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HOW TO IMPLEMENT INCENTIVE PROGRAMS FOR SAFETY AND PRODUCTIVITY

GUIDELINES FOR TRANSPORT FLEETS

Prepared for
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16. Abstract

A 1998 Canada Safety Council report (funded by Transport Canada's Transportation Development Centre) identified a need for information to help fleets ensure the success of their incentive programs. This manual was developed as a practical guide to help trucking companies develop, administer, and evaluate incentive programs. Pilot incentive programs were tested with three commercial fleets to confirm the procedures contained in the manual and to provide information on the benefits of such programs compared to their costs.

This manual outlines the elements necessary for effective incentive programs, the most common types of incentives, and factors to consider when deciding on which incentives to offer. Emphasis is placed on developing an action plan with clear objectives to help ensure a good return on the efforts and money invested.

Incentive programs that emphasize a team approach typically achieve far better results than autocratic ones. This manual describes how to organize a team to direct the program. Guidance is also given regarding internal and external communication – key components of successful incentive programs.

A "before and after" comparison of costs and benefits is recommended as a valuable way to evaluate an incentive program, emphasizing that it takes time for a program to become effective. Evaluations completed for the pilot incentive programs indicate benefits far exceeding the costs for all three programs.

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16. Résumé

Une étude menée en 1998 par le Conseil canadien de la sécurité (et financée par le Centre de développement des transports de Transports Canada) révélait un manque d'information chez les entreprises de camionnage désireuses de mettre sur pied un programme de mesures incitatives. Le présent manuel est un guide pratique qui aidera ces entreprises à élaborer, administrer et évaluer leurs programmes de mesures incitatives. Des programmes pilotes mis à l'essai dans trois parcs de camions ont confirmé la validité des procédures exposées dans le manuel et ont permis de mesurer les avantages de ces programmes par rapport à leurs coûts.

Le manuel énumère les éléments nécessaires à un programme de mesures incitatives réussi, les types les plus courants de mesures incitatives et les facteurs à prendre en considération dans le choix des mesures incitatives. L'accent est mis sur l'élaboration d'un plan d'action assorti d'objectifs clairs, qui fera en sorte que le temps et l'argent investis dans le programme n'auront pas été dépensés en vain.

Les programmes de mesures incitatives qui misent sur une approche d'équipe donnent, en général, de meilleurs résultats, et de loin, que les programmes autocratiques. Ce manuel indique comment s'y prendre pour mettre sur pied une équipe chargée de gérer le programme. Il donne également des conseils sur les communications internes et externes – les éléments clés de programmes de mesures incitatives efficaces.

Une comparaison «avant-après» des coûts et avantages est un excellent moyen d'évaluer un programme de mesures incitatives. Il ne faut pas oublier, toutefois, que ces programmes mettent du temps avant de porter fruit. Les évaluations des programmes pilotes ont indiqué, dans les trois cas, des avantages de beaucoup supérieurs aux coûts.

Ce manuel remplace le rapport intitulé *La mise en oeuvre de programmes de mesures incitatives relatifs à la sécurité et à la productivité – Lignes directrices pour parcs de camions : Version pour les essais-pilotes* (TP 13413F).

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EXECUTIVE SUMMARY

Faced with the challenge of improving safety and productivity, transport companies are turning to incentive programs. A Canada Safety Council study (funded by Transport Canada) concluded there is a need for information to help fleets ensure the success of their incentive programs. This manual was developed to help transport fleets develop, administer and evaluate incentive programs.

Effective incentive programs share a number of basic characteristics. Only if these necessary elements are in place will a program produce the desired results.

- A strong commitment from the owners and top management is absolutely critical.
- Management must put its commitment into a policy statement for all to see.
- A preliminary budget should be set for development and implementation.
- Someone must be put in charge of co-ordinating all aspects of the incentive program.
- Employees must be involved in all aspects of the program.
- An incentive advisory team representing all areas of the company should meet regularly to identify problems, suggest solutions, and develop action plans.
- The incentive program must be evaluated regularly and adjusted as necessary.
- Incentive programs should never be used as a "quick fix" in a crisis situation
- A communication plan is an essential element of a successful incentive program.
- Regular feedback should be given to participants on their performance that will allow them to identify areas for improvement.

The most popular types of incentives are cash, recognition awards, merchandise, savings bonds, special assignments, advancement within the company, and special events. Many companies use a combination of these. When deciding on what incentives to offer, the following factors should be considered:

- The participants must see the reward as being desirable.
- The value of the incentive should grow progressively with continued good performance.
- Whatever incentives are in place, employees must see the program as being fair.
- Rewards must be seen as attainable
- There may be tax implications for the benefits offered.

The company must invest time and money to make its program a success. An action plan with clear objectives will help ensure a good return on this investment. The plan should start with a situation analysis and should describe what corrective measures will be taken. It must present ideas or measures that will correct a situation and eventually cut costs/losses for the company.

How a company plans and implements its program is just as important as *what* it does. Incentive programs that take a team approach typically achieve far better results than autocratic ones. A committed, well-organized, results-oriented team should drive the program.

Communication is unquestionably one of the key components of successful incentive programs. An internal manual explains the details of the incentive program.

- Employees feel that communication provides a link with management, and that management is making an effort to keep them informed of news that concerns them.
- Before launching the incentive program, meetings are held with employees, both individually and collectively.
- A bulletin board gives current news and information about the incentive program.
- Ongoing information maintains interest in the program; this could be a regular newsletter or letter from the president.
- A suggestion box, whether physical or electronic, allows employees to communicate with the company at their convenience.
- Information and training sessions are held as needed.
- Events are held for employees and their families during the year, as occasions to recognize employees and present awards.

Employee turnover is a chronic problem in some sectors of the trucking industry. A well-communicated and well-implemented incentive program can significantly improve retention.

External communication is also important. Networking with other companies using incentives can result in ideas to improve a program, and can provide further motivation for employees. By communicating its successes, the company can build a good public image with its community, its shippers, various levels of government, and educational institutions and road transportation training centres that train possible future employees.

Incentive programs must be evaluated regularly to ensure they are giving the company good value for its investment, and to identify areas for possible improvement. A “before and after” comparison of costs and benefits is the most straightforward approach. It takes time for a program to become effective, so the longer the time frame used the better. The evaluation should only use data collected after the program has become fully effective, normally from 6 to 12 months after implementation.

Incentive programs are innovative and progressive. They can help companies derive significant benefits if properly implemented.

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1. INTRODUCTION

Safe, efficient, cost-effective trucking is essential to Canada's competitiveness in the global economy.

Just-in-time distribution has become commonplace, as companies control their inventories to stay competitive. This means shippers rely on highly efficient transportation, placing heavy demands on transport fleets.

Faced with the challenge of improving safety and productivity, transport companies are turning to incentive programs. For many companies, these programs bring benefits. Unfortunately, some companies are disappointed by the results because they often do not know how to make an incentive program work for them.

Necessary equipment, skills and knowledge must be in place before an incentive program can be successfully implemented. The incentive program builds on these prerequisites to improve morale and retain employees.

A 1998 Canada Safety Council study (funded by Transport Canada) identified a fast-growing use of incentive programs in Canada's trucking industry. Many fleets had implemented an incentive program within the previous two years. Others were in the process of considering or developing one.

The Canada Safety Council study concluded there was a need for information to help fleets ensure the success of their incentive programs. This manual was developed to fill that need. Based on best practices of transport fleets with successful programs, it explains how to develop, administer and evaluate incentive programs for safety and productivity.

Incentive programs are innovative and progressive. This manual is designed to help transport fleets take advantage of their potential.

Incentive programs are innovative and progressive.

2. WHY AN INCENTIVE PROGRAM?

2.1 General Objectives

Transport fleets implement incentive programs to achieve one or more of the following general objectives:

- to improve safety within the fleet;
- to enhance productivity and efficiency;
- to improve employee retention;
- to identify training needs related to safety and productivity;
- to intensify the safety and productivity culture within the firm.

2.2 Safety: Act on Small Problems to Prevent Big Ones

Major crashes are rare. More frequent but less serious collisions afford opportunities to take steps that will prevent major crashes from occurring. This is the best way to explain the basis for a safety incentive program whether you are talking to groups of employees or individuals.

Figure 1 shows the ratios in collisions reported in a study of industrial companies. The pyramid shows that the higher the number of minor incidents, the higher the likelihood of a catastrophic incident.

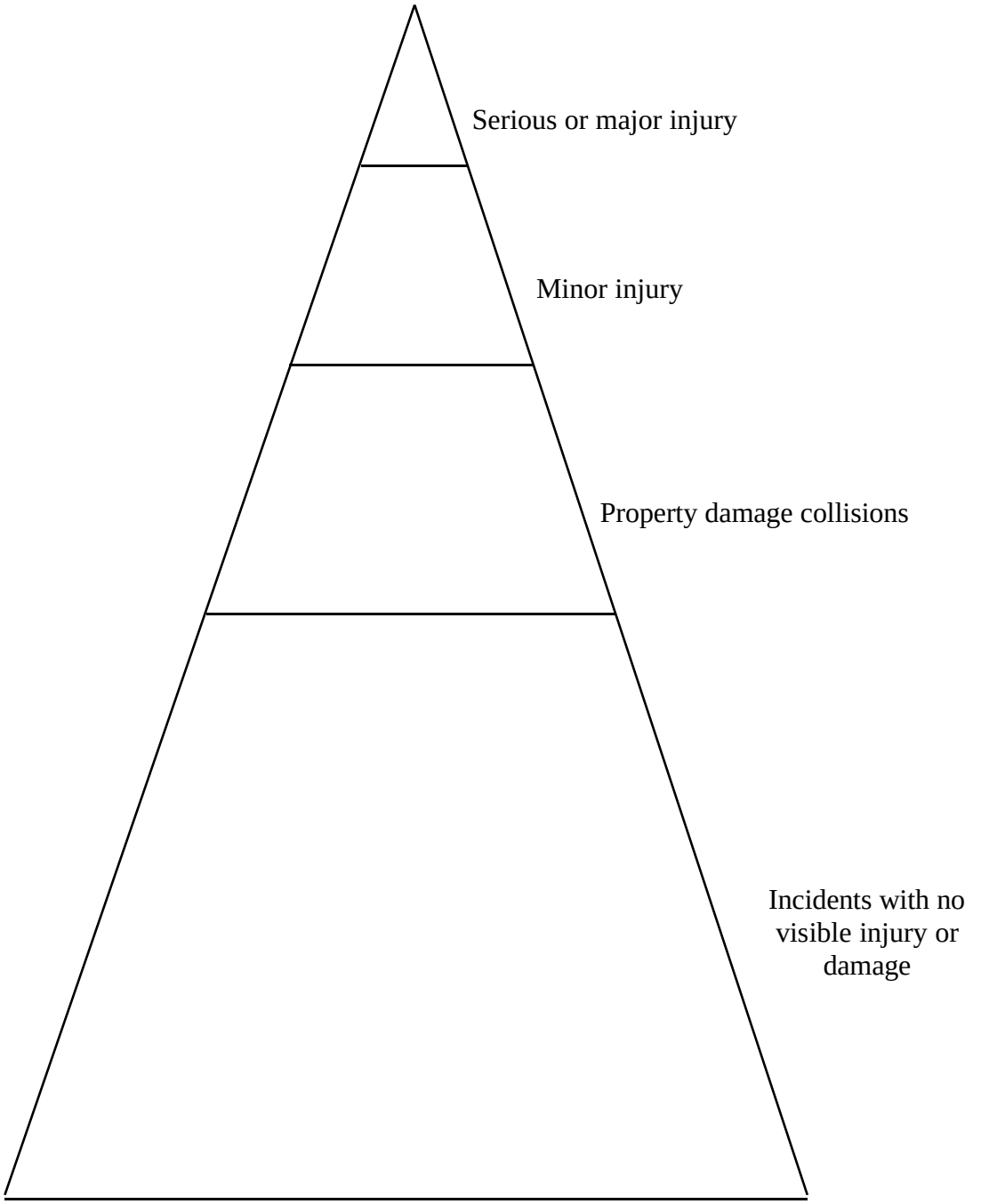
The bottom line is that it pays to reduce the frequency and severity of minor collisions. Companies that take preventive action on minor, non-injury incidents have fewer collisions with minor injuries, and fewer major crashes with severe injuries.

It pays to reduce the frequency and severity of minor collisions.

Safety is good business. Expenditures for safety should be seen as an investment in corporate productivity and profitability rather than as a cost centre.

2.3 Productivity Incentives Help Control Costs

By improving productivity, transport fleets can cut costs significantly and hence improve their bottom line. To achieve this, many companies are willing to share part of the benefit with their employees and owner-operators. A well-designed productivity incentive program can produce considerable savings.



Source: Frank E. Bird, Jr. and George L. Germaine. Loss Control Leadership. Published by Institute Publishing (A Division of International Loss Control Institute) Highway 78, PO Box 345, Loganville, Georgia 30249. 1987. ISBN 0-88061-054-9.

Figure 1: Relationship Between Minor Incidents and Major Collisions

3. BUILD A SOLID FOUNDATION

By definition, incentive programs involve giving rewards for performance. But the rewards are only the tip of the iceberg. A solid foundation is needed if the program is to be successful.

Effective incentive programs share a number of basic characteristics. Only if these necessary elements are in place will your program produce the bottom line results you want.

Always bear in mind that the overall purpose of the program is to motivate and encourage employees to work safely and productively. To achieve this, the incentive program must:

- identify training requirements;
- ensure the availability and correct use of equipment; and
- promote awareness of and commitment to proper procedures.

3.1 Start at the Top

A strong commitment from the owners and top management is absolutely critical. Do not proceed until the company's senior decision makers have established the incentive program as a high priority. If employees come to the opinion, rightly or wrongly, that management does not really care about the objectives of the incentive program, anything else will be to no avail.

This commitment must be obvious and ongoing. Here are some examples of how company decision makers can show their support:

- Invest in resources for a safer work environment, such as safety equipment, training, personal protective equipment, etc.
- Participate in safety meetings.
- Personally recognize the efforts and achievements of employees.

> Management commitment must be obvious and ongoing.

3.2 State the Policy in Writing

Management must put its commitment into a policy statement for all to see. This statement should be concise and prominently displayed. It could be included in the employee manual. Sample safety policy statements follow.

Table 1: Sample Safety Policy Statement 1

Safety Policy

Safety is not a result. It is a part of all operations, equally as important as sales and cost control.

It is practised by all employees in every operational task.

Management undertakes to provide a safe working environment.

Managers and supervisors are accountable for developing a safety-conscious attitude in all employees.

Individual safety means working in a safe manner at all times.

This is how the system of safety functions in all operations.

"SERVICE with SAFETY"

Table 2: Sample Safety Policy Statement 2

SAFETY POLICY

Safety is the highest priority of our company.

The safety of all personnel, our customers, and other highway users is paramount.

Safety will always be an integral part of operations and the policies, procedures and programs covering our business.

We believe that safety is the responsibility of every level of management beginning with the Chief Executive Officer. It is the responsibility of all managers to:

- Provide a safe working environment.
- Provide proper protective equipment.
- Provide safety training and counselling.
- Eliminate unsafe acts through immediate corrective action.
- Abide by all applicable safety rules and regulations.
- Insist upon an unqualified commitment to safety from all our people.

To further this policy, every employee is responsible for:

- Maintaining a safe environment for all people.
- Working in a safe manner in accordance with the corporation's accident prevention policies, procedures and programs.

Managing and working with a commitment to safety will contribute to the improved efficiency of our operations and ensure our future success as well as the prosperity of our employees, customers, company, and the community.

SAFETY PROTECTS OUR MOST IMPORTANT ASSET . . . OUR PEOPLE

3.3 Set Aside a Budget

Once the company has decided to implement an incentive program, management must decide roughly how much money it is willing to invest in the program, and how it will calculate the benefits.

A preliminary budget should be set for development and implementation. The amount to budget varies with the type of program and expected results. The budget may have to be revised as implementation proceeds.

Section 11 helps identify the main cost elements and benefits. Remember that an incentive program takes six months to a year to become fully effective. Budgets should be established accordingly.

3.4 Choose a Co-ordinator Carefully

Once a solid commitment has been made, management must put someone in charge of co-ordinating all aspects of the incentive program. The co-ordinator should be a knowledgeable, dependable member of the management team – someone who is willing and able to promote the program as part of other duties.

The fleet manager or safety supervisor is typically the best person to co-ordinate a safety incentive program. The president often co-ordinates incentive programs in smaller companies. Sales and marketing people can also make good co-ordinators. The person actually selected is a function of the size and organization of the company, and the capability and interest of that person.

No matter who is selected, the person responsible for co-ordinating the program should have these characteristics:

- Expertise in the area(s) targeted by the incentive program.
  - For example, the co-ordinator of a safety incentive program must be qualified in both safety principles and supervisory skills; familiar with safety laws, rules and regulations; and able to train employees to work safely.
- Commitment to two fundamental principles:
  - that safety and/or productivity can be improved; and
  - that positive feedback is more effective with most employees than criticism.

Clearly define the co-ordinator’s roles and responsibilities, preferably in writing.

3.5 Work Closely with the Target Group

Develop your program in co-operation and consultation with those for whom it is intended. People are more likely to work toward goals they themselves have helped define.

To establish what particular incentives are the most motivating, and under what conditions, ask employees. An incentive is an incentive only if viewed as such by the recipients (see Section 4).

Involve employees in all aspects of the program, including:

- recommendations on how to promote safety or productivity;
- participation in safety inspections;
- suggestions for training.

3.6 Recognize Everyone's Contribution

Safety and/or productivity improvements are a result of all personnel in the company doing their part. Everyone contributes – and improved performance means everyone wins.

A driver incentive program obviously rewards drivers for their performance. But remember that supervisors and middle managers have a direct impact on the drivers' work. Every link in the chain is part of the end result and should be eligible for an award: dock worker, foreman, supervisor, middle manager, and even the top decision maker.

3.7 Form a Team to Drive the Program

Teamwork is essential to success. Involving the right people in planning and implementation will strengthen company-wide support for the program and enable it to achieve its objectives.

- The incentive advisory team should represent all areas of the company: drivers, dispatch, maintenance and management.

- It should meet regularly to identify problems, suggest solutions and develop action plans.

- It should also meet regularly with top management (at least annually) to report on achievements, and present goals and objectives for the coming year or six months. This gives management an opportunity to recognize advisory team accomplishments and show appreciation for employees' efforts.

Your company may already have a committee whose structure and tasks are compatible with the desired objectives, and that could address the incentive program, especially a

safety incentive program, as part of its mandate. Otherwise, set up a separate group to focus on the incentive program (see Section 6).

In its first meetings, a newly formed team may need to spend a considerable amount of time discussing issues related to the incentive program that are bothering them. These issues will need to be dealt with to build the trust and confidence of the team members and have them "buy-into" the program.

3.8 Expect the Program to Evolve

Creating a successful program involves a willingness to experiment and learn by trial and error. Very few programs are implemented without significant changes and adjustments. You will not likely get it right the first time; be flexible to adjust, revise and fine tune. Consistency and follow-through are the key. Programs work when you implement employee suggestions and correct problems as they happen.

> The fuel economy incentive program described in Appendix B is an example of a program that required several changes before it produced the results desired.

An incentive program that works for one company might not work for others. As company cultures differ, so should incentive programs. Two or three years into an incentive program, you'll want to think seriously about changes. Programs have to be revitalized over time. Otherwise, they lose their effectiveness. Programs should also be evaluated on a regular basis (see Section 11).

3.9 NEVER Use Incentives in a Crisis

Incentive programs should never be considered as a "quick fix" solution to a crisis situation. Incentive programs take time to be developed and implemented properly. They need to be thought through thoroughly and well-communicated. They also need time to become effective after implementation. It may require several cycles of bonus payment before the full benefits of the program are realized.

3.10 Develop a Communication Plan

Communication is an essential element of any successful incentive program. You will need a plan that includes internal and external communication, with a focus on employees and shippers. Sections 8 and 10 provide more details.

> Incentive programs take time to be developed and implemented properly.

3.11 Be Prepared for Negative Feedback at the Beginning

There may be a small portion of employees who at first respond negatively to the incentive program. Some typical responses include “They tried it before where I was and we never saw any of the benefits” or “This is just another way to exploit us”. These comments are often raised in discussions between drivers at truck stops and over CB communications during the first few weeks or months of the program.

Time and effort may be required to counteract any such negativity. Schedule frequent meetings with the group at the beginning of the program so these points can be discussed and clarified. Issue additional communications if necessary and hold individual meetings with recipients, both those motivated by the program as well as those who are not, to discuss any concerns they or others may have.

3.12 Before You Start, Complete This Checklist

Section 3 has described the necessary foundation for a successful incentive program. If – and only if – your answer to every question is YES, you are ready to proceed.

Table 3: Preparation Checklist

PREPARATION CHECKLIST

- ❑ Is top management fully committed to the program?
- ❑ Does management understand that an effective incentive program requires a long-term commitment and investment?
- ❑ Will management make a written commitment to the program?
- ❑ Has a budget been allocated for the program?
- ❑ Has a co-ordinator been named to take overall responsibility for the program?
- ❑ Will a mechanism be established to work with the target group?
- ❑ Will a team of employees be formed that is willing and able to help with implementation?
- ❑ Will the program be evaluated regularly, and changes made as needed?
- ❑ Is the program being introduced for the right reasons (e.g., NOT in reaction to a crisis)?

4. DECIDING ON THE INCENTIVES

Once you can answer YES to of all the checklist questions, your program is off to a good start. Now it's time to focus on the actual rewards or incentives.

Typically, incentives are based on achieving a standard or target within a given time frame. For example, a safety incentive program gives a reward for driving a specified period of time or distance without a preventable collision. A fuel economy incentive program rewards a driver for achieving a target fuel economy over a specified time frame.

Management normally sets the overall budget for the program. However, recipients need to be actively involved in deciding the details. This will result in recipients buying into the incentive program – a feature critical to success. The incentives must be attractive to the recipients if the program is to be effective.

The exact incentives chosen by a company, as well as the value of the rewards, depend on internal factors. For instance, some companies may avoid cash bonuses because they feel that employee compensation is sufficient. Others may feel that rewards are too generic and difficult to select. Some companies use a combination of both cash and non-cash rewards. The decision on cash or non-cash incentives will depend on factors internal to the company. This manual does not recommend any particular type of reward above any other.

4.1 Types of Incentives

Following are the more popular types of incentives.

4.1.1 Cash

Cash rewards are very common, even though some companies avoid them completely. For example, a safety incentive program could pay so many cents per mile or kilometre for preventable collision-free driving. Cash rewards are very popular with drivers because they can be used for purchases that relate to immediate personal needs and priorities. If you are considering cash incentives see Section 4.3 for more information.

One of the arguments against cash rewards is that they do not provide a lasting memory or reminder of the achievement. Questions of expectations and fairness can also annoy employees and their families.

Bonds, RRSPs and RESPs are forms of cash payments that do have a lasting value.

Note of caution: Many drivers have experience with or have heard of firms who have promised bonuses and then not paid them. To overcome this negativity some companies make sure the bonus money is set aside in a special account that can only be used for paying bonuses.

> Use of cash or non-cash incentives, or a combination of both, is a company decision.

4.1.2 Recognition Awards

Recognition rewards are both informal and formal in nature. The informal recognition can be a "pat on the back" for a job well done. This form of recognition award is often overlooked in the day to day running of a business. Be sure to reinforce positives.

Formal recognition can take the form of a plaque, certificate, pin or other type of award or memento. There are companies who specialize in providing awards for different types of recognition.

Awards provide a lasting memory of the achievement and can be displayed to family, friends and peers as a record of the achievement. They tend to be more popular with experienced personnel, whereas new recruits tend to prefer cash rewards.

4.1.3 Merchandise

Merchandise offers the benefits of cash plus the lasting recognition of an award. Popular items include watches, jackets and electronic equipment. The value of the merchandise increases with the length of time the employee has participated in the incentive program. A variety of choices should be offered at each reward level to ensure there is something to motivate every employee.

Gifts that reinforce corporate identity can be sought-after items, with a benefit far beyond their monetary value. Jackets, for example, can be customized with the company logo. Winning a company jacket can be a source of great pride or considered a great achievement.

4.1.4 Special Assignments

Special assignments could include offering drivers their favourite runs or shippers, or possibly work that allows them to be home more frequently.

One of the drawbacks of this type of reward program for a transport fleet is the limited number of special assignments available. This could make it difficult to get all employees to buy into the program because they may feel the reward is not attainable.

4.1.5 Promotion

Promotions could include becoming a driver trainer or dispatcher, driving specialized equipment, or being promoted to a new role within the company. This type of reward has limited potential within a transport fleet, as the majority of positions are truck drivers. Again, it will lose effectiveness as an incentive if employees view the reward as being unattainable.

4.1.6 Special Events

To build and atmosphere of camaraderie, parties, family picnics, sports activities and other fun events should be open to everyone who works for the firm. These events can serve as opportunities to present recognition awards. However, they can be difficult to organize for transport fleets where drivers can be on the road for several days at a time. Plan well in advance, hold the event at a less busy time of year, and schedule drivers accordingly. Realistically, 100 percent attendance is usually not possible. Allow for this, and give some form of reward to drivers and others who have to be away at the time of the event.

4.1.7 Combinations

Many companies use a combination of incentives. In this way they can take advantage of the best features of each type of reward and structure a program to suit their own needs and people. A combination of cash and awards is quite popular within the trucking industry.

> Structure the program to suit your own company's needs and people.

4.2 Factors to Keep in Mind

Consider the following issues when deciding on the types of incentives, the performance standards and the structure of the program.

4.2.1 High Perceived Value

The participants must see the reward as being desirable. An incentive is only an incentive if it is attractive enough to motivate employees to change their behaviour.

4.2.2 Reward Long-Term Performance

The value of the incentive should grow progressively as the individual accumulates successes within an incentive program. For example, the bonus for 10 uninterrupted years

of collision-free driving should be greater than 10 times the bonus for one year of collision-free driving

4.2.3 Fairness and Consistency

Whatever incentives you put in place, employees must see the program as being fair and consistent. Rewards must be given to employees who deserve them. The system should be designed so employees do not resent if they are not eligible for certain awards.

4.2.4 Rewards Must Be Attainable

Design your program so employees know the rewards can be attained. Incentives or standards that seem unattainable may discourage people from trying. If employees think they don't have any real chance of ever receiving a desired reward, the incentive program will not achieve its purpose.

4.2.5 Graduated Reward

A graduated reward system in which the size of the incentive paid increases with the performance level achieved is considered superior to an "all-or-nothing" payment plan.

4.2.6 Tax Implications

Payments or rewards given under incentive programs may be considered as taxable benefits. Management should check with an accountant or tax adviser to be fully aware of the latest tax laws that may apply to the benefits offered in your incentive program.

4.2.7 Getting Recipients Onside

Be prepared to put effort into getting employees onside. Sometimes older, more experienced personnel are more difficult to get onside because they may have to change their opinions and beliefs on the best way to perform.

Incentives must be attractive, fair and attainable.

4.3 Cash Incentives

If bonuses will be paid to reward performance, decisions must be made on how the payments will be set up.

4.3.1 Frequency

Keep the time period to be eligible for a cash bonus relatively short. Delayed rewards and penalties are less effective than immediate rewards in shaping behaviour.

Payment frequency can vary from monthly to annually. Quarterly and semi-annual payment periods are the most common. The reasons for selecting different payment frequencies are as follows:

- Monthly payments mean participants see results of their efforts frequently. If they do not earn the incentive in one period, they are quickly back in the program.

- Paying every three or four months reduces the administrative burden and participants see bigger payments. For safety incentive programs, this frequency also gives time for all collision claims to be processed in each period to avoid a claim arriving after the bonus has been paid. This is by far the most popular payment schedule for safety incentive programs in the industry.

- Semi-annual or annual payments reduce the administrative burden and increase the size of the award. Programs that pay annually often pay the bonus at Christmas.

Some companies have found it beneficial to deduct the costs of minor collisions from the bonus. This policy can work to the advantage of both the driver and the company. It is seen as fair because the driver pays only in proportion to the cost and may not lose the entire bonus. However, if collision costs exceed the bonus, do not deduct more than the value of the bonus. As well, do not deduct across more than the bonus period in which the collision occurred.

Other companies have set a limit (for example, $200) below which the incident does not affect the incentive payment.

The objective is not to punish, but to keep the driver motivated to improve.

4.3.2 Basis of Payments

Each company has to decide the payment basis that works best for it. This may also change over time.

The most common models are based on:

- distance (e.g., miles or kilometres driven without a preventable collision);
- percentage of gross pay;
- percentage of profits; or
- flat rate or lump sum for a given time period.

The per-mile rate is the most popular form of payment for safety incentive programs. Typical rates vary from 0.5¢ per mile to 3¢ per mile, with 1¢ per mile being the most common.

Payments based on activity level, such as per kilometre or percentage of gross pay, have the advantage of giving higher payments during good years and lower payments during slow years, thereby easing cash flow requirements.

The objective is to keep the driver motivated to improve.

4.4 Sample Safety Incentive Programs

Table 4 presents a specific safety incentive program that covers employee drivers while Table 5 presents one for owner-operators. Table 6 outlines the incentive programs in place within some of North America's safest fleets.

Table 4: Safety Bonus Program for Company Drivers

SAFETY BONUS PROGRAM FOR COMPANY DRIVERS

1 year	$500	Plus Certificate
2 years	$500	Plus Certificate
3 years	$1,000	Plus Plaque and Gift
4 years	$1,000	Plus Plaque
5 years	$2,000	Plus Plaque and Gift

To qualify:

- Must be employed a minimum of 11 months and remain with the company past the end of the year.
- Maximum of one speeding or hours-of-service infraction tolerated.
- Plan is predicated on being claim free for accidents and cargo.
- Definition of claim is no cost to the company in excess of CAN$200.
- If involved in a claim during the first 3 years, the employee goes back to 0 years.
- If involved in a claim after the completion of 3 claim-free years in succession, the employee loses the balance of that year plus 1 full year.
- Program is in effect (day/month/year).
- Program is (day/month) to (day/month) each year. All monies will be paid out on (day/month).

Table 5: Safety Bonus Program for Owner-Operators

SAFETY BONUS PROGRAM FOR OWNER-OPERATORS

1 year	$500	Plus Certificate
2 years	$600	Plus Certificate
3 years	$700	Plus Plaque and Gift
4 years	$800	Plus Plaque
5 years	$900	Plus Plaque

To qualify:

- An owner must be provided with services pursuant to an agreement with the carrier for a minimum of 11 months and continue to provide services past the end of the contract year.
- The plan is predicated on being claim free for accidents and cargo.
- Maximum of one speeding or hours-of-service infraction tolerated.
- If involved in a claim in the first 3 years, the owner goes back to 0 years.
- If involved in a claim after the completion of 3 claim-free years in succession, the owner loses the balance of that year and plus 1 full year.
- Program is in effect (day/month/year) subject to amendment by the carrier from time to time.

Program will be administered on a fiscal year (day/month) through to (day/month). All monies will be paid out in (month).

Table 6: Outlines of Incentive Programs

Basis for Award	**Points awarded/ Time period**	**Deductions for:**	**Value**
MERCHANDIZE AWARDS			
Safe driving and excellent performance	Annual		Jacket or portfolio; newsletter recognizing/publicizing award
Accident/Injury free	5 points per week maximum; six-month payout; can accumulate several six-month periods	Property damage exceeding $1,000	Redeemed for catalogue purchases. Dollar value or individual awards increased 10% annually if previous year's workers compensation claims for total company are below a company-specified maximum.
RECOGNITION AWARDS			
Accident-free years	Awards presented annually	If accident occurs, driver loses all accumulated accident-free years, and starts over at year 1	Highest: -gold ring as 15-year award -diamonds for ring at 20 and 25 years
Driver of the Year	To qualify, must be accident and property damage free for the year; no log or cargo violations		All-expenses paid vacation package
Driver of the Quarter	To qualify, must be accident and property damage free for the year; no log or cargo violations		Weekend getaway for two
Compliance with DOT regulations, excellent maintenance and service record (for owner-operators)	Annual		Tractor plaques, patches, sweaters, jackets, watches, luggage

Table 6: Outlines of Incentive Programs (Continued)

Basis for award	**Points Awarded / Time period**	**Deductions for:**	**Value**
CASH BONUS			
Accident free, no speeding tickets or moving violations; no engine idles longer than five minutes	1% of gross pay at end of six-month period; pay twice annually	If criteria not met, not eligible	1% of gross pay
Accident-free miles	5¢ per mile every accident-free mile; annual	Lose bonus amount accrued up to the cost of the accident	Difference between actual and budgeted cell phone, fuel and pallet expenses is added to bonus pool
Chargeable accidents, tardiness, overages, property damage, attendance	Points are charged for accidents, tardiness, etc. over six-month period.	If more than five points accumulated employee does not receive bonus	50¢ per hour for every hour worked in six-month period; averages $600 per six-month period
No accidents, personal injuries, equipment damage	If no incidents during year, company funds a group bonus pool	If incident, no group bonus; post names or employee(s) involved in incident	$500 individual bonus
Black box data (idle time, speeds, etc.), zero accidents	2¢ per mile per quarter		2¢ per mile
No property damage	Annual	No bonus if property damage	$500
Accident-free driving	1¢ per mile annually	Driver is eliminated from bonus pool if accident occurs. However, if damage is minor (under $250), driver can pay for repair and remain in bonus pool.	$1,200 per year
Accident-free driving	Group program; points are accrued and bonus paid quarterly based on accrued points	If accident occurs during quarter, pooled points are reduced. All driver bonuses are reduced, but driver involved in accident loses more points.	Up to $400 annually

Table 6: Outlines of Incentive programs (Continued)

Basis for award	**Points Awarded / Time period**	**Deductions For:**	**Value**
CASH BONUS			
Zero accidents and black box data Property damage	Merchandise awards and 2¢ per mile, paid quarterly; also annual $500 bonus awarded to drivers with no property damage	Accident during quarter or performance outside of specified range (for black box data) disqualifies driver for bonus	2¢ per mile plus $500 for no property damage
Accident-free driving	Program for owner-operators; company reduces owner-operators' deductible for each year of accident-free driving	If accident occurs, deductible remains at prior year's level	Deductible is reduced $500 per year for every year of accident-free driving
Multi-tiered program involving safety performance, operating performance (speed, RPMs, idle time, must be within company-published guidelines) and seniority	1¢ per mile accident-free bonus paid quarterly; 5¢-12.5¢ per mile quarterly performance bonus (pay-out rate based on seniority); operating bonus of 2¢ per mile per month		First-year driver can earn as much as $5,000; 20-year driver can earn up to $7,000

Source: Safe Returns A Compendium of Injury Reduction and Safety Management Practices of Award Winning Carriers. American Trucking Associations Foundation with Parker-Young, 1999.

5. ACTION PLAN

The action plan is developed only after the decision to implement an incentive program has been made. Top management must be committed to the program, a budget set aside, a co-ordinator and incentive team named, and the types of incentives determined.

The company must then invest time and money to make its program a success. An action plan with clear objectives will help ensure a good return on this investment.

5.1 Management Objectives

Section 2.1 identified general objectives of incentive programs. Now, specific objectives should be set.

Management should set specific objectives or targets for their own company's program. No matter what these objectives are, keep in mind these basic principles:

- Put each objective into writing.
- Establish short- and medium-term objectives.
- Identify desired long-term outcomes.

When setting objectives, think about how they will be measured. Unfortunately, some objectives are easier to measure than others. How will management decide whether an objective has been achieved?

5.2 Completing the Plan

The incentive team helps the co-ordinator develop a detailed action plan to implement the incentive program and achieve the objectives.

An action plan should start with a situation analysis and should describe what corrective measures will be taken. The plan must present ideas or measures that will correct a situation and eventually improve company productivity or reduce company costs.

> You have to know where you're going if you want to get there.

The action plan must:

- describe the problem(s) to be addressed by the incentive program;
- identify the direct and indirect costs of these problems for the company;
- identify other factors that must be taken into account;
- list the desired objectives, which have been defined by management;
- describe the measures to be taken, including equipment and training needed, and the structure of incentives to be offered;
- list the intended benefits;
- identify and develop an information program to measure each person's performance against the incentive program's performance objectives;
- outline an implementation schedule;
- provide target dates for objectives; and
- name the person in charge of each action.

Table 7: Sample Goals and Action Plan
(Provided courtesy of the Council of Driver Trainers, Eastern Ontario Chapter)

GOALS & ACTION PLAN (GAP)	
Name: Fuel Incentive Program	**Supervisor/Manager:**
Company: ABC Trucking	**Date:** (day/month/year)
GOAL: (What do you want to accomplish? What is your purpose or broad objective?) To reduce fuel consumption by 61,600 imperial gallons. To improve fleet performance from 7.1 miles per gallon to 7.5 miles per gallon during the period (day/month/year) to (day/month/year).	
OBJECTIVES: (How will you know what you accomplish? State your specific targets or yardsticks by which you will measure improvement.) Effective (day/month/year) we will be purchasing 61,600 fewer imperial gallons than we did in (year). Fuel costs in (year) will show minimum savings of $151,536 over the same period in (year). We will be able to gauge savings by the month as fuel costs for each month of (year) are calculated and recorded.	

Table 7: Sample Goals and Action Plan (Continued)

GOALS & ACTION PLAN (GAP)	
ACTION PLAN	**TARGET DATE**
Formulate a plan to increase our miles per gallon from 7.1 mpg to 7.5 mpg and have it ready for presentation to the decision maker.	(day/month/year)
Outline the program to the heads of both the maintenance and administrative departments. The maintenance department is to ensure all vehicles are fully capable of supplying the miles per gallon to our goal standards. The administrative department is to ensure the mechanisms are in place to track fuel consumption of each vehicle. We also want to be able to track monthly progress of our goal. In view of the fact each vehicle has a specific driver, we want to set up a competitive situation.	(day/month/year)
Outline the program to all drivers at meeting.	(day/month/year)
Complete the training program and spend one week with the driver trainer.	(day/month/year)
Complete lesson plans and a detailed program for presentation to the drivers at meetings between Christmas and New Year's.	(day/month/year)
Commence program of driver trainer taking trips with each driver and ensure we have an evaluation program in place.	(day/month/year)
Check progress of program and make necessary changes.	(day/month/year)
Prepare a monthly progress report for all drivers.	(day/month/year)

COST	**BENEFIT**
Two times $1,520 for engine and cab heaters for trial on tractors 16 and 22.	Save in excess of $150,000 over present fuel cost.
Pay driver trainer $600/week for approximately 22 weeks.	Improve our fuel consumption by one mile per imperial gallon.
REVIEW & AGREEMENT	
SIGNATURE:	**DATE:**
SIGNATURE:	**DATE:**

5.3 Use of On-Board Monitoring Systems

Today, there are several different forms of on-board monitoring systems that can provide the detailed information on driver performance that can be used to drive an incentive program.

How the technology is introduced is the key to acceptance. New technologies, especially on-board technologies, are generally best accepted if introduced gradually.

Drivers are most willing to accept technologies that aid them in the performance of their daily duties and are used to provide positive feedback on how to improve their performance. The technologies need to be user-friendly and understood by the drivers. Providing proper training in their use and a shakedown time for the driver to become familiar with the technologies is essential to successful use of any technology.

Clearly, experience with on-board monitoring equipment results in increased driver acceptance. Acceptance is quicker if use of the technology results in reduced paper work and/or aids the drivers in their duties. If management uses the technology as an aid to help drivers perform their duties better, it can be accepted quite quickly.

The advantage of technology is the ability to examine measured results and not anecdotal measures and stories. Drivers tend to accept these techniques best when they are presented as aids to improve their skills and professionalism. They are usually resisted when they are used to negatively criticize driving techniques and performance. This is especially true in situations where the reviewer has little or no driving experience.

BE A MENTOR…NOT A TORMENTOR.

6. INCENTIVE TEAM

How you plan and implement your program is just as important as *what* you do. When one person – no matter how capable or well-intentioned – makes all the decisions, employees tend not to take ownership of the program.

"Process" is critical. Incentive programs that take a team approach typically achieve far better results than autocratic ones. So put together a committed, results-oriented team to drive your program.

6.1 Roles and Responsibilities

The incentive team has three main roles:

- To serve as a communication point within the company;
- To implement agreed-upon incentive programs;
- To watch for problems and achievements.

Its responsibilities include:

- implementing and promoting incentives;
- suggesting standards and targets;
- analysing incident and collision records;
- analysing productivity records;
- consulting technical experts and professionals;
- making recommendations to management;
- establishing communication channels;
- handling complaints and suggestions within the company;
- making sure follow-up is taken on identified concerns;
- determining the benefits and costs related to the program; and
- reporting on its meetings.

Address the issue of authority before you start. What will be the implementation role of the incentive team? Will it simply make recommendations? Its authority will depend on such factors as corporate culture, whether there is a union, and company size. Don't get bogged down on details. There is important work to do, so allow some flexibility.

The team's top priority is to catch problems at an early stage. Employees and management must therefore alert the incentive team to issues (negative and positive) as soon as they arise. Members will have to assess the input they receive and may have to institute ways for employees to communicate anonymously. They must make it fast and easy for anyone to communicate concerns.

6.2 Who Should Be on the Incentive Team?

There is no one recipe for the ideal team. Be sure to choose a representative from each area of the company: dispatch, maintenance, drivers and others. The composition of the team will depend on the company's needs, culture and resources. Choose a team that can do the job!

6.2.1 Members

A small group is usually better at taking action; a larger group tends to have more discussions and take less action. On the other hand, the larger group may have more influence and may be able to improve communication throughout the company because it involves more people. A larger number of members also enables the team to benefit from a wider variety of experience, perspectives and ideas.

There is no need to limit the number of members or to have an equal number of management and employee representatives. The team may have more management than employee members, or vice versa.

Consider these factors when deciding on the size of the group:

- Number of employees;
- Number of workplaces;
- Number of unions;
- The need to represent various shifts.

6.2.2 Qualifications

Try to get people with the personal characteristics to analyse situations, take decisions jointly and recommend actions. Other characteristics include:

- the ability to co-operate to solve problems;
- knowledge of and familiarity with company policies;
- a sincere desire to make the workplace safer, more productive and more motivating.

It is a good idea to include members with specialized knowledge or technical expertise, but don't disqualify a candidate just because he or she lacks knowledge or experience.

The names of incentive team members must be posted.

Choose a team that can do the job!

6.2.3 Management Representatives

If the team itself does not have the authority to implement all of its recommendations, management representatives must have some authority. Otherwise, members may become frustrated and less effective. If management representatives have sufficient authority, many issues can be settled by group agreement on actions to be taken, without further management approval.

6.2.4 Employee Representatives

Employee representatives should be elected if possible. If you are not unionized, management could nominate one or more employees to expedite the process. If you are unionized, select representatives according to the union's constitution. Representatives should be company employees rather than full-time union officers, because the incentive team will need to take advantage of experience and knowledge specific to your organization.

6.2.5 Substitute Members

Don't delay or postpone meetings because some members cannot attend. If a quorum is necessary, consider appointing substitutes to replace regular members. The group should decide whether substitute members could exercise the full authority of the members they replace. Select substitute members in the same way as regular members and post their names for all employees to see.

6.3 Organization

The team should be organized for the following tasks:

- Meet at least once each quarter or during emergencies and whenever necessary. Minutes should be posted as soon as possible after the meeting.
- Receive and quickly address employee and management concerns related to the incentive program.
- Monitor safety/productivity programs, incentive measures and procedures, and cost-benefit data.
- Consult technical experts when necessary.
- Maintain files on the incentive program and actions taken by the group.
- Develop, establish and maintain programs for employee training in safety and productivity.

To do this work efficiently and effectively a certain amount of structure is needed.

6.3.1 Chair and Secretary

To run efficiently, the group will need a chair and a secretary. Both of these people must have the time and skills needed to perform the necessary tasks. The secretary may or may not be an official member of the group.

The group should select a chair from its members to lead meetings. The chair's term may be indefinite, or may be limited to one year.

Under the chair's direction, the secretary will:
- issue notices of meetings;
- prepare agendas;
- ensure all necessary documents, correspondence, information, etc., are available for use during meetings; and
- take notes during meetings and prepare the minutes.

In addition, the secretary may also be called upon to:
- help the meeting chair prepare correspondence or issues;
- gather information required by the team;
- make meeting arrangements and inform members of meeting dates and places; and
- update files on the team's activities.

A professional employee working on the incentive program would be a good choice for secretary; often, the program co-ordinator will take this function. However, if no professional employee or group member can act as secretary, the company should appoint someone to provide administrational support for the chair.

6.3.2 Establish a Framework

The group should set some basic policies and procedures at its first meeting and put them in writing for future reference. These may include the following:
- Statement of purpose;
- Scope of representation;
- Authority and functions;
- Scope of activities;
- Number of members, length of terms and selection procedure.

Some policies will also be needed to ensure smooth functioning, such as:
- Meeting frequency;
- Quorum;
- Special meetings; and
- Appeal procedures.

6.4 Standards Must Be Fair and Objective

6.4.1 Road Safety

The heart of a Safe Driver Award Program is the careful determination of the preventability of each accident in which a driver is involved. This must be done in light of all the facts pertinent to the accident's occurrence. Uncovering these facts is sometimes difficult in practice, but it can be made easier by training drivers to report the accidents in which they are involved completely and accurately. Complete investigation by management is equally necessary.

The first step in reviewing the accident is to determine if the driver adhered to the Defensive Driving Code. That is, did the driver drive in such a way to commit no errors himself, and controlled the vehicle to make due allowance for conditions of road, weather and traffic, and to assure that mistakes of other drivers did not involve him/her in an accident? It is important to remember that police actions in issuing citations for an accident are not a factor in determining whether a driver could have prevented an accident from occurring.

Appendix A provides guidance on determining whether an accident is preventable according to the definition noted above. It should be kept in mind that a guide of this type cannot cover all possible accident situations.

It is recommended that decisions concerning the preventability of accidents be made by the company's own accident review board. The accident review board is widely used in the highway transportation industry. It has proven to be an effective means of determining the preventability of accidents for the purposes of establishing the safety records of drivers and their eligibility for safe driving awards, and as a means of developing accident prevention techniques.

The presence of an accident review board means that the determination of preventability need no longer be the arbitrary function of the fleet safety director. Decisions reached by the board have been found to be more readily acceptable to drivers involved in accidents. The review board also furnishes an opportunity to gain active driver participation in the fleet safety program.

In many fleets, the board acts as an appeal court. In such cases, the Safety Director makes an initial determination as to the preventability of each accident. If the driver involved in any accident is dissatisfied with the ruling in the case, the driver may request reconsideration by the board within a specified period of time (say 10 days).

Regardless of which type of accident review board setup is adopted, the primary role of the Safety Director should be that of technical advisor. As such, the Safety Director may be properly called upon to present the facts of each accident under consideration. If the board is hearing appeals concerning the Safety Director's decision, it may be appropriate for the Safety Director to outline the reasons for considering the accident preventable.

Whenever a collision is reported, the review board will have to recommend whether it was preventable. *The intent is not to lay blame, but to identify the actions that need to be taken to prevent such an incident from happening again*. The group must agree on what constitutes a "preventable" or "non-preventable" collision.

To determine the causes and factors contributing to collisions, investigation must focus on facts, not fault. Members will have to analyse incidents based on the findings of objective investigation.

Focus on facts, not fault.

6.4.2 Borderline Cases

Some of the accidents in a typical fleet are not clear-cut cases as to whether they were preventable. Their classification represents a special problem. Whether the driver did everything "reasonable" to prevent an accident depends a great deal on personal opinion.

These borderline cases can be the most sensitive points in the whole safety program. Drivers involved will likely resent any arbitrary decision by management that the accident was their fault. Such an attitude is justified and indicates that drivers take pride in their safety records. It is a valuable asset and must not be destroyed. When drivers no longer care how their accidents are classified, the safety program will cease to be effective.

6.4.3 Productivity

Some examples of areas suited for incentive programs include:
- Energy efficiency;
- Customer service (on-time delivery); and
- Cargo damage.

While generally accepted criteria exist for preventable and non-preventable collisions, there are no universal definitions for productivity issues. Each company must decide on its own parameters.

For example, a company may set a performance standard of XX litres per 100 km (or XX miles per gallon) for energy efficiency. It may also introduce an idling policy. When setting the criteria for an energy efficiency incentive program, take into account the following:
- Current fuel consumption levels, against which improvements can be measured;
- Operational variables, such as the roads travelled and the types of vehicles used;
- Situations beyond the driver's control, such as unexpected highway closures.

Performance measurement is critical for productivity incentive programs. However, care must be taken not to introduce productivity standards that may push employees to take risks.

Performance measurement is critical for productivity incentive programs.

6.4.4 Setting Standards

The incentive team will have to set reasonable and fair standards to reward performance on the basis of its true value.

The standards must be realistic for your company. It may be useful to set them in the context of your industrial sector, but industrial productivity standards are not always easy to obtain. In some cases, only comparisons among companies are possible. In others, professional associations may have some data to help you set a reference standard. Your insurers can also help you develop industrial comparisons.

You will also need statistics from your own fleet to measure the performance of employees participating in the incentive program.

Develop a table that clearly shows the company's overall performance. This performance table need not mention employees. It could show separate operating units such as: LTL city, LTL road, TL Canada, TL U.S., warehouse, etc. The purpose is to stimulate interest among employees.

6.5 Openness

The incentive team should establish a clear process by which anyone who works for the company has access to management and employee representatives on the team. However, care must be taken to ensure the team is not seen as a grievance committee.

Its work must not be shrouded in mystery and rumours. It must clearly communicate its activities and decisions to employees and management, especially those who are directly affected.

6.6 Appeal Process

An appeal process must be available for employees who feel they have been adversely affected by a decision or recommendation of the team. The group appointed to consider appeals should be made up of three members: a team member and two others appointed specifically to hear the appeal. The appeal process must be quick. Some companies may opt for a completely external appeal process.

6.7 Corrective Action

One of the reasons for having an incentive team is to identify problems and suggest solutions. The company will definitely want to act on the group's findings.

In some cases, an information session or appropriate training will help solve the problem. In other cases, customer service will have to be rethought.

Corrective action is not the same as sanctions that may be part of the company's policies. Sanctions should not be part of the incentive team's tasks.

6.8 Using Outside Services

The incentive team may need external services for specialized expertise, to maintain objectivity or simply to make most efficient use of members' time. For example, the team may recommend outsourcing for collision investigation, or when there are no suitable in-house personnel.

The company will want to act on the team's findings.

7. EMPLOYEE MANUAL

An internal manual should be developed for distribution to all employees to explain the policies and procedures of the incentive program. The information can be provided in whatever format the fleet normally uses to communicate with its employees. It can be produced as a stand-alone brochure or booklet, or for companies with an existing employee policy manual, it can simply become a section of that manual.

The content should include the following as a minimum:

- Message from top management, including the policy statement (see Sections 3.1 and 3.2);
- Objectives of the incentive program, in the context of the company's global objectives;
- The "Pyramid Effect": explain the importance of addressing small problems to prevent big ones (see Section 2);
- Easy-to-understand explanation of the basis for rewards (see Section 6.4);
- Types of incentives (see Section 4.1);
- Fairness of the program (see Section 4.2);
- Incentive team: selection, purpose, operating procedure, how to communicate with the team, appeal process (see Section 6);
- Benefits: stress that everyone wins.

The incentive program manual is the first and most basic communication tool. It will serve as the basis for all internal communication about the incentive program.

The manual is the basis for internal communication about the program.

8. COMMUNICATION

Communication is unquestionably one of the most important aspects of incentive programs. Employee turnover is a chronic problem in some sectors of the trucking industry. A well-communicated and well-implemented incentive program can significantly improve retention.

Make sure each and every employee knows and understands how the incentive program works and how maximum benefits can be obtained from the program. Research conducted to develop the manual showed that drivers, even in companies with what management thought were well-communicated programs, did not know the programs that applied to them very well and in some cases were not even aware of their existence.

Ongoing communication builds morale and gives employees a sense of belonging. Make sure company communication reaches employees' homes. This helps gain support from spouses and other family members.

Before embarking on the program, the company must have a plan addressing the content, method and frequency of communication. Keep the message fresh. Participants need to be reminded of a program frequently for it to remain effective over time. Make sure the most current information is available to them.

8.1 Internal Communication

8.1.1 Management Must Take the Lead

Management plays a major role in communication. Employees should feel the communication provides a link with management and that management is making an effort to keep them informed of news that concerns them.

8.1.2 Meet with Employees

Before launching your incentive program, meet with employees *individually* and *collectively*. One-on-one personal contact is just as important as group meetings. The co-ordinator will be prepared for questions raised at a group meeting, because individuals may have already raised some of the same questions in one-on-one meetings. See Section 9 to prepare for some of the negative issues that may be raised.

Communication builds morale and gives a sense of belonging.

8.1.3 Bulletin Board

The most traditional way to communicate information about an incentive program is to post it on a bulletin board. Information on the incentive team may also be posted on the bulletin board. Include names of members, meeting dates (usually the dates for the two upcoming meetings), agenda, minutes, etc. Make sure the bulletin board doesn't get stale. It should always offer the most current news and information.

Companies sometimes use a separate board for posting information on their incentive programs, rather than their normal bulletin board.

8.1.4 Information Updates

An ongoing flow of information is necessary to maintain interest in an incentive program. The company may wish to publish an employee newsletter or a letter from the president on company letterhead. Whatever format the material takes, make sure it features your corporate identification and is sent out regularly (for example, to coincide with the company's financial quarter).

Concentrate on providing quality information, not complicated explanations.

- Review basic principles of the program.
- Update employees on new developments and priorities.
- Outline problem areas, recommended corrective measures and achievements.
- Talk about the company's past and future.
- Thank those who helped develop solutions – to show employees that solutions come from within and to instil professionalism.

> An ongoing flow of information maintains interest in the program.

8.1.5 Suggestion Box

The suggestion box is a tried and true way to communicate information. Employees must have access to this box and feel that management will read their suggestions. A company may decide to post the best suggestion on the bulletin board or to publish it in the newsletter. A bonus may be given for suggestions that result in savings for the company.

You may want to try an electronic suggestion box. If your company has an Internet site, a suggestion box could be posted there. Alternatively, you could set up a corporate e-mail address specifically for employee suggestions (e.g., suggestions@yourcompany.ca). A Web page could be created for each of your shippers. All of these methods allow employees to communicate with the company at their convenience.

8.1.6 Information and Training Sessions

Giving employees *information* about a new procedure or regulation is quite different from *training* them on new procedures and regulations.

Information meetings are important, but they do not replace training. An information session is more or less informal and is intended to correct a specific problem or to highlight certain procedures that may have been forgotten. Training involves lesson plans, general objectives and recognition of successful completion.

Provincial governments encourage – and in some cases, require – employers to provide training. Companies should take advantage of these provisions. For example, in Quebec, Bill 90 requires companies to invest one percent of their total payroll in training and clearly stipulates who is eligible for training credit.

Good internal communication will enable you to identify what training is needed to achieve the objectives of your program.

8.1.7 Special Events

Consider planning events for employees and their families during the year. These events should be significant for the company. They may or may not be tied in with holidays, such as a summer picnic or Christmas party.

Each region has attractions that allow you to create an environment or atmosphere appropriate to the company's "culture" and geographical location. The incentive team should plan these events as occasions to recognize employees and present awards in the presence of their families.

> Use special events as occasions to present awards.

8.2 External Communication

Incentive programs must be representative of your industry, its expectations and its aspirations. They can also improve the trucking industry's image by informing news agencies, government agencies and shipping groups about positive results (see Section 10). Networking with other companies using incentives can result in ideas to improve your program and can provide further motivation for employees.

8.2.1 Integrating with Regional and National Programs

Regional, provincial and national incentive programs are sometimes available. Some trucking associations and safety organizations offer recognition, excellence or safety programs. Try to involve your company in such programs. They give program co-ordinators access to a valuable peer network and allow companies to compare programs and results in a non-competitive environment.

Here are some outside programs in which your company may wish to participate:

- Provincial Excellence Programs;
- Safety Awards, such as those offered by provincial safety councils and leagues;
- Driver of the Year Awards;
- National Truck Hero Award (Canada Safety Council).

8.2.2 Peer Networking

Peer networking enables incentive program co-ordinators to draw upon the experience and expertise of others who face similar challenges. The incentive program co-ordinator should quickly establish contacts with other incentive program co-ordinators at other companies.

As more and more companies implement incentive programs, the opportunities for networking will increase. However, sharing internal information can be difficult due to the competitive nature of the industry, so you will have to take advantage of informal, ad hoc conversations.

Networking can result in ideas to improve your program.

9. OBJECTIONS AND OBSTACLES

In planning your incentive program, be prepared for potential negative effects. You will need specific answers to address these issues so that they do not affect the effectiveness of the program.

Anyone who might be opposed to the incentive program will try to find potential problems. Be prepared to address these challenges objectively. In some cases, it may even be worthwhile to delay program implementation to make sure that what may have began as a criticism does not develop into a major source of discontent.

Following are some of the most common objections and obstacles to incentive programs.

9.1 Collision Under-Reporting

A negative by-product of safety incentive programs is under-reporting of minor collisions. Your rules must address this natural tendency directly and firmly. Some companies allow the drivers to deduct the cost of minor repairs from their bonus as a way to encourage reporting of all collisions. Programs can have clauses dealing with punitive actions when collisions are not reported.

9.2 Payments to Worker's Compensation

Worker's Compensation should be carefully considered if you are offering monetary rewards. The rules for compensation under your WCB may deal specifically with cash bonuses over and above the salaries company employees may receive. This does not affect owner-operators, since they are self-employed.

9.3 The Phantom Collision

Having an incentive program means that responsibility for any damage to a vehicle must be assigned to a specific individual. However, employees may not be willing to accept responsibility for a collision or damage to a vehicle. The employee may indicate that he or she is unaware of how the damage occurred.

The rules of the incentive program must be specific as to when an employee is in control of the vehicle and responsible for any damage that occurs during that time.

9.4 New Employees

Never give a new employee a work assignment that is more likely to involve collisions due to the nature of the work itself or other reasons such as older equipment. Each employee must be seen as an equal participant in the program.

9.5 "No-Fault" Collisions

Some provinces have a no-fault insurance provision for collisions involving property damage. This could lead to confusion on what constitutes a "preventable" versus "non-preventable" collision. All participants in a safety incentive program must understand that the intent is not to assign fault; rather, the purpose is to determine whether the collision was preventable so that action can be taken to prevent a similar incident from happening again.

The no-fault provision may also create problems when it is difficult to determine the extent of the damage caused to the other property and the circumstances of the incident.

9.6 Bonuses Become Seen as Part of the Pay Package

If cash bonuses become an expected part of the pay package, they can lose their motivational value as a reward for good performance.

Here are some ways to give incentive bonuses a special profile:

- Issue separate bonus cheques.
- Present bonuses personally.
- Have a different payment schedule for bonus cheques.

9.7 Incentives May Not Work for All Employees

Not all people will respond to incentive programs. However, most people do, and a company is in a better position overall with an incentive program than without one. Every employee does not have to be an active participant for an incentive program to be a success.

Try to design the program to bring peer pressure on all employees. If a particular employee is not responding, determine whether that person requires additional training.

Incentive programs generally make it easier to identify the poor performers. This leads to earlier dismissal of the poor performers than would have occurred otherwise, or they leave of their own accord. Remember that keeping a poor performer is bad for morale and bad for business.

9.8 Administration Costs

The most effective incentive programs are simple in design and easy to administer. If administration costs are considered too high, go back to the drawing board and simplify the program.

10. PUBLIC IMAGE BUILDING

Incentive programs are innovative and progressive. They can potentially improve the image of the company and the trucking industry.

Building your image involves communicating your message outside the company. This can be costly and time-consuming, but often brings significant benefits such as new customers and a positive profile in the community. The incentive team should look at the value of these efforts, taking into account that it's often much easier to measure the costs than the benefits. For instance, a company may see a significant increase in sales following the announcement of its winning a major national award.

10.1 General Public

Let's admit it – the trucking industry can do with some help on the public image front. Despite the fact that experts feel the industry's road performance is positive, more often than not, trucking is on the receiving end of accusations. Therefore, it is important for a company to build a good public image in its community.

The incentive program and its achievements make a good news story, an opportunity to show off to the public. Take advantage of local media and contact the editor of the local newspaper. Local papers usually want a one-page news release with pictures. An article in a local paper has some significant indirect benefits including the following:

- Employees and their families feel proud to work for a company that appears in the local paper because of its positive actions;
- A positive headline may attract the attention of future employees interested in working for a forward-looking company.

10.2 Shippers

The news release sent to local media can also be sent to your shippers by mail, fax, Internet, or by way of an article in a trade magazine for shippers.

10.3 Government Officials

Never hesitate to give government officials good news about your company. The various levels of government – municipal, provincial and federal – can easily be contacted.

Contact organizations whose members include public officials and organizations dealing with trucking issues, such as the Canadian Council of Motor Transport Administrators (CCMTA) and its U.S. counterpart, the Association of Motor Vehicles Administrators (AMVA).

Also send news releases to your provincial and federal elected representatives. Trucking is a major employer as well as an important link for the regional economy because of the service it gives local shippers.

10.4 Future Employees

Develop close ties with educational institutions and road transportation training centres that train the people your company might hire in the future.

Possible image building activities include:

- Participating in the screening of candidates;
- Making presentations to novice drivers; and
- Taking part in an apprenticeship program.

11. HOW TO EVALUATE YOUR PROGRAM

11.1 Purpose of Evaluation

Incentive programs must be evaluated regularly to ensure they are giving the company good value for its investment and to identify areas for possible improvement.

An annual evaluation should give you the information you need. Once procedures are established, minimal resources are required to complete the evaluation each year.

11.2 Take a "Before and After" Approach

A "before and after" comparison of costs and benefits is the most straightforward approach. Compare costs for the targeted area for a period of time before the program was implemented with the same set of costs for a similar period of time after implementation. The difference is the saving, or benefit, that can be attributed to the program.

This may sound simple, but there are caveats:

- Some costs and benefits are hard to quantify. For example, indirect costs can be quite subjective, as can the benefits of improved public image or better employee retention.
- You will have to identify any influencing variables and adjust figures accordingly. For example, if the company has doubled in size during the time frame being evaluated, collision or other costs would likely have increased simply from having a larger fleet.

11.3 Set Realistic Time Frames

The time frame for the evaluation is very important. For example, collision totals can go up and down significantly from year to year for no apparent reason. Because of this random variation, the longer the time frame you use the better.

11.3.1 "Before"

For a safety incentive program, up to three years of "before" data should be used. Productivity programs may use a shorter time frame. You may be forced to settle for a shorter "before" period for practical reasons such as lack of adequate data.

11.3.2 "After"

Incentive programs take time to become fully effective. This means that the evaluation program should include data collected after the program has had a reasonable opportunity to have had an impact. To make a valid assessment, you will need one or more years of "after" data. The amount of time before results are seen will depend on factors such as

amount of bonus, frequency of payment and effectiveness of communications during implementation.

Typically, it takes 6 to 12 months for a program to be implemented. The evaluation should only use data collected after the program has become fully effective.

11.3.3 Interim Evaluation

Some companies may wish to undertake an evaluation before the program is fully implemented to obtain some insight into what effect it is having. When reviewing such evaluations, bear in mind that the full effects of the program may not yet be present.

11.3.4 Adjustments

The financial data used in your evaluation may cover several years, so adjustments may be necessary to account for inflation. Try to use constant dollars (usually for the current year) by applying annual inflation rates to the costs. Your company's accountant, tax advisor or chief financial officer could advise on how to do this.

Adjustments may also be required to reflect other changes such as fleet size, distance travelled per vehicle and legislation.

The longer the time frame the better.

11.4 Keep Complete Records

Accurate and complete data are required for proper evaluation of an incentive program.

For example, before a safety incentive program is in place, minor collisions and incidents may go unreported and be treated as part of routine maintenance or other company activities. These must now be recorded, as they can add up to real money over time. For productivity incentive programs, also make sure all related costs and benefits are identified.

The data can be paper-based or computerized. A spreadsheet program from any common software package is suitable. Assign one individual, possibly the co-ordinator, the responsibility to organize the recording system, keep it up-to-date and ensure all relevant data are reported. If you have a safety incentive program, your insurance company should also be able to supply you with a collision recording form (see Figure 2).

Apart from providing the information necessary for evaluating the incentive program, data can provide other benefits. If a review of the data reveals trends or patterns, preventive action can be taken. For example:

- If the number of backing up collisions increases, review proper procedures for backing up with drivers.
- If deliveries are consistently delayed on a particular route, it may be useful to discuss the problem with the drivers.

COLLISION INFORMATION

File Number	Date of Collision	Location of Collision	Name of Driver	Driver's Terminal	Route or City	Vehicle Number	Collision Details	Preventable or Non-Preventable

Figure 2: Collision Reporting Form

COST INFORMATION

File Number	Injuries	Property Damage	Damage to Cargo	Recovery Costs	Company Costs	Costs to Insurance Company	Total Costs	Number Killed/ Injured

Figure 2: Collision Reporting Form (Continued)

11.5 Cost-Benefit Analysis

Direct costs, such as vehicle repairs or fuel, are relatively easy to identify. Indirect costs, such as staff time to investigate a collision or resolve customer concerns, are usually more difficult to quantify. Both the direct and indirect costs should be identified.

Insurance companies may offer a rebate for reduced claims. If this is the case, then list the value of the rebate as one of the company benefits in your analysis.

A Microsoft Excel spreadsheet can be used to perform cost-benefit calculations for a safety incentive program. To obtain a copy, please contact the Canada Safety Council (613-739-1535).

Table 8 provides a sample cost-benefit analysis for a fuel economy incentive program.

11.5.1 Direct Costs

A listing of collision costs follows.

Vehicle repair/replacement costs
Your insurance company may pay a portion of these costs.

Cargo damage/losses
Include all losses or damage related to cargo.

Other property damages
The company may be responsible for repair or replacement of property other than the vehicle(s) involved, or these costs may be covered by insurance.

Medical costs
Costs related to any personal injuries may be paid by the company, the individuals themselves, workers' compensation, or some form of insurance.

Table 8: Sample Evaluation of a Fuel Economy Incentive Program

Fuel Economy Incentive Program: Evaluation

Benefits

Fuel Savings *		
a. Fuel economy before program	6.0 mpg	(47 L/100 km)
b. Fuel economy after program	6.5 mpg	(43 L/100 km)
c. Fuel savings due to program	0.5 mpg	(4 L/100 km)
d. Current fleet distance traveled	10,000,000 mi.	(16,000,000 km)
e. Fuel consumed before program	1,660,000 gal.	(7,520,000 L)
f. Fuel consumed with program	1,520,000 gal.	(6,888,000 L)
g. Fuel saved	139,000 gal.	(632,000 L)
h. Value of fuel saved (at CAN$2.92 per gal. / 65¢ per L)	$405,000	

Other Savings
Reduced collision costs.....$30,000
Reduced vehicle maintenance costs $100,000

Total Savings (fuel, safety and maintenance) $535,000

Costs

Staff time to administer program.....$40,000
Bonuses paid to employees.....$156,310

Total Cost of Program.....$196,310

Net Savings $338,000

Ratio of Benefits to Costs
($535,000 / $196,310)..... 2.72:1

** Some numbers may not convert exactly from metric to imperial as a result of rounding.*

11.5.2 Indirect Costs

When calculating the cost of staff time, increase hourly rates by a factor of 1.2 to 1.3 to include the costs of fringe benefits such as paid holidays.

Staff time to investigate collision

Include all staff time taken to investigate all collisions or incidents.

Re-establishment of shipment

Whenever collisions place a vehicle out of service for a period of time, the company may incur costs in re-establishing the shipment. Profits that would have been made on any lost shipments should also be included.

Replacement of equipment

If equipment is out of service, additional costs may be incurred for replacing that equipment.

Staff time lost

The driver of the vehicle may lose several hours of work while the collision is being investigated even if the vehicle is not put out of service. Also include time lost while recovering from any injuries and costs of any replacement staff.

Costs to process insurance claims

Include the cost of staff time to process insurance claims or complete any other paperwork related to the collision, again adjusting to allow for paid holidays and other fringe benefits.

Client relations

Some collisions may require time to be spent on maintaining good client relations.

Legal costs

Some collisions or incidents could result in legal costs to the company.

Program costs

This refers to the ongoing administration of the incentive program. Program development is a one-time cost and should not be included in the evaluation of whether to keep the program running or make changes.

Insurance industry officials indicate that the indirect costs of an accident, not including company costs to run the program, are about 20 to 25 percent of the direct costs of the collision.

11.5.3 Other Costs

Other costs that may need to be considered include lost sales, lost clients and increased public relations costs. These costs are very real but difficult to quantify. For some companies, avoiding the loss of even one client is sufficient justification for a safety incentive program.

Another consideration is the cost of a catastrophic collision, such as major crash involving loss of life or the release of a dangerous chemical. Again, some companies believe the possibility of avoiding even one such collision justifies the investment in a safety incentive program.

11.5.4 Other Benefits

A safety incentive program may have the side effect of savings in fuel and vehicle maintenance costs. Identify these savings and include them in the calculation of benefits. Even small improvements can justify the program. For example, consider the cost savings associated with only a one-percent improvement in fuel efficiency against the cost of the program.

Retention is a chronic problem in certain sectors of the trucking industry. Turnover rates are particularly high among employees who drive long distances, are absent from home for more than five days at a time and who have less than 18 months of seniority. Some companies have a 50 to 75 percent driver turnover rate.

Companies that implement incentive programs often report better employee retention because of improved employee morale. Hiring and training new people is expensive and productivity is reduced while the new employee gains experience in the new position. While costs vary by company depending on hiring practices and availability of replacement personnel, it is reliably estimated that the cost of replacing one experienced employee is in the order of $8,000.

11.5.5 Results of Pilot Testing

Appendix B presents the results of incentive programs piloted with three different fleets. These include safety, fuel economy and driver retention incentive programs. For all three fleets, the incentive programs have savings to the company well in excess of the costs of the programs.

12. STARTING YOUR OWN PROGRAM

You should now be ready to start your own incentive program. Remember to complete the checklist on page 10 first to see if further preparation is necessary.

You may need to gain approval from company management before starting your own program. To assist with a presentation to management, some ideas and key slides you may wish to use are included as Appendix C.

You may wish to use the simplified version of this manual, presented in a checklist format in Appendix D, as a quick reference when developing and implementing your program.

Good luck!

The end of this manual is your beginning — start your program now!

APPENDIX A

ACCIDENT PREVENTABILITY GUIDELINES

ACCIDENT PREVENTABILITY GUIDELINES[1]

Intersections

It is the responsibility of professional drivers to approach, enter and cross intersections prepared to avoid accidents that might occur through the actions of other drivers.

Complex traffic movement, blind intersections or failure of the "other driver" to conform to law or traffic control devices will not automatically discharge an accident as "non preventable".

Intersection accidents are often preventable even when the professional driver has not violated traffic regulations. His failure to take precautionary measures prior to entering the intersection is a factor to be studied in making a decision.

When a professional driver crosses an intersection and the obvious actions of the "other driver" indicates possible involvement either by reason of his excess speed, crossing his lane in turning or coming from behind a blind spot, the decision based on such entrapment should be PREVENTABLE.

Backing

Practically all backing accidents are preventable. A driver is not relieved of his responsibility to back safely when a guide is involved in the maneuver. A guide cannot control the movement of the vehicle; therefore, a driver must check all clearances for himself.

Front end collisions

Regardless of the abrupt or unexpected stop of a vehicle ahead, a driver can prevent accidents by maintaining a safe following distance at all times. This includes being prepared for possible obstructions on the highway, either in plain view or hidden by the crest of a hill or the curve of a roadway.

Overdriving headlights at night is a common cause of front-end collisions. Night speed should not be greater than that which will permit the vehicle to come to a stop within the forward illuminated by the vehicles headlights.

Rear end collisions

Investigation will often disclose that a driver risks being struck from behind by failure to maintain a margin of safety in his own following distance. Rear end collisions preceded by a roll back, an abrupt stop to a grade crossing, when a traffic signal changes, or when

[1] Source: Motor Fleet Safety Supervision Principles and Practices. Sixth edition. North American Transportation Management Institute, 2200 Mill Road, Alexandria, VA 22314. 1998

your driver fails to signal a turn at an intersection, should be preventable. Failure to signal intentions or to slow down gradually should be considered preventable.

Passing

Failure to pass safely indicates faulty judgment and the possible failure to consider one or more of the important factors a driver must observe before attempting a maneuver. Unusual actions of the driver being passed or of oncoming traffic might appear to exonerate a driver involved in a passing accident; however, the entire passing maneuver is voluntary and the driver's responsibility.

Being passed

Sideswipes and cut-offs involving a professional driver while he is being passed are preventable when he fails to yield to the passing vehicle by slowing down or moving to the right where possible.

Lane encroachment

A safe driver is rarely a victim of entrapment by another driver when changing lanes. Similarly, entrapment in merging traffic is an indication of unwillingness to yield to other vehicles or to wait for a break in traffic.

Blind spots are not valid excuses for lane encroachment accidents. Drivers must make extra allowances to protect themselves in areas of limited sight distances.

Squeeze plays causing involvement with parked cars, pillars and other road structures, can be prevented by dropping back when it is apparent that the other driver is forcing the issue or contesting a common portion of the road.

Grade crossings

Collisions with fixed rail vehicles, such as trains, streetcars, etc., occurring at grade crossing, in traffic, in a rail yard, switch area or on private property are the responsibility of the professional driver to prevent.

When a vehicle is parked adjacent to the track's rail siding, the driver must first determine if it is safe and permissible and, furthermore must stand by in case change by the movement of the rail cars during the parking interval.

Opposing vehicles

It is extremely important to check the action of the company driver when involved in a head-on collision or sideswipe accident with a vehicle approaching from the opposite direction. Exact location of vehicles, prior to and at the point of impact, must be carefully verified.

Even though an opposing vehicle enters the driver's traffic lane, it may be possible for the driver to avoid the collision. For example, if the opposing vehicle was in a passing maneuver and the driver failed to slow down, stop or move to the right to allow the vehicle to re-enter his own lane, he has failed to take action to prevent the occurrence. Failing to signal the opposing driver by flicking the headlights, or sounding the horn should also be taken into account.

Turning

Turning movements, like passing maneuvers, requires the most exacting care by a professional driver. Squeeze plays at left or right turns involving other vehicles, scooters, bicycles or pedestrians are the responsibility of the driver making the turn.

Failure to signal, to properly position the vehicle for the turn, to check the rearview mirrors, to check pedestrian lanes or to take any other defensive action should be carefully examined. The driver may have failed to take precautionary action from tip-offs from the other vehicle immediately preceding the incident. U-turns that result in a collision are preventable.

Passenger accidents

Passenger accidents in any type of vehicle are preventable when they are caused by faulty operation of the vehicle. Even though the incident did not involve a collision of the vehicle, it must be considered preventable if the driver stops, turns or accelerates abruptly.

Emergency action by the driver to avoid a collision that results in a passenger injury should be checked to determine if proper driving prior to the emergency would have eliminated the need for the evasive maneuver.

Pedestrians

Traffic regulations and court decisions generally favour the pedestrian hit by a moving vehicle. An unusual route of a pedestrian at mid-block or from between parked vehicles does not necessarily relieve a driver from taking precautions to prevent such accidents. Whether speed limits are posted or the area is placarded with warning signs, speeds too fast for conditions may be involved. School zones, shopping areas, residential streets or other areas with special pedestrian traffic must be travelled at reduced speeds equal to the particular situation.

Young and inexperienced operators generally operate bicycles, motor scooters and similar equipment. The driver who fails to reduce his speed when this type of equipment is operated within sight distance has failed to take the necessary precaution to prevent an accident. Keeping within posted speed limits is not taking the proper precaution when unusual conditions call for voluntary reduction of speed.

Weather

Adverse weather conditions are not a valid excuse for being involved in an accident. Rain, snow, fog, sleet, or icy pavement never caused an accident. These conditions merely increase the hazards of driving. Failure to adjust to driving to the prevailing weather conditions, or to “call it a day” when necessary, should be cause for deciding an accident preventable.

Failure to use safety devices such as skid chains, sanders, etc., provided by the company should be the cause for a preventable decision when it is reasonable to expect the driver to use such devices.

Alleys, driveways and plant entrances

Accidents involving traffic originating from alleys, driveways, plant entrances and other special intersecting locations should be carefully analyzed to determine what measures the professional driver might have taken to avoid the occurrence. Failure to slow down, sound a warning or to yield to the other driver can be considered cause to judge such an accident preventable.

Fixed objects

Collisions with fixed objects are preventable. They usually involve failure to check or properly judge clearances. New routes, strange delivery points, resurfaced pavements under viaducts, inclined entrances to docks, marquees projecting over traveled section of road and similar situations are not, in themselves, valid reasons for excusing a driver being involved. He must be constantly on the lookout for such conditions to avoid accidents in which they are involved.

Private property

When a driver is expected to make deliveries at unusual locations, construction sites, etc., or on driveways not built to support heavy commercial vehicles, it is the driver’s responsibility to discuss the operation with the proper authorities and to obtain permission prior to entering the area.

Parking

Unconventional parking locations, including double parking, failure to put on warning devices etc., generally constitute evidence of judging an accident preventable.

Roll-away accidents from parking position normally should be classified preventable. This includes unauthorized entry to an unlocked and unattended vehicle, failure to properly block wheels or to turn wheels toward the curb, to prevent vehicle movement.

Mechanical failure

Any accident caused be mechanical failure that reasonably could have been detected by the driver, but went unheeded, should be judged preventable. It is the driver's responsibility to report unsafe vehicle condition for repairs and to obtain immediate repairs where continued operation might result in an accident. When mechanical difficulties occur unexpectedly during a trip, and a driver, upon discovery, fails to check with his company for emergency instructions prior to an accident is preventable.

An accident caused by mechanical failure that results from abusive driving should be considered preventable.

Non-collision

Many accidents, such as overturning, jack knifing, or running off the road may result from emergency action by the driver to prevent from being involved in a collision. Examination of his driving practice prior to the incident may reveal following too close or speed too fast for conditions. The company driver's actions prior to involvement should be examined for possible errors or lack of defensive driving practice.

Miscellaneous

Loose objects falling from vehicle, loose chains, doors swinging open etc., resulting in damage to other property are preventable when the driver's action or failure to secure them are evidenced. Cargo damage, resulting from unsafe vehicle operation, is preventable by drivers, including overhead bridge hits where only cargo is damaged.

Conclusion

It is impossible to describe in detail the many ways a driver might prevent an accident without being primarily or legally responsible. The paragraphs of this guide merely highlight the most frequent occurrences based on past decisions of Accident Review Committees of National Safety Council, Commercial Vehicle Section.

This guide cannot list every type of accident that may be encountered, nor can it list all of the variable factors that may be involved. It can serve as a starting point for examining the specifics in determining preventability.

APPENDIX B

RESULTS OF PILOT INCENTIVE PROGRAMS

RESULTS OF PILOT INCENTIVE PROGRAMS

1 Programs Tested

As part of the research for this How-To manual, several different types of incentive programs were pilot tested with three different companies. The types of incentive programs tested included a safety incentive program, a performance program, a fuel economy incentive program, and a driver retention incentive program.

Details and results of each program tested are described below. Company names and more detailed descriptions of results are not provided for competitive reasons.

2 Company One: Driver Retention and Safety Incentive Programs

2.1 Description of Company

This company is a Less-Than-Truckload (LTL) non-unionized carrier operating one terminal and 80 power units. All highway units are equipped with on-board recorders and some are also equipped with a satellite tracking system. The company also has contractual arrangements with about half a dozen owner-operators. With the administrative and maintenance staff, the company currently has 120 employees. It has been in operation for more than 40 years and currently operates in both Canada and the United States.

The company first introduced the concept of incentive programs in the mid-1990s. At that time the company had fewer than 80 employees. The program focused on safety and was loosely administered. As the program did not meet either employee or management expectations it was abandoned in 1996. With a turnover rate close to 100%, and wishing to place increased emphasis on safety, the company reinstated incentive programs in 1998. A Director of Safety was hired to administer the program, assisted by an Incentive Working Group. Furthermore, performance and safety components of the new incentive programs were integrated in an in-house collective agreement.

2.2 Description of Program

The new program was based on driver hiring policies and practices, self-esteem and continuous improvement. From October 1997 until March 1997, the first mandate of the newly hired Safety Director was to meet with all employees individually and in groups. At the same time, the company completed a driver turnover analysis. This analysis showed that most of the turnover occurred within the first six months of the employee joining the company. As well, it was determined that part of the problem was due to the company’s rapid growth. It was also concluded that any such future growth would need to be managed more effectively.

In April 1998 the company introduced the following programs:

- Recognition of safety performances by categories of drivers: Under this component of the program, drivers elect to join certain categories of operations. This allows the drivers to be part of a team. Employees with good safety performances receive a T-shirt or a leather jacket bearing the colors of the company. The company wanted to create a sense of belonging among its drivers.

- Recognition of safety performances through the use of plaques and trophies: The company introduced a recognition program for drivers with the best safety performances. The program has two categories: city and highway. A trophy is awarded annually at the company banquet to the safest driver in each category. These driver-of-the-year awards are based on the concept of preventable and non-preventable events. A preventable event would automatically disqualify a driver from being nominated.

- Probation period with bonus based on preventable events for new employees: The company introduced a per-mile bonus for drivers who had less than six months' experience with the firm. The bonus is paid to that employee at the end of a six-month period provided the driver does not have a preventable event/collision during that period. An employee with no preventable event would receive the full amount of the bonus. If a new employee were involved in a preventable event, the direct cost of that event would be deducted from the bonus.

2.3 Results of Driver Retention Incentive Program

In 1997 the company had a turnover rate of 98% for employees with 0 to 6 months' experience with the company. In 1999, and for the same employees' category, that rate had dropped to 15% to 20% – about the same turnover rate experienced with the other drivers. This turnover rate includes normal change in company personnel through retirement.

The overall cost per driver retained by this program is about $2,000. The cost to replace a driver is estimated to be around $8,000 (refer to Section 11.5.4 of this Manual). This provides a benefit-cost ratio in the order of 4:1 for each employee retained.

2.4 Results of Safety Incentives Program

Table 1 provides a summary of the number of events before and after the program was introduced. These statistics show that although the company increased its miles driven (exposure) by 15% during the two-year period following introduction of the safety incentives program, total annual events decreased nearly 25%. Overall, the company experienced a 35% decrease in the number of events per unit and events per million vehicle miles following introduction of the incentives program.

Table 1: Safety Record of Company One Before and After Safety Incentives Program

	Oct. 1997 to Oct. 1998 (Year before)	**Oct. 1998 to Oct. 1999 (First year after)**	**Oct. 1999 to Oct. 2000 (Second year after)**
Total number of events	145	102	112
Number of power units	71	75	80
Total miles driven (Canada and USA)	5,920,011	6,553,668	6,888,098
Events per unit	2.04	1.36	1.4
Events per million miles	24.49	15.57	16.26

Company records indicate the direct cost of all events in 1998 was $320,000. Indirect costs are estimated to add another 20% (refer to Section 11.5.2 of this Manual) for a total cost of $384,000. Total estimated direct costs for 1999 and 2000 averaged $130,000 per annum. These increase to $156,000 per annum with indirect costs included. Total savings are therefore estimated to be $228,000 per annum ($384,000 before minus $156,000 after). The cost of the program is estimated to be in the order of $60,000 per annum, including the salary of the Director of Safety. This provides an approximate benefit-cost ratio of 3.8 to 1.

3 Company Two: Performance and Fuel Efficiency Incentive Programs

3.1 Description of Company

This company is a unionized Truckload (TL) carrier operating approximately 30 power units in Canada as well as the United States. The company wanted to use incentive programs for two reasons: to improve employee motivation and sense of belonging, and to maintain its fuel efficiency in the face of rising energy costs.

3.2 Description of the Program

The program focuses on four operational aspects and is strictly based on monetary rewards.

- Safety
- OS&D Reports and Log Books
- Willingness on the part of drivers to leave on Sunday
- Fuel efficiency

As a first step, management developed a program for each of these items and a bulletin was circulated to all employees to obtain their views on each proposed program and its objectives. The company clearly indicated it would share with its employees the profits resulting from the implementation of an incentive program.

Following are the monetary rewards established for 2001. Each of the incentive programs was changed in some way compared to the initial programs introduced in 2000. These changes were made mainly in response to driver feedback. These changes indicate that the programs are motivating the drivers and are consistent with this manual, which suggests that these programs require change as they evolve.

- *Safety:* Yearly bonus of $200 is available if the driver doesn't have a collision where he or she is deemed to be responsible. Drivers not available for the full year have their bonus prorated to reflect the portion of the year they were available (annual vacation excepted). The bonus amount is reduced by $50.00 for each collision or incident during the year.

- *OS&D Reports and Log-Books:* For proper documentation on each of these items a bonus of $60 is paid quarterly. A deduction of $10 is made for each document submitted incomplete or late.

- *Sunday departure:* An annual bonus is available for drivers signing on and expressing their willingness to leave the company depot on Sunday for Monday morning delivery. Drivers are awarded an annual bonus of $100 for signing for at least 25 departures and an additional bonus of $10 for each departure over and above this minimum.

- *Fuel efficiency:* The incentive program pays quarterly bonuses of up to $250 for fuel efficiency. A fuel economy objective is set for each driver for the quarter based on the truck type and past fuel efficiency on specific runs. Graduated bonuses are paid as follows:

Achieving the objective	$25
Achieving the objective plus .01 to .1 mpg	$35
Achieving the objective plus .11 to .2 mpg	$50
Achieving the objective plus .21 to .3 mpg	$75
Achieving the objective plus .31 to .4 mpg	$100
Achieving the objective plus .41 to .5 mpg	$150
Achieving the objective plus .51 mpg	$250

To assist the company, an Incentive Working Committee was established. The role of the Committee is to oversee the content of the program and its implementation. It meets regularly to keep current on the results of the program. The quarterly objectives of the fuel efficiency program are set by management but reviewed by the Committee before being released to the employees. Considerable time, effort and discussions, including several meetings of the Committee, went into setting the fuel economy objectives.

3.3 Evaluation of the First Year of the Program:

Overall, the incentive programs gave mixed results for the first year of the program. The programs are being continued into the second year with several adjustments that are aimed at motivating other drivers to obtain the bonuses. Results available to date are as follows:

Collisions

In 2000 the company recorded 30 events, all of which were minor collisions. In 2000 drivers were deemed responsible in 22 of these events. Responsibility for collisions was not established in prior years. Reliable data on the number of collisions in previous years are not available.

In 2000 the company paid the full bonus to 25% of eligible drivers. Because of a lack of data on collisions prior to the incentive program being introduced, it is not possible to complete a benefit-cost calculation on this program. Management felt their collision losses were already very low and were not really expecting an immediate reduction in the number of incidents. The incentive program was introduced as a way to keep these costs low and perhaps reduce them even more over time. It was also seen as a way to reward the safer, more motivated drivers.

Overages, Shortages and Damages (OS&D)

With the incentive program, the company began tracking these events and filing a report for each incident. Management has indicated there has been a marked continual improvement in this area but does not have any prior data to allow a detailed evaluation. Three drivers qualified for this bonus in the first year. The company expects this number to increase over time. Data are not available to do a benefit-cost analysis of this incentive program.

One of the side benefits of the incentive program was that a need was identified for a manual illustrating proper documentation.

Sunday Departure

This was a problem area for the company and hence a priority for the establishment of an incentive program.

In 2000 the company gave a bonus to seven drivers for Sunday departures. However, a total of 12 drivers signed up during the year for Sunday departure. The five additional drivers simply felt short of the necessary minimum of 25 trips in order for the bonus to kick in. A refinement to the program for 2001 was a bonus of $10 for each Sunday departure beyond 25.

Overall, the company was encouraged by the drivers' reactions to this new initiative. Results for 2001 to date show an improved response by drivers to this incentive.

Fuel Efficiency

This is one of the more important elements of the incentive programs implemented at the company. The company is hoping to improve its fleet fuel economy by 0.25 mpg with the incentive program. From a driver's point of view this is also the area where major financial gains can be made.

Table 2 provides a summary of the company's fuel economy and incentive plan payments for each quarter of 2000, the first year of the program. About 25% of drivers received a bonus payment in any quarter.

The table shows mixed results for the year. Overall fuel efficiency was essentially the same in the first year of the program (2000) as the year before. As a result, the company paid out more in bonuses than it saved in fuel economy. However, the last three-quarters of the year showed improvements in fuel economy over the previous year. An average improvement of 0.12 mpg was recorded for these three quarters and savings in fuel costs were greater than bonus payments. It was only during the first quarter year that the company saw a decrease in fuel economy. As this was the first quarter with the incentive program in place, many drivers were not fully responding to the incentive program.

Table 2: Company Two – Results of First Year of Fuel Economy Incentive Program

	Jan. - March	April - June	July - Sept.	Oct. - Dec.	Total for year
Mileage	469,561	725,807	576,581	652,988	2,424,937
Bonus payments	$1,576	$1,403	$1,069	$1,165	$5,234
Savings to company	($2,151)	$4,081	$151	$802	$2,885
Number receiving bonus	6	8	6	5	
Miles per gallon 2000	6.74	7.28	7.62	7.53	7.22
Miles per gallon 1999	6.88	7.01	7.61	7.49	7.25

This bonus payment was initially based on increments of 0.25 mpg being achieved. Early in 2000, at the suggestion of the drivers, adjustments were made to the program. The more graduated bonus program noted above (based on increments of 0.1 mpg) was implemented.

After adjustments for winter driving conditions, first quarter results indicate the program achieved a 0.12-mpg improvement in fuel economy. About 50% of drivers received

bonuses – double the number of the previous year. Prorated over the entire year, this would mean annual savings of $15,000 in fuel costs with bonus payments of $6,100 resulting in a benefit-cost ratio of 2.5 to 1. The company believes that, as more drivers respond to the program and as fuel economy driving techniques are further improved for all drivers, the fleet fuel economy will be improved by at least 0.25 mpg. Progress is being made.

One important feature of the drivers in this fleet is that nearly all of them have more than 10 years of driving experience and most have more than 20 years. It will take time, and considerable coaching, for them to change deeply engrained driving habits to ones that are more consistent with fuel-efficient driving with current technology. The incentive program can provide the motivation for them to make these changes.

Indirect Benefits: Reduced Driver Turnover

Driver turnover was reduced by 50% in 2000 compared to 1999. Based on a cost of $8,000 to replace a fully productive employee, this represents a saving of $56,000 per annum. Company management attributes at least part of this improvement to the introduction of the incentive programs. The cost savings attributed to this reduced turnover means that from a cost-benefit point of view the overall program has been a success.

4 Company Three: Driver Retention Program

4.1 Description of Company

This company is a non-unionized Truckload (TL) carrier operating approximately 350 power units, mostly within Canada as well as into the United States. The company wanted to use incentive programs to reduce driver turnover, which had been as high as 100% for several consecutive years.

4.2 Description of the Program

The company undertook a number of initiatives over a two-year period aimed at reducing its high rate of driver turnover. Each of these is described below. The company feels that it is the cumulative effect of each of these initiatives that led to the major reduction in driver turnover that the company has experienced. In effect, the company built a solid foundation for its program.

In March 1997 the company held an emergency management meeting to review the crisis situation with driver turnover. All branch mangers and assistant branch mangers attended the two-day symposium to brainstorm the issue. Presentations were made using the videotapes, *A Day in the Life of a Trucker* and *A Day in the Life of a Dispatcher*. These videos expound on the theme that it is a positive collective corporate culture and attitude toward drivers that will solve the problem. Agreement was reached to embrace this

concept and look for ways to work toward alleviating driver turnover. One of the first initiatives was to review the compensation package.

Subsequent initiatives to reduce driver turnover included:

- December 1997: a new driver pay package was introduced. The old system had evolved over time through acquisitions of various companies, resulting in too many manual exceptions to administer in a fair and consistent manner. As an example, one problem was that trip rates for short haul and long haul paid substantially more than for trips between 150 km and 800 km in length. Of major importance was input obtained from the Driver Advisory Board *"Pay us for what we do."* Another key item was validation of trip times and distances from billing data and onboard computers. The result was a complex 18-page comprehensive pay package that paid drivers for numerous specific tasks plus driving.

- April 1998: revisions to the compensation package were introduced, refining the new compensation package. Again, a key factor was input from Driver Advisory Board, which identified areas for review.

- November 1998: the company held its first Dispatch and Management symposium, which focused on team building and corporate culture. The symposium included members of the Driver Advisory Board

- December 1998: the company paid its first special Christmas bonus. Every employee received 2.25% of wages earned that year. This bonus payment has continued each year since.

- May 1999: company efforts to embrace National Driver Appreciation Week were well received. The company rented six billboards along main highways where it had offices or major traffic lanes of its units. The message "National Driver Appreciation Week. Thanking our Drivers" appeared on each billboard along with the company name.

- September 1999: the company introduced new terminal manager's performance evaluation criteria with 70 of 100 points assigned to safety and human resource issues.

- October 1999: a driver turnover analysis identified that a large majority of drivers who left the company were with the company six months or less. Also, an exit interview analysis indicated that the company's orientation and training program for new drivers were well accepted and did not require any modifications. Efforts were made to increase feedback to new drivers to make them feel more accepted and welcome.

- November 1999: the company held its second Dispatch and Management symposium. The group, which included members of the Driver Advisory Board as well as safety supervisors and managers, spent a full day with a motivational expert.

- December 1999: management decided on an initiative to recognize the safe work efforts of drivers through a Driver of the Year program.

- April 2000: the general driver wage increased under a new wage package. Some fine-tuning of problems was required, again with input from the Driver Advisory Board. Overall cost was 2.4% of driver payroll budget. Increases ranged from 1.5% to 7% on long trips

- May 2000: second efforts to embrace National Driver Appreciation Week garnered some good reviews. All drivers, and only drivers, received a gift of a leather cap personally from branch manager. The caps featured the company logo and the slogan "Driver Appreciation Week 2000."

- July 2000: the company held Employee Appreciation days at all branch offices, including a guest motivational speaker. All employees were invited to attend a ½ day or full day session to listen. Breakfast, lunch and supper were served to all employees.

- November 2000: the company held its third Dispatch and Management symposium. The group, which included members of the Driver Advisory Board as well as safety supervisors and managers, focused again on team building, personal values and beliefs.

- January 2001: 92 of approximately 350 eligible drivers received a Driver of the Year Award at a gala banquet with spouses where the awards were presented.

- Other related activities in 2000/2001: new equipment with spec input from driver Advisory Board; Employee Retention Committee formed; satisfaction survey conducted; Employment Equity audit and undertakings began; OH&S committees were formalized.

A Driver of the Year incentive program was introduced near the end of 1999 and available to all drivers. Table 3 indicates the criteria for being eligible for the Driver of the Year award. For the first five years, the program is recognition-based with a certificate awarded at the company banquet. After year five, each eligible driver will receive $500. This will increase by $100 each year until year ten, after which it increases by $200 per year.

Prior to implementing the award, it was determined that approximately 30 drivers would have qualified in the previous year of operation had the award been in place. After the first year of operation, a total of 92 drivers received the award, indicating the award did improve driver performance.

4.3 Results

Table 4 indicates the reduction in driver turnover compared to previous years. Turnover was reduced by nearly 40%, for a total reduction of 100 drivers. Based on a cost saving of $8,000 per driver, the total cost savings are estimated at $800,000. This reduction in turnover has continued into 2001 with turnover reducing even more. Should the trend for the year continue, turnover will have fallen by 60%. Total costs for the initiatives; including billboards, banquets, hats, and guest speakers, is $150,000, providing a benefit-cost ratio of 5.3 to 1.

The dramatic reduction in turnover cannot be attributed to any one of the initiatives noted above, but is the cumulative effect all initiatives. This indicates the importance of building a strong foundation for any incentive program, such as Driver of the Year, which has been well received and responded to by drivers in a very positive way.

Table 3: Eligibility Criteria for Driver of Year Award

Area	**Eligibility Criteria***
Adherence to company and/or customer policy and procedures	Two or fewer offences (verbal warning on first offence, written warning on second)
Speeding	Two or fewer offences (verbal warning on first offence, written warning on second)
Accidents	To be assessed by Committee based on seriousness of incident
Product handling	Correct product must always be delivered to customer
Spills and mixes	To be assessed by Committee based on seriousness of incident
Tire checks	Tires must be checked every two hours or 160 km and tire check recorded on reporting system
Equipment damage	No damages
Hours of service	Two or fewer offences (verbal warning on first offence, written warning on second)
Keeping unit interior clean	Two or fewer offences (verbal warning on first offence, written warning on second)
Work assignment refusal	Two or fewer offences (verbal warning on first offence, written warning on second)

*See Table 5 for specific disciplinary actions

Table 4: Before and After Driver Turnover

Period*	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Monthly Average 1996 to 1999	20	20	20	25	19	23	13	16	20	21	22	15	233
2000	24	9	5	11	17	14	11	8	9	6	9	11	134
2001	6	5	8										

*Before period ends December 31, 1999

Table 5: Disciplinary Actions

A. COMPANY AND/OR CUSTOMER POLICIES AND PROCEDURES
(As defined in the Driver's manual and /or documented in handouts or revisions)

First Offence	Written reprimand
Second Offence	$25.00 – Driver of the Year disqualification
Third Offence	$50.00 – Probation/suspension, final warning
Fourth Offence	Quarter bonus – possible dismissal

B. SPEEDING (COMPANY VEHICLE)

First Offence	Written reprimand
Second Offence	$25.00 – Driver of the Year disqualification
Third Offence	$50.00 – Probation/suspension, final warning
Fourth Offence	Quarter bonus – possible dismissal

C. ACCIDENTS

Non-preventable	None
Preventable	Cost of damages (quarter bonus maximum) and Driver of the Year disqualification

D. PRODUCT LOADING

Loading of wrong product, on wrong customer card, etc.

1) If error is determined at loading rack and product is diverted to another location at no cost to the company, no further action will be taken.

2) If the error is determined only after the unit has left the loading rack and is enroute:
First offence – Cost of incident (quarter bonus maximum) and Driver of the Year disqualification.

3) Delivery of product to wrong location or delivery of wrong product – no further action if location can accept product immediately upon arrival.

If location cannot accept product, load must be diverted and/or split, unit has to wait, any deviations from normal delivery procedures, etc.:
First offence – Cost of incident (quarter bonus maximum) and Driver of the Year disqualification.

4) Cleanouts

Failing to thoroughly clean out dry bulk units:
First offence – Cost of incident (quarter bonus maximum) and Driver of the year disqualification.

Failure to prepare clean out slip:

First offence	Written reprimand;
Second offence	$25.00 fine and Driver of the Year disqualification
Third offence	$50.00 fine, probation/suspension, final warning
Fourth offence	Quarter bonus – possible dismissal

E. SPILLS AND MIXES

Non preventable	No action
Preventable	Cost of damages (quarterly bonus maximum) and Driver of the Year disqualification

F. TIRE CHECKS

Company policy is that tires are to be checked at every 180 kilometers or every two hours. These stops must be indicated on tripmaster/traxis and log sheets. For failing to check tires resulting in damaged tire(s):

First offence	Cost of damages (quarterly bonus maximum) and Driver of the Year disqualification

G. EQUIPMENT DAMAGES

First offence	Cost of damages (quarterly bonus maximum) and Driver of the Year disqualification

H. NATIONAL SAFETY/CVOR CODE VIOLATIONS

Failure to perform pre/post trip inspection, brake inspection, and/or other infractions

First offence	$25.00 – Driver of the Year disqualification
Second offence	$50.00 – Probation/suspension, final warning
Third offence	Quarterly bonus – possible dismissal

Log sheet infractions/failure to turn in log sheets daily or after each trip

First offence	$25.00 – Driver of the Year disqualification
Second offence	$50.00 – probation/suspension, final warning
Third offence	Quarterly bonus – possible dismissal

Falsifying logs

First offence	$25.00 – Driver of the Year disqualification
Second offence	$50.00 – Probation/suspension, final warning
Third offence	Quarterly bonus – possible dismissal

I. TIGHTFILL INFRACTIONS

First offence	$25.00 – Driver of the Year disqualification
Second offence	$50.00 – Probation/suspension, final warning
Third offence	Quarterly bonus – possible dismissal

J. TRIPMASTER/TRAXIS

All drivers must use their tripmasters. All information must be entered correctly and Tripmaster downloaded when returning to the home terminal each and every time. Any failure by the driver will result in the following:

First offence	Written reprimand
Second offence	$25.00 – Driver of the Year disqualification
Third offence	$50.00 – Probation/suspension, final warning
Fourth offence	Quarterly bonus – possible dismissal

K. HOUSEKEEPING

Failing to keep unit interior clean and/or violating smoking policy

First offence	Written reprimand
Second offence	$25.00 – Driver of the Year disqualification
Third offence	$50.00 – Probation/suspension, final warning
Fourth offence	Quarterly bonus – possible dismissal

L. WORK ASSIGNMENT REFUSAL

First offence	Written reprimand
Second offence	$25.00 – Driver of the Year disqualification
Third offence	$50.00 – Probation/suspension, final warning
Fourth offence	Quarterly bonus – possible dismissal

M. UNIFORMS

First offence	Written reprimand
Second offence	$25.00 – Driver of the Year disqualification
Third offence	$50.00 – Probation/suspension, final warning
Fourth offence	Quarterly bonus – possible dismissal

N. OTHERS

If any issues not referred to in this document are reviewed by the Driver Coordinator, the following will be the baseline for penalty assessment. Included in this section is the review of all drivers' files that have cumulative written warnings. The Driver Coordinator may discuss their qualification with the Driver Committee. The findings of the Coordinator may be appealed as per the documented process.

First offence	Written reprimand
Second offence	$25.00 – Driver of the Year disqualification
Third offence	$50.00 – Probation/suspension, final warning
Fourth offence	Quarterly bonus – possible dismissal

Although the above are part of the progressive Disciplinary Formula, the Driver Committee and/or Management may revise the above infractions and the progression of penalties if the seriousness of the infraction deems more severe measures be taken.

APPENDIX C

SAMPLE SLIDES FOR PRESENTATION TO COMPANY MANAGEMENT

Introduction

The following slides are presented as a guide for presenting a proposal for an incentive program within your company.

Commercial Driver Incentive Project

Name of Presenter

Project Goals (choose those that apply)

- Driver Incentives
  - Driver retention
  - Driver safety through fewer collisions
- Fleet efficiency
  - On-time delivery
  - Fuel efficiency
  - Maintenance
- Now is the right time
  - The company is not in crisis mode but looking at the future

Description

- Our driver incentive program will focus on:
  (pick from the topics below or add new topics)
  - Driver retention
  - Collision reduction and/or Fleet insurance reduction
  - On time deliveries
  - Fuel efficiencies, Others

FOR MORE INFO...

Incentive programs for enhancing truck safety and productivity:
A Canadian perspective (TP 13256E)

Nature of Our Problem

- Outline nature of problem here
  - high driver turnover, poor fuel economy, accident costs, etc.
- Costs to company
  - $ to bottom line
  - client relations
  - public image of company

Resource Requirements

- Budget and resources needed to implement the program
  - You may want to allocate one slide for a spreadsheet. See next slide.

Cost Benefit Analysis Spreadsheet

	$$$	Staff	Consultant	Others	Totals
Budget					
Resources					
Savings					
Totals					

THE SAFETY PYRAMID

- **Reduce incidents to save accidents**

Basic Elements of a Successful Program

- Strong management commitment
- Rewards usually focused on end-results
- Attractive rewards
- Progressive accumulation of credits
- Simple rules and short time frame for rewards

Basic Elements of a Successful Program

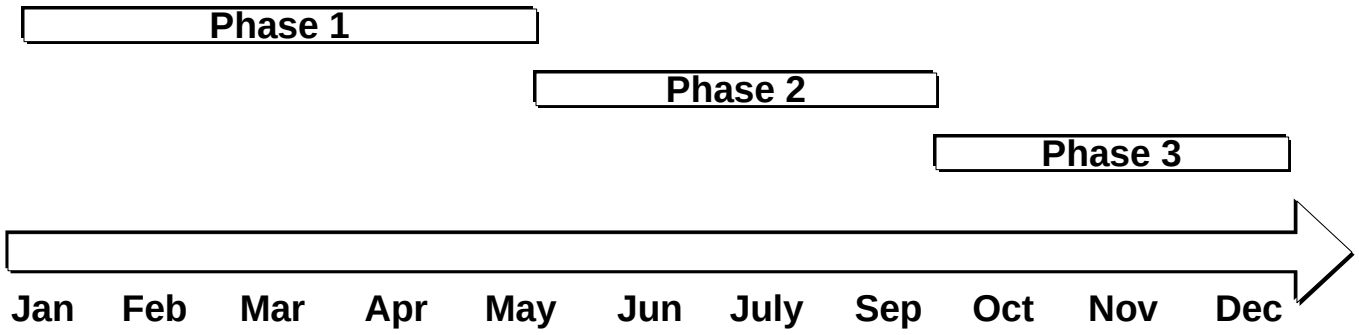
- Ensure bonuses are perceived as equitable and accessible
- Consult recipients
- Beware of negative side effects
- Supplement with training
- Review and update regularly

Basic Elements of a Successful Program

- Need representative incentive team to drive the program
  - Builds credibility and ensures equity
  - Allows discussion on obstacles
  - Helps for communication plan
  - Identifies training needs

Schedule

- Review high-level schedule milestones here



Related Documents

- Commercial Driver Incentive
  - How-to Manual (TP 13805E)
- Budget
  - Spreadsheet
- Evaluation
  - Before and after analysis
- Contact name/phone

APPENDIX D

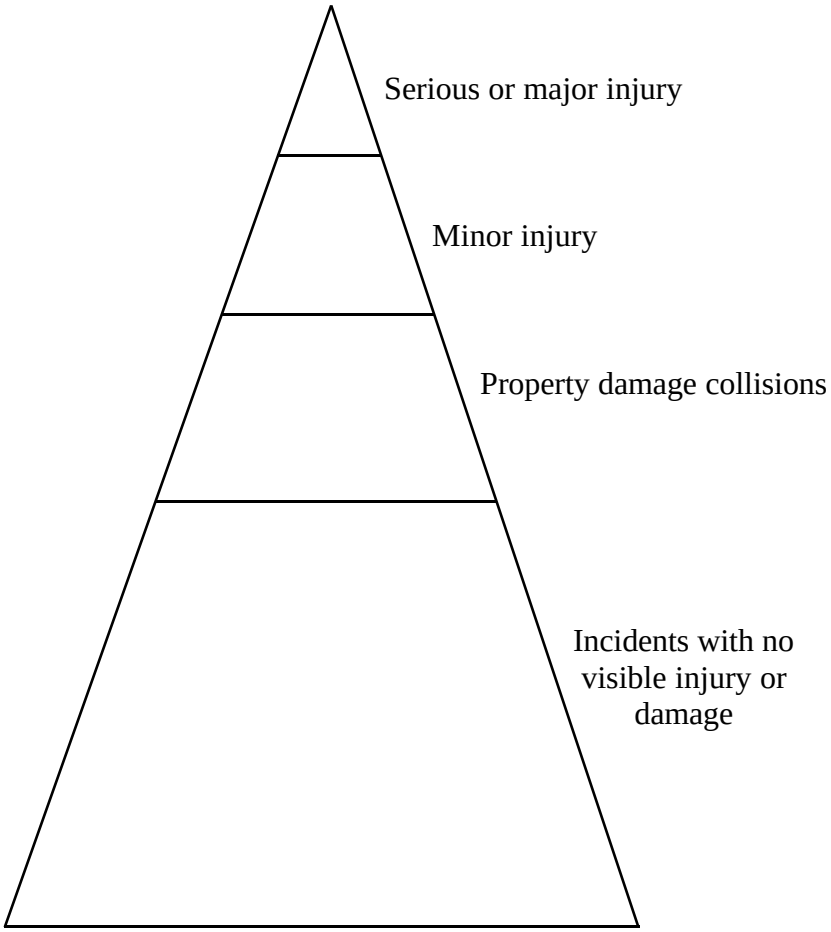
SIMPLIFIED CHECKLIST FOR DEVELOPING AN INCENTIVE PROGRAM

1. Introduction

Transport Fleets implement incentive programs to achieve one or more of the following general objectives:

- Improve safety
- Enhance productivity and efficiency
- Improve employee retention
- Identify training needs

On the safety side: Act on small problems to prevent big ones, as illustrated by Figure 1.



Source: Frank E. Bird, Jr. and George L. Germaine. Loss Control Leadership. Published by Institute Publishing (A Division of International Loss Control Institute) Highway 78, PO Box 345, Loganville, Georgia 30249. 1987. ISBN 0-88061-054-9.

Figure 1: Relationship Between Minor Incidents and Major Collisions

2. Preparation Checklist

This checklist ensures the necessary foundation for a successful incentive program.

- ❑ Is top management fully committed to the program?
- ❑ Does management understand that an effective incentive program requires a long-term commitment and investment?
- ❑ Will management make a written commitment to the program?
- ❑ Has a budget been allocated for the program?
- ❑ Has a co-ordinator been named to take overall responsibility for the program?
- ❑ Will a mechanism be established to work with the employees' group targeted by the program?
- ❑ Will a team of employees be formed that is willing and able to help with implementation?
- ❑ Will the program be evaluated regularly, and changes made as needed?
- ❑ Is the program being introduced for the right reasons (e.g., NOT in reaction to a crisis)?

You will find that considering incentive programs will force you to think about some of the areas in your company that may need improvement.

3. Deciding on the Incentives

After the target areas for incentives have been chosen and a budget has been set for the program, the next task consists of choosing the types of incentives and the way these incentives will be given to participants.

- ❑ Do you have suggestions to be presented to your incentive team?

Do you want the incentive program to be:
- ❑ Cash
- ❑ Recognition awards
- ❑ Rewards
- ❑ Merchandise
- ❑ Special event
- ❑ Combination of things above

Factors to keep in mind:
- ❑ Will the participants see the reward as being desirable and attractive?
- ❑ Are you rewarding long-term performance?
- ❑ Do the employees see the program as being fair and consistent?
- ❑ Are the rewards attainable?

4. Action Plan

You have to know where you're going if you want to get there. Here is a sample of a Goals and Action Plan for an incentive program on fuel efficiency.

Also

- ❑ Have you thought about introducing some form of monitoring system?
  □ YES □ NO

- ❑ Will the technology being introduced aid drivers in the performance of their daily duties and provide positive feedback on how to improve their performance?
  □ YES □ NO

Table 1: Sample Goals and Action Plan
(Provided courtesy of the Council of Driver Trainers, Eastern Ontario Chapter)

GOALS & ACTION PLAN (GAP)	
Name: Fuel Incentive Program	**Supervisor/Manager:**
Company: ABC Trucking	**Date:** (day/month/year)
GOAL: (What do you want to accomplish? What is your purpose or broad objective?) To reduce fuel consumption by 61,600 imperial gallons. To improve fleet performance from 7.1 miles per gallon to 7.5 miles per gallon during the period (day/month/year) to (day/month/year).	
OBJECTIVES: (How will you know what you accomplish? State your specific targets or yardsticks by which you will measure improvement.) Effective (day/month/year) we will be purchasing 61,600 fewer imperial gallons than we did in (year). Fuel costs in (year) will show minimum savings of $151,536 over the same period in (year). We will be able to gauge savings by the month as fuel costs for each month of (year) are calculated and recorded.	
ACTION PLAN	**TARGET DATE**
Formulate a plan to increase our miles per gallon from 7.1 mpg to 7.5 mpg and have it ready for presentation to the decision maker. Outline the program to the heads of both the maintenance and administrative departments. The maintenance department is to ensure all vehicles are fully capable of supplying the miles per gallon to our goal standards. The administrative department is to ensure the mechanisms are in place to track fuel consumption of each vehicle. We also want to be able to track monthly progress of our goal. In view of the fact each vehicle has a specific driver, we want to set up a competitive situation.	(day/month/year) (day/month/year)

GOALS & ACTION PLAN (GAP)	
ACTION PLAN	**TARGET DATE**
Outline the program to all drivers at meeting. Complete the training program and spend one week with the driver trainer. Complete lesson plans and a detailed program for presentation to the drivers at meetings between Christmas and New Year's. Commence program of driver trainer taking trips with each driver and ensure we have an evaluation program in place. Check progress of program and make necessary changes. Prepare a monthly progress report for all drivers.	(day/month/year) (day/month/year) (day/month/year) (day/month/year) (day/month/year) (day/month/year)
COST	**BENEFIT**
Two times $1,520 for engine and cab heaters for trial on tractors 16 and 22. Pay driver trainer $600/week for approximately 22 weeks.	Save in excess of $150,000 over present fuel cost. Improve our fuel consumption by one mile per imperial gallon.
REVIEW & AGREEMENT	
SIGNATURE:	**DATE:**
SIGNATURE:	**DATE:**

5. Incentive Team

Incentive programs that take a team approach typically achieve far better results than programs driven by one person.

An incentive team has three main responsibilities:

- To serve as a communication point within the fleet
- To implement agreed-upon incentive programs
- To watch for problems and achievements

- ❑ Have you established your own incentive team?
- ❑ Have you thought who could be on the incentive team?
- ❑ What will be the implementation role of the incentive team?
- ❑ Who will chair the meetings?
- ❑ Who will take notes at meetings?
- ❑ Have you thought about the following before your first incentive team meeting?
    - □ Statement of purpose
    - □ Scope of activities
    - □ Number of members
    - □ Meeting frequency
- ❑ Is the team setting fair and objective standards for the program?
- ❑ Is the team focusing on facts or faults?
- ❑ Has an appeal process been established to deal with drivers not satisfied with the decisions of the incentive team?
- ❑ Have you identified outside services with specialized expertise in case you need it?

6. Communication

An ongoing flow of information will maintain interest in the program.

- ❑ Do you have information about the incentive program in your employee manual?
- ❑ Are you meeting with employees to discuss one-on-one?
- ❑ Are you posting information on bulletin boards?
- ❑ Are you using your internal newsletters/bulletins effectively?
- ❑ Have you designed and distributed suggestion boxes?
- ❑ Are you planning training sessions to help drivers reach the objectives?
- ❑ Are you planning special events like a reception to honour the best drivers?
- ❑ Are you networking to exchange ideas with other transport fleets using incentives?

7. Objections and Obstacles to Incentive Programs

Expect to have some employees who object to a program. You must remember that incentives may not work for all employees. Here are some of the most common objections and obstacles. Which ones are you encountering?

- ❑ Drivers tend to under-report collisions so that they can have the rewards.
- ❑ We sometimes have so-called phantom collisions where no one is apparently to blame.
- ❑ New employees complain that they feel excluded.

Implementing incentive programs also demands commitment on the part of the company. Here are some objections on the management side:

- ❑ Administrative costs of running incentive programs are too high.
- ❑ Administering incentive programs is time-consuming.
- ❑ Incentive programs demand a re-organization of data collection within a fleet.

One of the major problems with incentive programs using cash as rewards relates to the taxation of the rewards.

- ❑ Make sure employees are aware that payments under an incentive program are taxable.

8. Public Image Building

Don't be shy about your program.

- ❑ Have you informed your customers about your incentive program?
- ❑ Have you informed government officials and the general public about your incentive program?
- ❑ Have you sent local newspapers information about your incentive program and about the drivers winning rewards?
- ❑ Don't forget to advertise your company to future employees. Have you built ties with training schools to present your company to new drivers?

9. Evaluate Your Program

All programs need to be evaluated and adjusted regularly.

- ❑ Are you taking a "before and after" approach?
- ❑ Have you set realistic time frames?
- ❑ Are you keeping complete records?
- ❑ Have you developed costing and benefits procedures?
- ❑ Have you included in your calculations indirect costs and benefits in your evaluation?

REMEMBER – BE A MENTOR . . . NOT A TORMENTOR