A well-designed and implemented incentive program is one method that can generate positive performance from an employee. On the other hand, an incentive program that rewards the wrong actions can foster a negative effect. While incentive programs can be used to support a number of business activities, this report will focus on the design, implementation, and evaluation of incentive programs for accident reduction and driver retention.

Introduction
While employees may be motivated to work because of the need for employment, management can achieve a more positive result by making them feel valued for their activities and their importance to an organization. A well-designed and implemented incentive program is one method that can generate positive performance from an employee. On the other hand, an incentive program that rewards the wrong actions can foster a negative effect (e.g., rewarding a driver for the number of deliveries might result in the driver speeding to accomplish that goal).

Prior to implementing an incentive program, management must assure that the organization has the proper equipment, hiring procedures, training programs, supervision techniques, and recordkeeping in place—the basic components of a well-managed fleet safety program.

Driver turnover is a significant issue in many sectors of the trucking industry and accident rates for newly hired drivers are generally higher. Research has shown that a well-implemented incentive program can provide a considerable positive return on investment as a result of reduced accidents and can greatly enhance driver retention.

This report will focus on the design, implementation, and evaluation of incentive programs for accident reduction and driver retention.

Program Planning and Implementation
How a company plans and implements its program is just as important as what the incentives are. Incentive programs that foster a team approach typically achieve far better results than autocratic ones. Thus, a committed, well-organized, results-oriented team should drive the program.

Effective incentive programs share a number of basic characteristics. To produce the desired results, the following elements should be in place:

- A strong commitment from top management. Management can show their support by investing in safety-related equipment, providing thorough training, and by personally attending safety meetings and recognizing the accomplishments of their drivers.
• A safety policy statement noting the importance of safety to the business. The policy statement should be clear and concise and provided to all employees.

• A budget for the development and implementation of the program. The level of funding must be committed to set the initial boundaries for what the program can provide as incentives.

• A designated coordinator for the program. The person selected to coordinate the incentive program should have expertise in the areas identified in the program objectives and be committed to the idea that the objectives of the program can be met and that it is important to provide drivers with positive feedback in meeting those objectives.

• Employee participation in the development and implementation. Management should try to involve employees during all stages of program development, as an incentive is only an incentive when perceived as such by the recipients.

• Ongoing evaluation of the program by a team representing management and drivers. Involving representatives from all sectors of the program will help foster a team effort and gain the support of drivers.

• Flexibility to adjust the program as deemed necessary. It is unlikely that the perfect incentive program for a company will exactly follow the initial plan established.

• An effective communication plan. Both internal and external communication should be a crucial element to help make the program successful. One of the largest incentives is recognition of a job well done.

• Timely feedback to participants in the program. Drivers need to be aware of their standing in the incentive program to foster continued interest and competitive pressure amongst the members of the driving team.

Incentive Team

For the most part, incentive programs should be designed by a company team, rather than having the responsibility focused on one individual, with an individual coordinator. Teamwork has the advantage of having a much broader representation of the organization committed to the program. To the extent possible, members of the incentive team should be drawn from a variety of areas, such as senior management, drivers, dispatch, and maintenance. Team members from other than the driving sector should be at the management level, if incentive programs are not in place for their departments, to eliminate feelings of jealousy amongst the group.

As the incentive team will be representing the interests of management and drivers, they should be knowledgeable about the operations, be dedicated to making the organization better, and possess the ability to analyze and communicate information and ideas. Drivers included on the team should have exemplary safety records. An announcement, such as a driver letter, should include the names of the team members and their names should be included in as many materials related to the program as reasonable to enhance their feeling of importance in this position.

The size of the team will vary depending on the size of the organization and the resources available. When choosing the team, consideration should be given to the number of drivers, locations, unions, and operating shifts in the organization.

The ideas of the incentive team can be enhanced by allowing all drivers to add their thoughts through the use of a suggestion box. Depending on the capability of the organization, suggestions can be provided.
in hard copy or via e-mail. In addition to furthering the ideas generated for the incentive program, additional ideas for the general improvement of the operations of the company may also be received.

Team meetings are an expense item and should be controlled by a well-organized agenda to assure that the expense is valuable to the program.

**Developing Goals and Objectives**

A company must invest time and funds to make its incentive program a success. An analysis of the objectives to be accomplished by implementing the incentive program should be developed based on the perceived needs of the organization. Incentive programs should never be used as a quick fix in a crisis situation. An organization must decide in advance what areas need to be addressed to reduce the cost of doing business.

General objectives that can be addressed include:

- Reducing the number of accidents. Research has indicated that reducing the number of minor accidents will result in a proportionate reduction in serious accidents
- Enhancing productivity and efficiency
- Improving driver retention
- Identifying training needs related to safety and productivity

An incentive program must be evaluated regularly to assure that it is accomplishing its objectives by reducing the cost of doing business and to identify areas that can improve the program to reach its objectives.

**Program Criteria**

While some incentive programs are based on accident-free driving, a more realistic objective is to avoid preventable accidents. A preventable accident is one in which the driver failed to exercise every reasonable precaution to prevent the accident. This is irrespective of the extent of property damage and/or personal injury, to whom it occurred, or the location of the incident. If not in place, organizations should consider establishing an accident review board, made up of management and drivers, to review accidents and determine if they were preventable by their driver. For additional information, see *Determining the Preventability of Motor Vehicle Accidents* on our Risk Solutions website.

Incentive programs should elicit continual desire in the employee to meet its goals. To provide this, programs should be set-up to reset the driver’s record as soon as a disqualifying event occurs. A point system that credits points by the day for positive results works to keep the driver striving toward the incentive, even after a setback. All drivers must have an equal opportunity to succeed in the incentive program. Team incentives should be considered where appropriate to foster additional competition and interest.

Incentive programs can provide a negative result by having the driver not report minor accidents or to ‘not know’ how vehicle damage occurred. It must be clearly conveyed to drivers that they are responsible for all conditions of the vehicle when it is under their control and that disciplinary action will be taken should it be discovered that an accident is not reported. For minor events, some incentive programs allow a penalty against the current status of the rewards, rather than restarting the clock. Whatever the reward decision, drivers need to be aware of the critical importance of reporting all accidents.
Selecting Incentives

When thinking about incentives, management should remember that good employee relations are fostered day-to-day by letting employees know that they are doing a good job. Recognition of good performance will elicit better management/driver relations and open the door for good communications that can avoid many negative issues.

While the first thought for providing rewards may be to provide cash incentives, many organizations avoid this as they feel it does not provide lasting recognition. On the other hand, many organizations have found a combination of cash and merchandise works well. The incentive team should provide input as to what they think will drive the success of the program. It is advisable to review the income tax implications of incentive program rewards with the organization’s accountant.

There are many companies that offer customized rewards that might work well for an organization’s incentive program. Rewards, such as certificates, pins, plaques, and jackets, customized with the organization’s name and logo, can be very well received. These rewards provide continuing recognition of the service the driver is providing to the organization.

Rewards can also involve the driver’s family by arranging for incentive points to be cashed in by selecting items for the family from a selection of rewards. The rewarding of incentives can be an incentive, in itself, if the organization can arrange to make the presentation of rewards at a gathering that includes the driver’s peers and family. As it is often difficult to schedule a gathering due to a driver’s schedule, gatherings must be planned well in advance and arrangements made to have as many drivers as possible in attendance.

Communication

One of the most important factors in implementing a successful driver incentive program is communication. Drivers and supervisors need to thoroughly understand the program. Whenever possible, a driver’s family should be informed of the benefits of the program to provide additional incentive for the driver.

A significant promotional effort should be made with the introduction of the program. Drivers and supervisors should be provided with a “manual” that clearly extols the rewards the program has to offer and the criteria for receiving incentives. The manual should include the names of the incentive team and the appropriate contact for answering questions about the program. Where appropriate, materials should be posted on bulletin boards or added to pay envelopes to remind drivers of the program.

The names of drivers receiving rewards should be publicized as broadly as possible—on bulletin boards, in company newsletters or letters from the president/owner, at safety meetings, in local newspapers, in letters to the driver’s family, etc. The more publicity generated for the program, the more interest will be generated for all drivers. Recognition is, in itself, a powerful incentive.

Evaluation

To properly evaluate the results of an incentive program, accurate recordkeeping must be in place. Ideally, past recordkeeping will allow a comparison of costs before a program is implemented against the same criteria after the program is in place. To assure a valid cost-benefit analysis, all costs related to the objectives of the incentive program should be considered—both
direct costs and indirect costs. For example, driver retention should be valued by figuring the cost that would be incurred to hire and train a replacement driver. The value of accident reduction should be measured by considering all costs incurred because of an accident — direct expense (e.g., insurance deductibles), lost revenue, supervisor’s time, etc.

Assuming accurate before and after recordkeeping is in place, a cost-benefit analysis of the incentive program should be readily available. When performing the evaluation, one of the factors that may not be readily visible through the analysis is the effect of growth on the exposure the organization faces. Statistically, a growing organization may see an increase in accidents and assume the incentive program is not working when, in fact, the significant increase in activity is to blame for the anomaly.

Incentive programs take time to mature, so patience must be exercised to truly assess the cost-benefit. Certainly, some results should be available a year after the program is implemented, but as the program matures a higher cost-benefit should be evident compared to before the program was initiated.

In a study, entitled Safety and Productivity Incentive Programs for Transport Fleets, incentive programs were examined in three firms to determine a cost-benefit analysis. The types of incentive programs included a safety incentive program, a productivity (or performance) program, a fuel economy incentive program, and a driver retention incentive program. All three companies showed positive results, often with a benefit-to-cost ratio exceeding three to one. The study showed that well-planned and implemented driver incentive programs can result in large cost savings to an organization.

References

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