2007)

- In terms of geographic distribution in 2009, 37% of workers within the industry are located in Ontario, 19% in Quebec, followed by 13% in British Columbia and 14% in Alberta. Saskatchewan and Manitoba have 5% and 6% respectively of the industry's labour force and 7% are in the Atlantic Provinces where over half are from New Brunswick (4%).

(1.3) Technology, Safety and Environment

- As of July 2009, Ontario and Québec has legislated the use of truck speed-limiters, which keep trucks to a maximum speed of 105km/hour. The impetus for the legislation is to decrease GHG emissions and is to increase road safety. Other provinces are considering following suit. In the interim, this may have implications on cross-jurisdiction competition.

- There is increasing use of smart technologies, such as automated weather information systems and traffic management systems.

- Road Safety Vision 2010 is a federal-provincial initiative that aims to make Canada's roads the safest in the world. The initiative involves many measures, such as increased inspection of commercial vehicles.

- An increasing number of technologies are being used to reduce the environmental impact of trucking. However, there is still significant pressure to reduce emissions.

- On the 10th anniversary of 9/11 terrorist attacks on the US, Canada and the US are engaged in negotiations over the perimeter security agreement. Any additional restrictions will have a negative impact on cross border trading between Canada and US.

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(2) Characterising the shortage of professional drivers in Canada

(2.1) The 1991 Sector Study Report

In **1991**, the report "*Canadian Trucking Industry: Human Resource Challenges and Opportunities*", a sector study was published by Employment and Immigration Canada and described the following:

> The Canadian trucking industry is at a strategic crossroads in human resource management. The industry has encountered and continues to encounter a rage of business, regulatory, economic and technological challenges, which are changing the way it operates. For example:
> - Deregulation – reduced restrictions to competition among carriers;
> - Increased emphasis on safe trucking operations – hours of service, vehicle inspections, dangerous goods handling practices;
> - Increased movement of goods - free trade with US and global trade;
> - Growing emphasis on service quality – timely and reliable delivery; and
> - Mergers and acquisitions.

There was a wide consensus that the occupation of truck driver was critical to the industry. The demands placed on them had increased; driver training had not kept pace with the demands; consequently there was a shortage of drivers with the qualifications for and the interest in the most demanding segment of the industry. The economic, regulatory, demographic and social trends put pressures on the supply and demand for drivers.

The problem was defined as follows:

- Most critical problems focus on **long-haul drivers** – lifestyle is a definite factor;
- Shortage is not with the number of absolute job applicants, but the number of **qualified** drivers because the requirements for the Class 1/A (tractor-trailer) license were below industry expectations;
- The **for-hire truckload** sector experienced the most severe shortage;
- Geographically the problem was widespread with Ontario, Alberta and British Columbia most critical.
- Annual **turnover rates** of 75% to 100% were not uncommon;
- Lack of effective **training** programs;
- Changes to the job were to affect the qualities demanded in drivers (**skills gap**);
- The traditional **career path** of truck drivers no longer applies;
- Absence of solid **recruitment and retention** practices in the industry.

With the industry projected to grow by 20% over the next 10 years, the estimated demand for new drivers was 34,000 for tractor-trailer and much higher for straight truck.

(2.2) The 1998 Sector Study Update Report

In **1998**, a report "*Canadian Trucking Industry: Human Resource Challenges and Opportunities, Sector Update Study*" was conducted and reported the following findings:

- There was going to be a greater need for drivers as some 20% to 30% were expected to retire over the next 10 years;
- Within the next two years (by 2000), a 13% increase in the number of drivers was expected by firms;

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- The for-hire truckload was still facing the greatest challenges;
- Turnover remained high in certain sectors like the for-hire truckload sector; and
- Training issues remained – information, access, funding, quality of training and content.

(2.3) Canada's Driving Force Phase 1 – (2002 - 2004)

As time progressed so did the qualified driver shortage in Canada. In **2002** the Canadian Trucking Human Resources Council undertook a 3 year major research project funded, by the Government of Canada, and supported by the trucking industry. This project was called "*Canada's Driving Force Phase 1".*

This multi-facetted project produced 5 reports that provided insight into the following areas:

- Provincial Commercial Vehicle Driver Licensing Requirements;
- Review of Government Training and Employment Programs;
- Review of Private and Public Driver Training Schools;
- Analysis of the Unemployed Driver; and
- Profile of Driver Turnover, Shortage and Future Demand.

Profile of Driver Turnover, Shortage and Future Demand (2004)

Based on a survey of 1400 fleet managers, the driver turnover rate in 2002 was estimated at approximately 36% across all types of fleets. This turnover rate was higher than the Canadian average. Differences did exist between and within industry segments; approximately 20% of fleets had no turnover while 55% reported turnover rates in excess of 25%. The turnover rate was highest among the long-haul fleet and 70% of separations were attributed to drivers quitting.

The most commonly cited reasons for quitting included wanting better pay, changing occupations (no longer driving), and wanting shorter hours. Most common reason for termination: poorly qualified driver.

The estimates for the need for "new" drivers (2003 - 2008)

		New Drivers Required			
			Replacements		
Year	**# Drivers**	**Industry Growth**	**Drivers Changing Occupations**	**Drivers Retiring**	**Total New Drivers Required**
2002	282,100	---	---	---	---
2003	287,800	5,700	18,700	5,800	30,200
2004	300,200	12,400	19,500	6,000	37,900
2005	318,300	18,100	20,700	6,400	45,200
2006	324,600	6,300	21,100	6,500	33,900
2007	334,800	10,200	21,800	6,700	38,700
2008	343,600	8,800	22,300	6,900	38,000

Note: Numbers include drivers for tractor-trailer and straight truck.

A Review of Public and Private Driver Training Schools (2004)

A comprehensive list of driver training schools was prepared and results indicated that schools account for well over half the drivers who obtain a Class 1/A (tractor-trailer) license. The majority of people taking training had no previous commercial driving experience.

The majority of the schools in Canada use their own course materials. The rage of hours for training varies considerably by province, from 41 hours to 320 hours. Costs vary considerably, with an average just under $4,000 for 157 hours of training. More than half of the truck driver training schools fall outside any licensing or registration process and would be considered not regulated.

Provincial Commercial Vehicle Driver Licensing Requirements (2004)

The research indicated that considerable diversity existed between the jurisdictions in terms of both definitions and licensing requirements.

Licensing consists of a written test followed by a road test. Although the contents of written tests vary considerably, the content of the road test is similar in al jurisdictions. The test time varies from 30 to 120 minutes.

There is no mandatory training requirement in any jurisdiction – rather a demonstration of competency. Age requirements vary from 18 to 20.

Reciprocity of licenses exists between all 10 provinces and 3 territories.

(2.4) Canada's Driving Force Phase 2 – (2005 - 2007)

The CTHRC's research initiative in 2001 offered important insight into one of the greatest challenges facing the nation's trucking industry, the shortage of qualified drivers. But with what had changed since the first questions had been posed in 2002, industry needed to know more!

Canada's Driving Force Phase 2 began in **2005** and was commissioned to identify changes in the Human Resources landscape, and offer information that could support recruiting, training and retention strategies.

Highlights among the findings of the 6 technical reports released in 2007-2008 included:

- The existing **shortage** of Class 1/A drivers is expected to **worsen** over the next five years – almost 60 of the 1,432 employers cite the shortage as one of the top two concerns up from 50% measured in 2002.
- The driver shortage was idling trucks – almost hove of those survey in the Unseated Trucks Survey had to idle trucks in the previous six months because of the shortage of personnel; 41.5% noted that the shortage affected their ability to move freight.
- Trucking tended to be the "next" **career choice** – the industry's newest recruits are likely to come from other industries.
- **Inactive license** holders are not a solution – Canada may have 662,400 Class 1/A license holders, but 42.5% do not work in the industry; many are retired of have never worker as a driver.
- The shortage is a **training issue** – 51% of 1,432 employers feel that the real shortage related to a lack of "qualified" drivers because license holders often lack the required training and experience. A mere one-third of todays fleets (30%) offer driver training of their own.

Additional facts and figures:

- Turnover rates dropped to 22.1% from 36% recorded in 2002;
- Vacancy rates have risen to 12.3% compared to the 9.6% identified in 2002;

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- Hiring at 17.6% is lagging behind the rates at which drivers are leaving – quit (13.3%), terminated (8%) or retire (3.2%);
- Job working conditions and lifestyle-related issues are the reason for the shortage according to 43.5% of employers, while 38.5% suggest the reason is driver compensation;
- Employer training includes: orientation session (64.6%) or safety (56.3%); 39.8% of the firms pair new drivers with a driver trainer or 33.1% mentor new drivers;

(2.5) Closing the Gap Phases 1 and 2 - (2005 - 2009)

Over a 4 year period we conducted research, held focus groups and round tables discussions with industry, provincial, territorial and federal government representatives around three key areas that were impacting the shortage of qualified drivers in Canada. These areas were:

- The provincial licensing requirements and standards for Class 1/A commercial truck drivers.
  - The licensing issue had to do with the standards (competencies) required by the departments of Transportation for the issuance of a Class 1/A license. They were and remain clearly below the standard of the competencies trucking companies are looking for.

- The provincial requirements and standards for the delivery of training for entry-level Class 1/A drivers.
  - The training issue had to do with provincial governments funding training programs delivered through private career colleges that was below the standard of competencies trucking companies are looking for.

- The availability of government funding of truck driver training.
  - The funding issue had to do with who had access to funds – you had to be unemployed to get funds. The under-employed were those who were interested in the occupation but could not afford to leave work and pay for the training.

Recommendations on changes to be brought by provincial government departments were developed and sent to the Ministers of the departments in each province.

(2.6) Trend Analysis Quarterly Reports (2009 - 2011)

Although the CTHRC continues to conduct in-depth research around labour market issues, the current research initiatives focus on 8 other occupations in demand in the industry. With the economic recession impacting all sectors, the National Sector Councils embarked on an initiative to “get the pulse” of their respective industries. A quarterly survey is circulated to approximately 20 human resource managers/owners asking them to respond to 4 questions that provide insights into their projected hiring, layoff, and recall practices as well as the level of training they anticipate.

What we have found in the last 17 months as the industry is coming out of the recession:

- Hirings of drivers increased from 50% to 100%;
- Recalls of drivers remained low (12%) but reached 37.5% in 2011;
- Layoffs never exceeded 25% with some periods at 0%;
- Training started at an increase by 16% of respondents and went to 66%.

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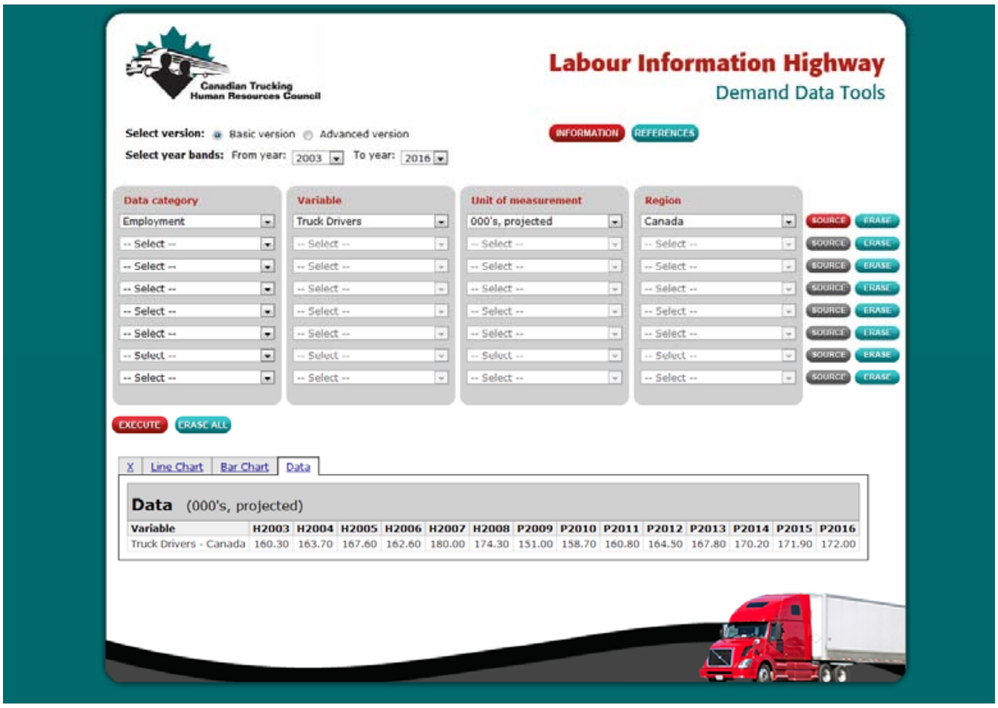
Companies downsized by letting their least productive staff leave; this explains the low recall levels as they kept the best performers. The layoffs came into play when additional cuts were required but remained low. Training increased as this was a way to retain employees who saw their salaries frozen and was also used to up-skill employees who were required to take on additional duties.

Although these results are not scientific, we have found that they are on target when Statistics Canada produces its reports several months later.

(2.7) Beyond the Wheel and Labour Information Highway Demand Data Tool (2010 - 2011)

The CTHRC in its most recent research piece entitled *Beyond the Wheel* developed a Demand Data Tool that provides data and projections on a number of occupations and sourcves related to the industry up to 2016.



The current chart projects a demand for 172,000 for hire class 1/A drivers in 2016. This represents an increase of 14% over 2009. It also brings us back to the shortages experienced in 2007-2008 when the turnover rate was 22.1%. With all industries facing a shortage of workers, attracting and retaining qualified truck drivers will be difficult for the industry.

This tool was developped using all the data available from different sources that impact the industry. In additon to the government sources, surveys with industry were also conducted to provide additonal input. The tool profiles 9 occupations in the industry that are seen as key to maintaining a healthy industry. The results indicate that shortages exist in all 9 ocucpations.

(3) The studies we implemented

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The first study in 1991 was requested by Government in order to ascertain the employment situation in the trucking industry and provide a solid foundation for the establishment of a National Sector Council for the Trucking Industry. Once the Council was set-up in 1994, it became a line of business for the Council to conduct ongoing comprehensive research into human resource issues for the industry. The 1998 Sector Update Report indicated that the shortage of drivers was to worsen over the next ten years.

Both ***Canada's Driving Force Phase 1 and Phase 2*** research projects were conducted following requests in 2000 from the two major industry associations (Canadian Trucking Alliance and the Private Motor Truck Council of Canada) and labour (Teamsters Canada) as we were facing a serious driver shortage but had no solid data to base ourselves on. We were also looking for solutions to counter the recruitment and retention challenges industry was facing.

Human Resources and Skills Development Canada (HRSDC) initially funded a feasibility study to determine, based on a series of questions raised by stakeholders, what information/data was available, what could be collected, how much it would cost and how long it would take.

The first phase (CDP Phase 1) of the research was to assess driver supply, turnover and employment conditions and the future driver requirements. The second phase (CDF Phase 2) was to provide information that would lead to developing an active retention, recruitment and training strategy for the industry.

Topics investigated in **CDP Phase 1** included:

- Driver Turnover, Shortage and Future Demand
- The Unemployed Driver
- Driver Training Schools
- Government training and Employment Programs
- Commercial Vehicle Driver Licensing Requirements

Topics investigated in **CDP Phase 2** included:

- Profile of Employers Hiring Class 1/A Drivers
- Profile of Newly Hired Drivers
- Profile of Those Taking the Class 1/A Driving Test
- Profile of Inactive Class 1/A License Holders
- Occupational Patterns of Truck Drivers
- Unseated Trucks

Phase 2 funding also lead to the development of the current *Your Guide to Human Resources: Practical Tips and Tools* dealing with turnover, recruitment and retention practices.

In both research projects, surveys were conducted among industry fleets of all sizes, key informant interviews and focus groups were also convened to collect as much data as possible to validate findings. They also provided input into the development of the case studies outlined in the Guide.

Key findings of both research reports are highlighted under sections 2.3 and 2.4.

The **Beyond the Wheel** report provides a broader picture of the human resource challenges facing the industry, as 8 other key occupations besides professional driver are facing shortages and training issues.

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For the majority of these occupation, with the exception of heavy duty mechanic and truck and trailer technician skilled trades, there are no formal training programs available to them. Most of the training occurs on the job. These occupations have an impact on the retention of drivers.

(4) Conclusions drawn from the CDP Phase 2 study and Beyond the Wheel

The key findings and conclusions drawn from the studies are:

- There is a shortage of qualified Class 1/A drivers which is expected to worsen over the next 5 years;
- The driver shortage is having negative effects on trucking businesses
- The Canadian trucking industry faces considerable human resource challenges to recruit Class 1/A drivers
- There is considerable "loss" of potential drivers between licensing and employment in the industry
- There is limited opportunity to "convert" inactive license holders to become active drivers
- The shortage of qualified drivers is not a "supply side" issue, but rather a training/qualification issue
- Training needs of new entrants do not align with existing training provided by employers
- The profile of "new entrants" to the trucking sector suggests that considerable work needs to be done to develop an effective promotion/attraction strategy
- There is no "magic bullet" to solve attraction/retention issues in the industry
- The trucking sector is not a homogenous sector; therefore, a "one size fits all" strategy may not be sufficient to address the diverse human resource requirements in the industry
- The absence of training for *qualified* dispatchers has an impact on the retention of drivers at the carriers

(5) Measures/actions introduced by industry and/or education to address driver shortage (general and related to VET: initial/continuous training, other kinds of training, career paths, etc.)

(5.1) Measures that CTHRC introduced:

- Development of the Earning Your Wheels curriculum and Accreditation Process;
- Development and dissemination of the occupational standard for professional driver (2000) and entry-level driver (2008);
- Closing the GAP Phase 1 and 2 recommendations to government;
- Careers in Trucking booklets and website – www.truckingcareers.ca;
- Career Path program used at trade shows involving industry stakeholders;
- Profiles Series Career video and TV;
- Ongoing research into the link between training, licensing and safety;
- Introduction of Coach/Mentor/Assessor occupational standards and training modules;
- Your Guide to Human Resources: Practical Tips and Tools handbook, seminars and webcams;

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- Development of the Labour Information Highway Demand Data Tool has provided industry with access to up to date data.

(5.2) <u>Measures that CTHRC support:</u>

- Review of licensing requirements and implementation of GAP recommendations by the Canadian Council of Motor Transport Administrators;
- Support of the Commercial Driver License (CDL) endorsement to the Class 1/A license in Alberta for those meeting industry standards;
- Provincial initiatives to set higher training standards - better quality training (British Columbia sponsored training, Manitoba Public Insurance Sponsored training, new training standards in Ontario);
- Support of the industry leaders in Newfoundland/Labrador who are submitting a request to have the occupation of professional truck driver recognised as a trade – this would the first province to consider the occupation as a skilled trade;
- Support of the initiative in Québec where the two public training institutions will recruit and train 40 young drivers aged 17 and 18 in an attempt to demonstrate that lowering the age from 19 will help to attract more young people into the industry and demonstrate that with proper training and mentoring they will be safe drivers.

(6) Impact of the measures

All measures have had one major impact – making carriers more aware of the need for qualified drivers; and for the investment they must make to achieve this.

From the governments' perspective, these measures have brought to light the need to improve the licensing and training standards in each province.

(7) Other relevant information (to understand the situation, inter-relations with other aspects special for Canada and not obvious to others)

- US requirements to drive in US – 21 years of age;
- Insurance requirements – 2-3 experience or graduation from a quality training program;
- Large majority of training provided by private training schools – training is provided to correspond to government funding available to candidates and not to industry standards;
- Cross-border security issues, as mentioned previously, increase the requirements for both the carriers and drivers.

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Annexes:

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