

The Road to Recovery: Reassessing Canada's Trucking and Logistics Labour Shortages

December 2021



Trucking HR Canada's labour market initiative delivers comprehensive labour market information that will support employers in managing current and future workforce challenges.

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We also want to recognize our partner The Canadian Trucking Alliance (CTA).

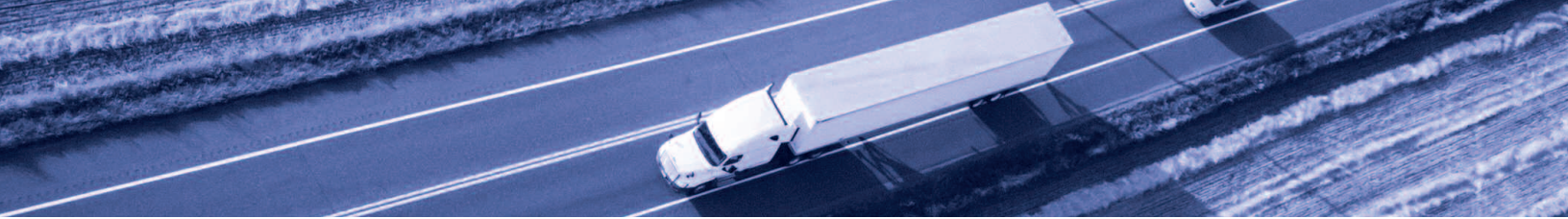


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1.0 Executive Summary

1

The COVID-19 pandemic has underscored the importance of addressing acute labour shortages in the Trucking and Logistic sector to support economic recovery in Canada. Failure to address Canada's supply chain challenges poses potential obstacles to rebuilding our whole economy, from agriculture and mining to construction and retail/wholesale trade.

Trucking HR Canada's pre-COVID labour market research – *The Road Ahead*, published in early 2019 – found acute labour shortages, especially amongst truck drivers, evidenced by high vacancy rates and low levels of unemployment. The mismatch between the demand and supply of workers indicated that as many as 55,600 vacant driver jobs could go unfilled between 2019 and 2023. The pre-COVID vacancy rate for truck drivers was predicted to reach 7.4% by 2023, well above all other occupations in the sector.

The industry's challenge in hiring drivers is intensified by high levels of turn-over amongst workers, with large numbers of workers leaving their jobs to retire, change positions or leave the industry altogether. Our labour supply forecast projected that almost 36,000 workers would retire between 2019 and 2023 and an additional 136,600 would leave their jobs for non-retirement reasons.

- Our new labour market research, conducted in mid-2021 adds new depth to understanding how the demand for drivers was impacted by the pandemic and how the ongoing recovery in the Canadian economy has progressed. Key findings include: Half of our employer survey respondents said that their revenues were lower in 2020, compared to 2019. On the other hand, among those trucking companies that carry primarily essential goods, 41% reported increased revenues in 2020.
- The demand for trucking services was impacted most by downturns in manufacturing, mining, oil & gas extraction, construction and retail/wholesale trade.
- Despite the initial downturn in demand, the labour market in trucking and logistics recovered quickly, with employment of drivers returning to pre-pandemic levels by September 2020.
- Two-thirds of employers surveyed said they were unable to find all the drivers required, and their estimated vacancy rate in 2021 was 7.5%.



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- By the second quarter of 2021, driver vacancies were as high as 18,310, up by 4,330 jobs when compared to the last quarter of 2019, before the onset of the pandemic.
- Our new demand projections estimate that the number of vacancies is going to increase to 24,700 in 2025.
- Almost one third of surveyed employers report their retirement rates have increased since the onset of the pandemic. Two fifths (40%) of employers have experienced an increase in their voluntary turnover rate.
- Over 75% of employers expect labour shortages for truck drivers to be a challenge and 46% of employers expect labour shortages for other (non-truck driver) positions to be a challenge. Furthermore, 56% of employers report labour shortages for truck drivers as their top concern.

The trucking and logistics sector needs help to address continuing labour shortages. Recruitment and training of new truck drivers will be key to bolstering Canada's economic rebound. Trucking HR Canada is committed to helping support a healthier supply chain and providing key programming that aims to alleviate the trucking and logistics sector's labour market challenges on the road to recovery.



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2.0 Background

In March 2020, literally days before the World Health Organization declared COVID-19 a global pandemic, Trucking HR Canada released “*The Road Ahead: Addressing Canada’s Trucking and Logistics Industry Labour Shortage*”. This ground-breaking study provided detailed analysis of the chronic shortage of truck drivers in the Canadian labour market. In addition, the report evaluated the future labour market challenges faced by industry, forecasting labour supply and demand from 2019 - 2023. These pre-pandemic forecasts showed that, without significant improvements in the ability to attract and retain workers, our industry is expected to face a worsening labour shortage, especially for truck drivers.

The *Road Ahead* Reported That:

- Between 2016 and 2019, the average number of truck driver vacancies more than doubled, from 8,600 in 2016 to 20,500 in 2019. More than 60% of employers surveyed in 2019 said that they were unable to fill all their vacant truck driver positions. In 2023, the total demand for truck drivers is expected to top 341,000 drivers and more than 25,300 of these jobs will be vacant. This represents a vacancy rate of 7.4%, which is the highest among key occupations within the sector.
- In our pre-COVID forecasts, Canada’s supply of drivers was not expected to keep pace with the robust growth in demand. The occupation’s demographic profile suggests that 32% of the truck driver workforce is over the age of 55. With the sector expecting almost 36,000 of these experienced drivers to retire between 2019 and 2023, employers must increasingly focus on recruiting and training new drivers to replace them. Adding to this pressure to hire workers is the very high level of voluntary turn-over¹ among drivers, with an estimated 136,300 drivers changing jobs or leaving the industry all together between 2019 and 2023. In addition, the inflow of drivers from new labour market entrants, immigration and non-permanent residents is not expected to keep pace with the outflow. Our supply forecasts showed that between 2019 and 2023, the total supply of truck drivers will shrink by 3,970 workers. Overall, we estimated the total supply of drivers in 2023 to be approximately 327,300.

¹ Voluntary turnover is turnover due to an employee-initiated departure (e.g. an employee leaves for another job or to take care of family).

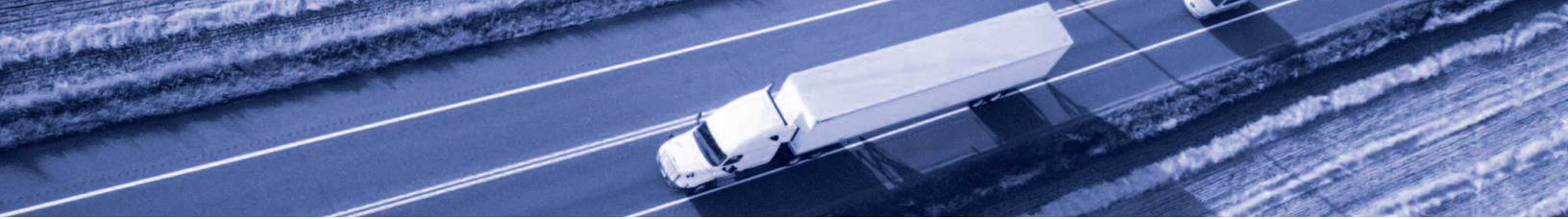


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- Assuming the sector's ability to recruit and retain workers does not improve, the truck driver shortage is expected to worsen. According to our pre-COVID forecasts, it is likely that employers will continue to struggle to find all the drivers they need. Our model projected that more than 11,000 vacant driver positions will go unfilled² each year between 2019 and 2023, resulting in a cumulative shortage of 55,630 drivers.



With the onset of COVID-19, the trucking and logistics sector's labour market temporarily shifted from a situation of labour shortages to sudden lay-offs and burgeoning unemployment, even amongst truck drivers who were particularly hard hit in the initial phase of the pandemic (*Chart 1*). Our on-going labour market research showed that during the first two quarters of 2020, employment of truck drivers declined, shedding over 49,000 jobs with unemployment rates for drivers soaring to a record high of 12.1% in June 2020. However, the occupation recovered quickly as the first wave subsided, returning to pre-pandemic employment levels by September 2020. By October 2020 the unemployment rate among truck drivers dropped to 4.3%, roughly the same level as in December 2019.

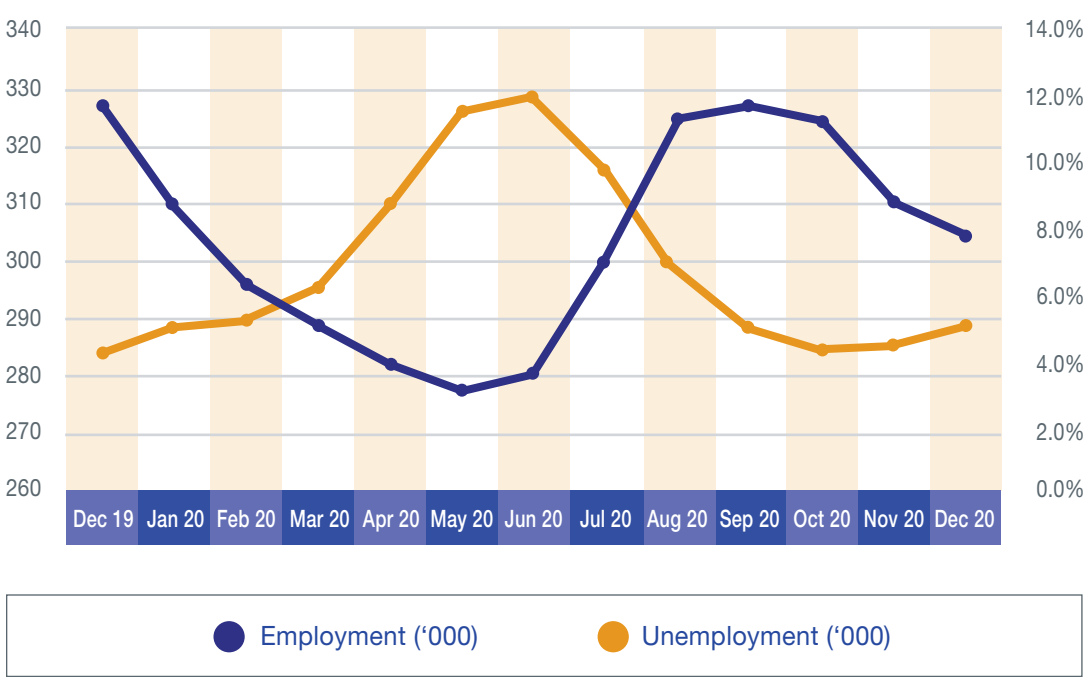


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Chart 1

Employment of Transport Truck Drivers Declines and Unemployment Spikes Over the First Two Quarters of 2020

Employment and Unemployment* Transport Truck Drivers, Dec 19 - Dec 20



* Three-month moving averages
Source: Trucking HR Canada, Labour Force Survey, custom data request, 2021.

The arrival of the second and third waves of COVID-19 did not result in the same precipitous drop in employment nor upsurge in unemployment for drivers. This is likely a reflection that the cautious and gradual re-opening of the Canadian economy was fueling a rebound in demand for trucking services, in turn, spurring the demand for truck drivers. According to the most recently available Statistics Canada data, driver vacancies were as high as 18,310 in the second quarter of 2021, up by 4,330 jobs when compared to the last quarter of 2019, before the start of the pandemic (Source: Statistics Canada. Table 14-10-0328-01 Job vacancies, proportion of job vacancies and average offered hourly wage by selected characteristics, quarterly, unadjusted for seasonality.)



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3.0 Updated Trucking and Logistics Labour Market Research – 2021

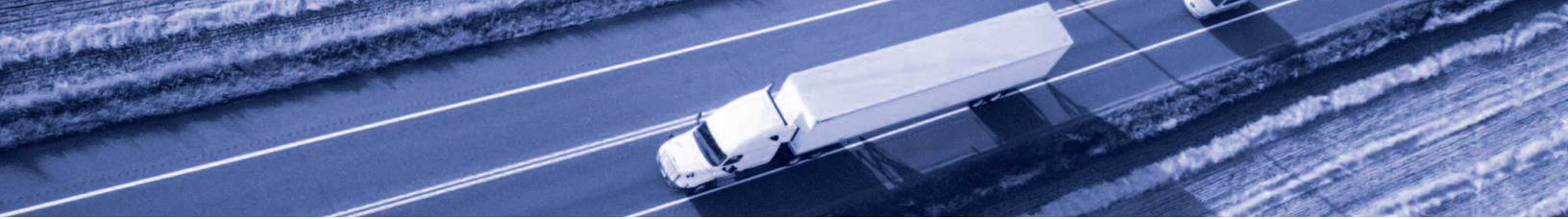
The COVID-19 pandemic has been a reminder of just how critical the trucking and logistics sector is to the well-being of Canadians and the overall economy. Truck drivers, whether fleet employees or individual owner-operators, are ensuring that essential goods including food, hospital supplies, and fuel are being delivered to grocery stores, hospitals, and gas stations. Furthermore, delivery and courier service drivers are delivering an expanding variety of consumer goods to Canadians, who have rapidly shifted toward online shopping to comply with physical distancing measures.

In response to an emerging economic recovery, Trucking HR Canada has recently concluded a six-month process of updating our labour market information, including extending our labour demand forecasts by two years to 2025 and redeploying our employer survey³. This research has re-evaluated the labour market challenges faced by the industry between 2021 and 2025 and underscored the essential nature of the trucking and logistics industry to the recovery of virtually every other productive sector in Canada. This report summarises the results of the updated labour demand projections, providing readers with a perspective on how the ongoing recovery in the Canadian economy has progressed and the mechanisms driving the demand for key trucking and logistics occupations moving forward.

Trucking and Logistics Experienced a Notable Contraction in Revenue Early in the Pandemic

Despite its critical role in Canadian supply chains, helping sustain the movement of essential goods during COVID-19, the trucking and logistics sector was not immune to the negative economic effects of the pandemic. Many trucking and logistics companies' revenues were negatively affected by the pandemic. Half (51%) of surveyed employers experienced a decrease in revenues in 2020 compared to 2019 (*Chart 2*). Almost two thirds (65%) of companies hauling non-essential goods experienced a drop in revenues compared to only 38% of respondents carrying essential goods. On the other hand, 41% of companies carrying primarily essential goods reported increased revenues in 2020, compared to 2019.

³ Our pre-COVID labour market forecast also included projections labour supply. Because supply projections depend heavily on Census data, which will only become available by late 2022, our revised forecast is only for labour demand.

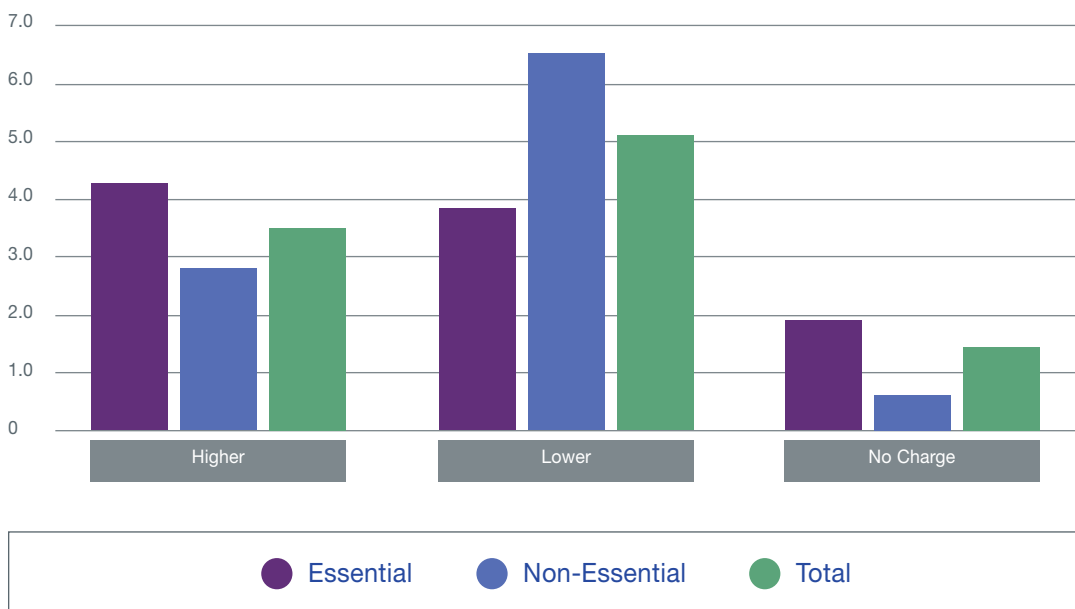


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Chart 2

Most Companies Carrying Non-Essential Goods Experienced a Drop in Revenues During the Pandemic

Q - How does your company's revenues in 2020 compare to 2019?
(Share of employers, by type of goods transported)



Source: Statistics Canada, Labour Force Survey (Special request from Statistics Canada).

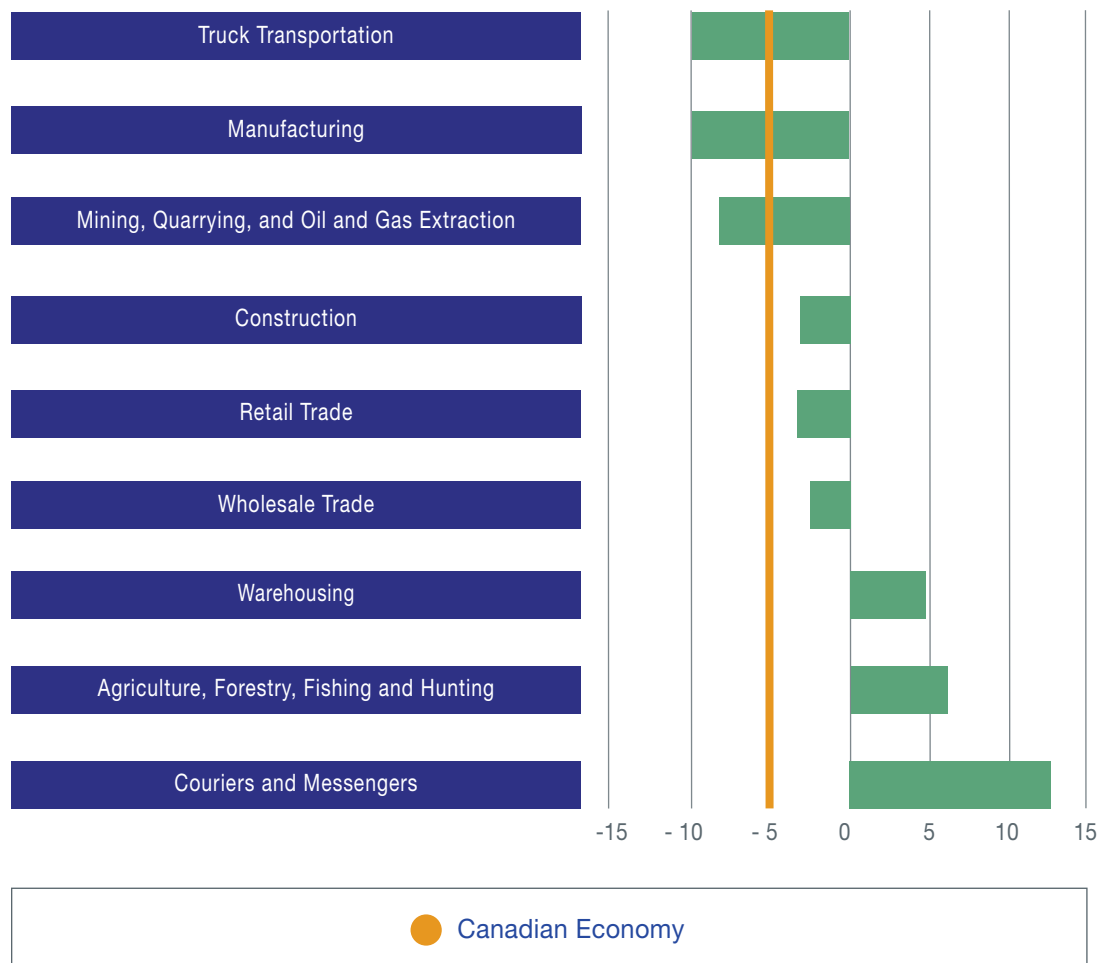
The interconnectedness of the trucking and logistics sector to industries that were significantly impacted in 2020 led to reduced labour demand. Industries such as manufacturing, mining and quarrying, experienced an above-average decline in GDP relative to the overall Canadian economy ([Chart 3](#)). Weaker demand in construction and retail/wholesale trade also contributed to the short-term diminished demand for trucking services. As the economy moves into the recovery phase in 2021, resurgent growth in these industries is expected to fuel a sharp uptick in demand.



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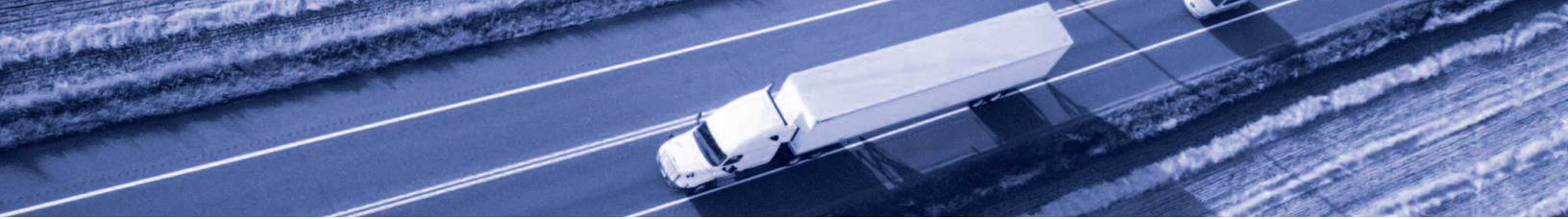
Chart 3

Pockets of Weakness for the Trucking and Logistics Sector Include Manufacturing, Mining, Construction and Retail/Wholesale Trade
(Change in GDP for selected industries, 2020)



Source: Statistics Canada, Table 36-10-0434-01.

Among our industry survey respondents, companies that primarily serve the oil and gas and construction sectors were much more likely to report business below pre-pandemic levels, at 85% and 42%, respectively. In contrast, only 18% of businesses serving the manufacturing sector reported lower levels of business.



Labour Demand for Truck Drivers Disproportionately Affected by Reduced Economic Activity

3



In 2020, labour demand⁴ declined for 24 of the 30 occupations in the trucking and logistics sector. The reduction in labour demand was felt disproportionately in the truck driver occupation. The sector required 27,700 fewer drivers in 2020, an 8% reduction in demand from 2019. In comparison, labour demand for the 23 other occupations that experienced reduced demand, declined by a total of 7,100 positions, or 2.7%.

With firms looking to rebound to business as usual, labour demand for truck drivers is expected to increase in 2021. The sector is projected to see an average of 24,700 vacant positions for truck driver positions in 2021, many of which will go unfilled during this recovery amid labour market frictions. In fact, over two thirds (67%) of our survey respondents were not able to fill all the driver positions they needed in 2020/2021 (*Chart 4*) – an even higher proportion than in our pre-COVID survey. Furthermore, over 80% of large companies (revenues over \$25 million) were unable to fill all the driver positions they needed. Overall, the estimated vacancy rate for truck driver positions will be 7.5%.

⁴ Labour demand is the sum of employment plus vacant positions for a particular occupation.

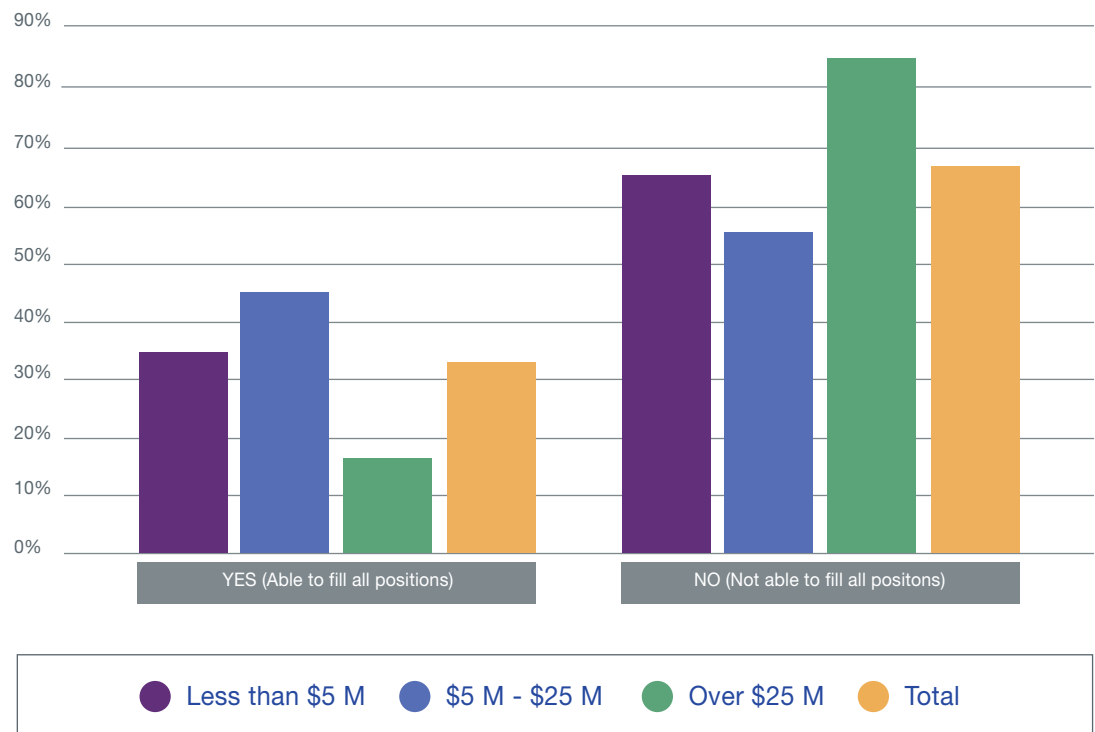


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Chart 4

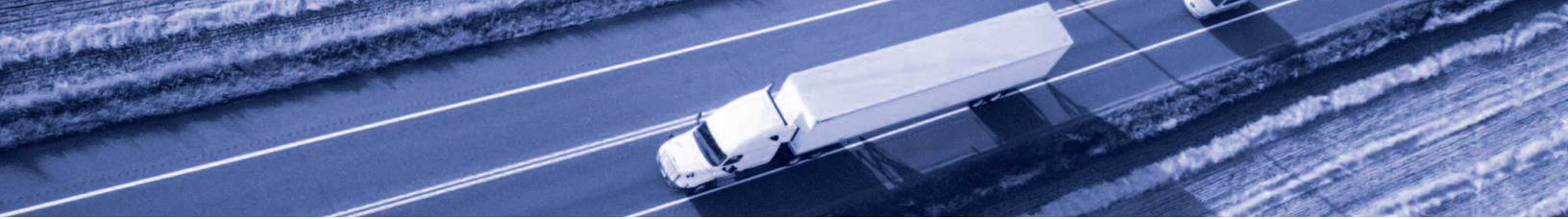
Over Two Thirds of Companies Face Driver Shortages

Q - Over the past year, was your company able to fill all the driver positions needed? (Share of employers by revenue size)



Source: Trucking HR Canada, 2021 Employer Survey.

Increased turnover and retirements are contributing to ongoing labour shortages. Almost one third of surveyed employers report their retirement rates have increased since the onset of the pandemic (*Chart 5*). Two fifths (40%) of employers have experienced an increase in their voluntary turnover rate.

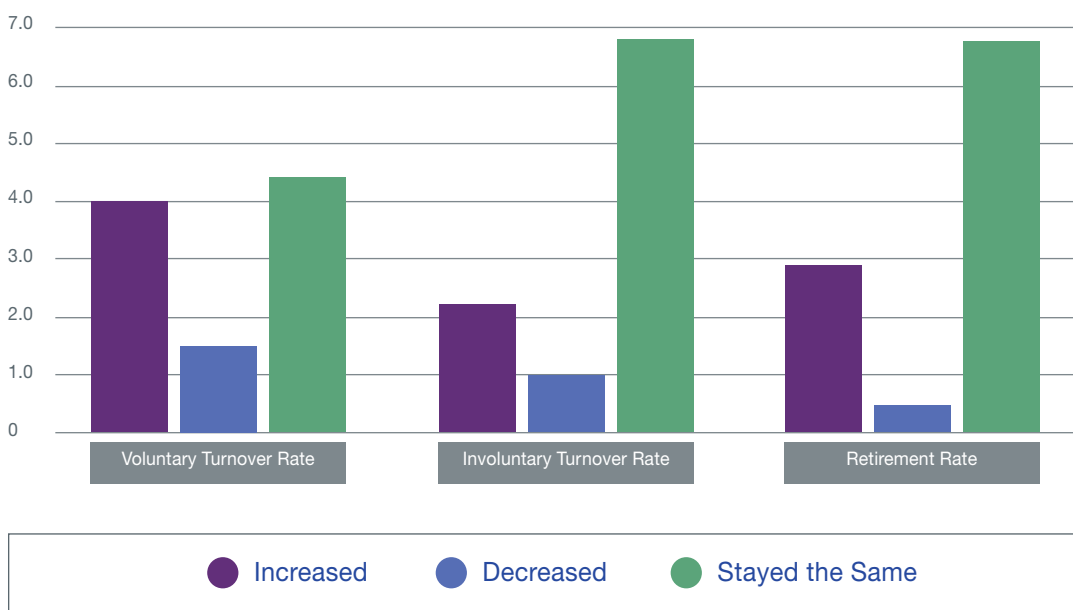


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Chart 5

Turnover and Retirements Have Increased During the Pandemic

Q - Since the onset of the COVID-19 pandemic, how have the following rates changed for truck drivers at your company? (Share of employers)



Source: Trucking HR Canada, 2021 Employer Survey.

Filling truck driver vacancies will depend on the sector's ability to attract new workers in the wake of the COVID-19 pandemic. According to our updated demographic data, young truck drivers (aged 15 to 24) were more likely to be laid off during the pandemic, with many becoming discouraged and exiting the labour force altogether (Chart 6).

It will be important for trucking and logistics to replenish this cohort of drivers as well as engage with other underrepresented cohorts such as female truck drivers to accommodate the sector's expected expansion, and impending wave of retirements.

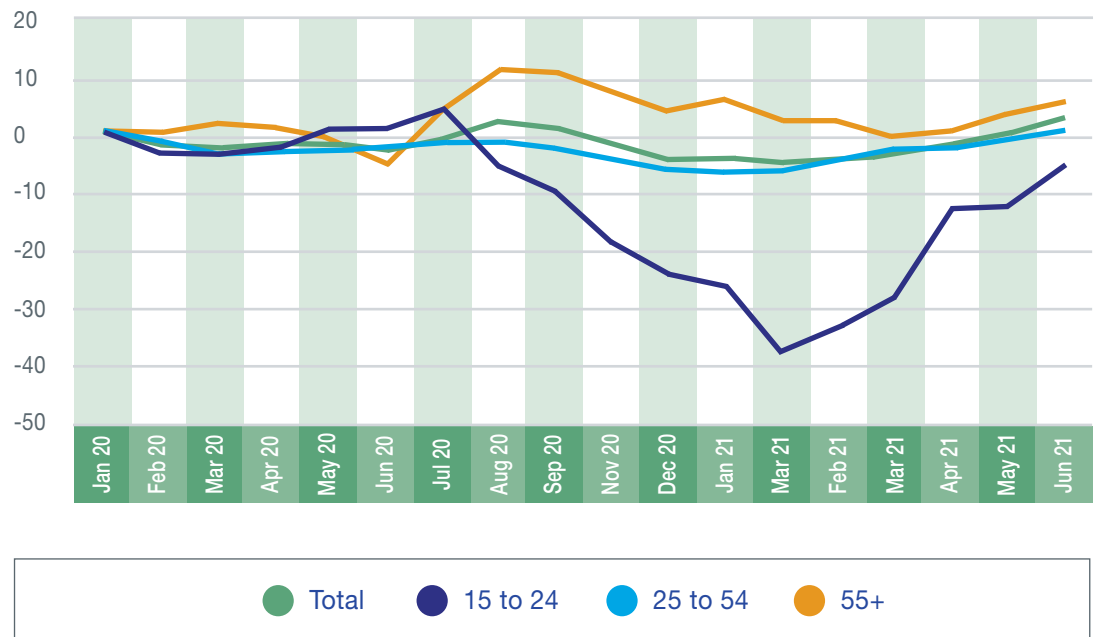


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Chart 6

Truck Driver Labour Force Decline Centers Around Young Workers

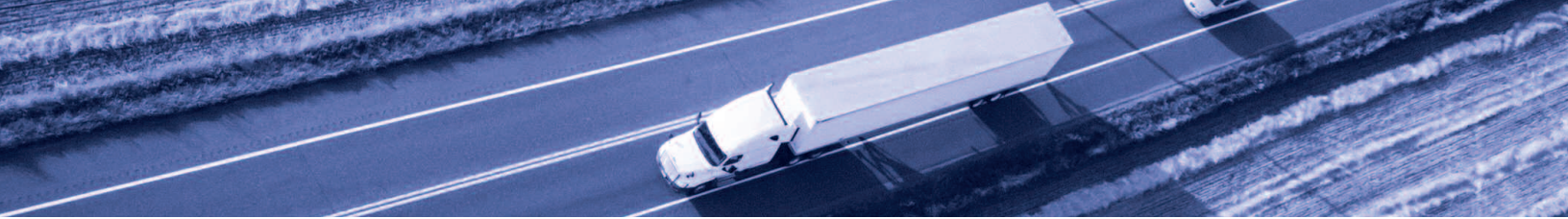
(Labour force index, seasonally adjusted, Jan 2020=0)



Source: Trucking HR Canada, Labour Force Survey, custom data request, 2021.

According to our updated demand forecasts, truck drivers are expected to have the most acute labour shortage in the sector in 2021, with a vacancy rate of 7.5%, well above the sector average of 5.0%. The number of vacant truck driver positions is expected to moderate over the forecast horizon compared to our pre-COVID estimates but will remain elevated. In 2025, there will be approximately 14,000 vacant driver positions and close to three in five vacancies in the trucking and logistics sector will be for truck drivers.

Between 2022 and 2025, labour demand for truck drivers is expected to continue rising, albeit at a more moderate pace than in 2021. By 2025, total demand for drivers is projected to reach roughly 336,500, which is below the 2019 high of 344,450, but much higher than the average of 322,200 recorded between 2015 and 2019.



4

4.0 The Road to Recovery: Future Labour Market Challenges for Trucking and Logistics

Economic Recovery Fueling a Robust Rebound in Labour Demand

The rollout of vaccines got off to a slow start in Canada but picked up steam in the spring of 2021. Vaccines are enabling the removal of public health restrictions across the country, something that will boost household spending in the second half of 2021. Canada's merchandise trade, which declined by 7.8% in 2020 in price-adjusted terms, is forecasted to all but recover to pre-COVID levels in 2021, benefitting from robust U.S. economic growth.

Against the backdrop of stronger economic activity, we expect trucking and logistics companies to boost hiring. As a result, total labour demand for all occupations in the sector is projected to expand by 5.2%, from 711,500 in 2020 to 748,800 in 2021. Unfortunately, a significant portion of the sector's growing labour needs could go unmet. We anticipate that trucking and logistics will have an average of 37,500 vacant positions in 2021, equivalent to 5% of the sector's labour demand for the year.

How Do Trucking and Logistics Employers See the Road to Recovery?

The recovery of the trucking and logistics sector has been uneven. While 40% of employers reported business levels higher than pre-pandemic levels, 30% reported business levels are at similar levels, and 31% reported lower business levels.

For companies with business levels below pre-pandemic levels, 47% expect levels to return to pre-pandemic levels within the next year, 30% between one and two years, and 17% more than two years (*Chart 7*). On average, companies below pre-pandemic levels expect to return to pre-pandemic levels in about 14 months. Only 3% of companies do not expect to return to pre-pandemic levels.



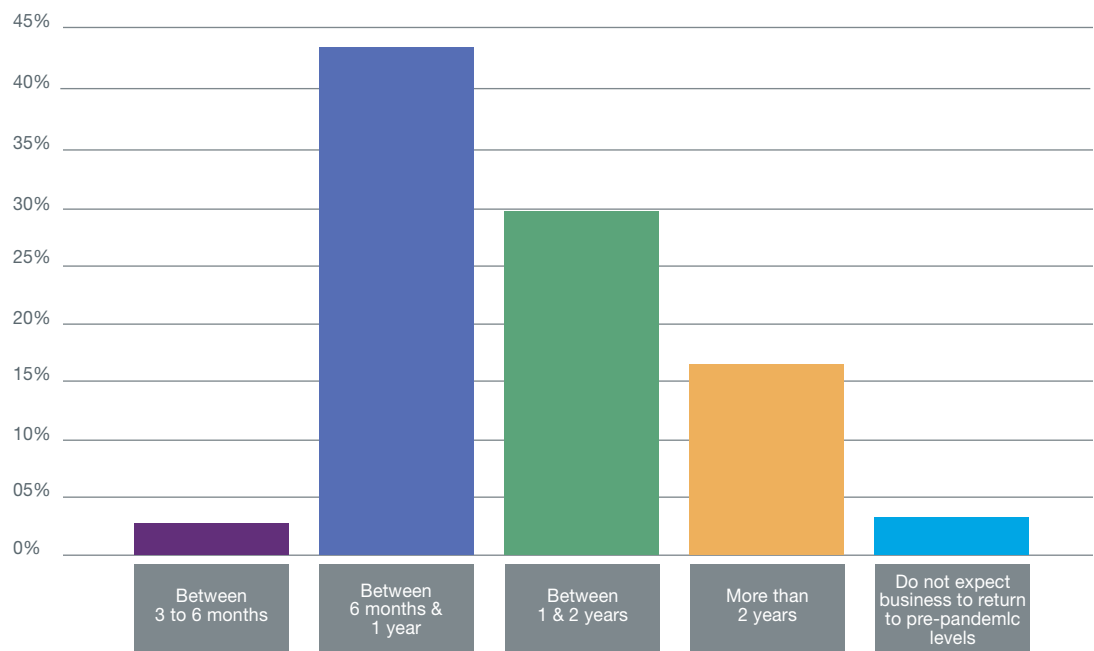
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For those companies reporting business levels above pre-pandemic levels, 74% expect business levels to fall to pre-pandemic levels within the next two years, while 15% do not expect business levels to return to pre-pandemic levels. On average, companies above pre-pandemic levels expect to return to pre-pandemic levels in about 8 months.

Chart 7

Most Companies with Business Below Pre-Pandemic Levels Expect Recovery to Be Drawn Out

Q - What is your estimated timeframe for your company's business to return to pre-pandemic levels?
(Share of companies with business levels below pre-pandemic levels.)



Source: *Trucking HR Canada, 2021 Employer Survey.*



4

What Challenges to Recovery are Concerning for Trucking and Logistics Companies?

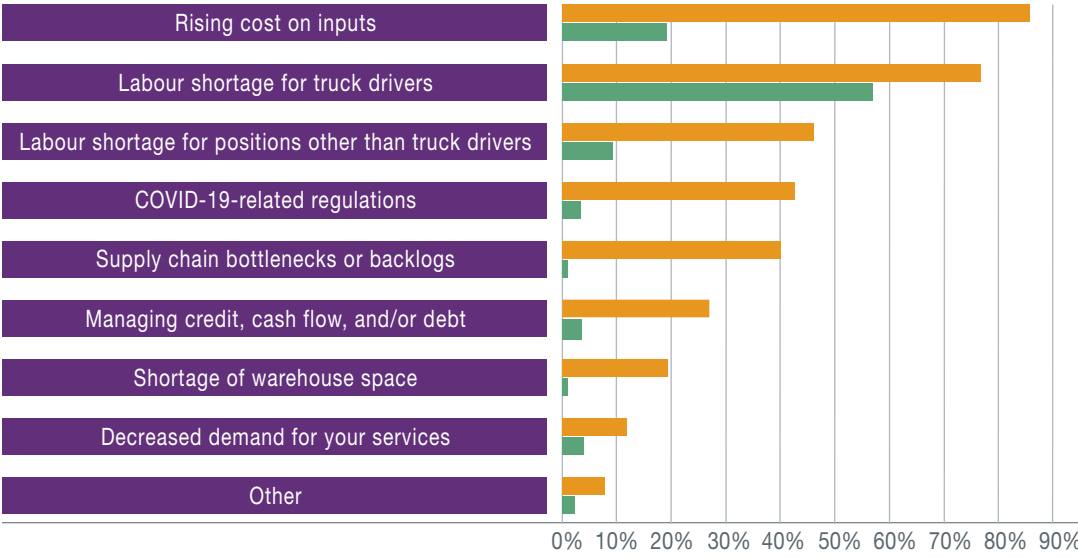
Rising input costs (e.g., insurance, fuel etc.) and labour shortages are top of mind when employers think about future challenges. Over 85% of surveyed employers expect rising input costs to be a challenge over the next six months (Chart 8). Over 75% of employers expect labour shortages for truck drivers to be a challenge and 46% of employers expect labour shortages for other (non-truck driver) positions to be a challenge. Furthermore, 56% of employers report labour shortages for truck drivers as their top concern.

Other notable concerns include COVID-19 related regulations and supply-chain backlogs.

Chart 8

Shortages of Truck Drivers Will Continue to Be the Top Challenge in the Future

Q - Do you expect to face any of the following challenges over the next six months? What is your top challenge? (Share of employers)



Source: Trucking HR Canada, 2021 Employer Survey.



4

What HR Activities Will be Most Challenging in the Future?

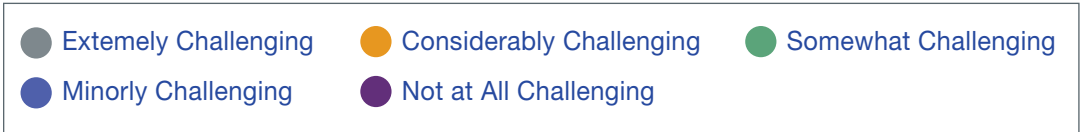
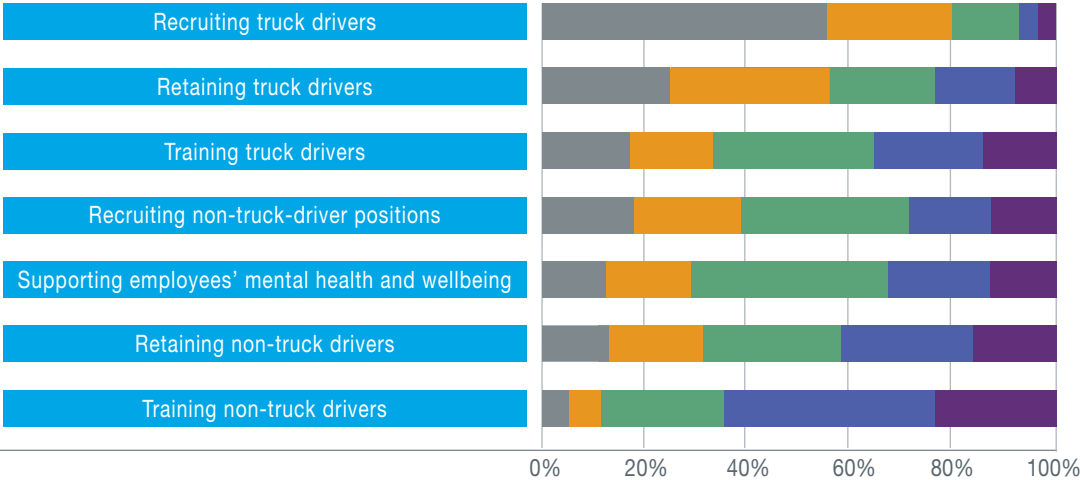
Not surprisingly, 78% of employers surveyed reported recruiting truck drivers will be considerably or extremely challenging over the next six months (*Chart 9*). Employers also expect retaining (55%) and training (32%) truck drivers to be considerably or extremely challenging over the next six months.

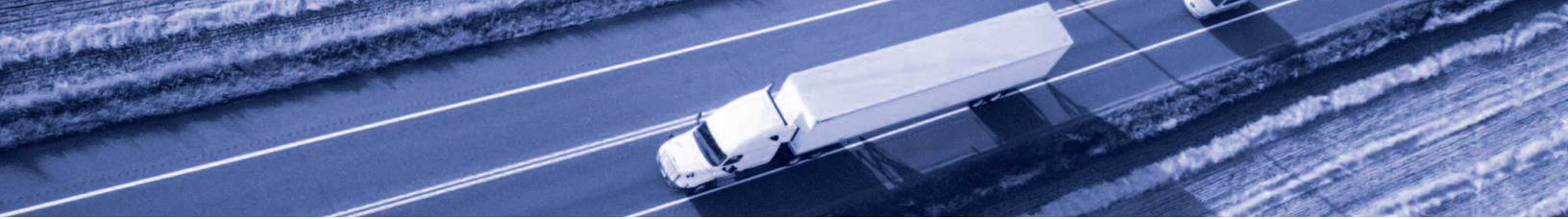
For non-truck driver occupations, almost 40% of employers anticipate recruitment will be extremely or considerably challenging and 32% believe retaining non-driving employees will be considerably or extremely challenging. Just over 11% of employers expect training non-driving employees to be extremely or considerably challenging.

Chart 9

Recruiting Truck Drivers is the Most Challenging HR Task

Q - Over the next six months, how challenging do you expect the following HR-related tasks to be for your company? (Share of employers)





5

5.0 Moving Forward: Addressing Key Labour Market Industry Issues

This report highlights the continuing critical need for trucking and logistics companies to recruit, train and retain truck drivers along with other key occupations. Without on-going support and programming, the driver shortage is here to stay and with it, major backlogs in Canada's supply chain. As illustrated by the fuel crisis in the UK, truck drivers and, in fact the entire trucking and logistics sector, play a vital role in supporting other economic sectors to get their products to market. In Canada, the trucking and logistics industry moves over \$850 billion in products to domestic and export markets including manufactured goods, fuel, wood products, agricultural commodities, food as well as wholesale and retail products. Even prior to the onset of the global pandemic, the Forest Products Association of Canada estimated that the truck driver shortage was costing the industry approximately \$450 million in lost productivity.

As Canada continues reopening the economy, there is an urgent need to address the labour market imbalance in the trucking and logistics sector. Failure to address the acute shortage of truck drivers has the potential to stifle and delay the country's economic recovery.

It is clear that the trucking and logistics sector will need to continue to seek better ways to engage potential sources of labour to meet growing demand as the economy struggles to regain ground.





5

Industry employers have identified training as a key focus area to support the sector in addressing the labour shortages. Government programs to subsidize training for truck drivers can help to attract new workers to the industry. Many employers believe that entry level programs require updating, standardization and intensification. Some of our survey respondents believe that longer and more in-depth training combined with practical, hands-on experience will help new drivers develop the skills they need to become competent, safe workers.

Other solutions to improving labour supply could include ensuring that employers have access to an effective Temporary Foreign Worker program to quickly be able to meet labour demand – as we have seen in the UK context, the granting of work permits is being leveraged as a tool to alleviate the crisis.

In Canada, a focus on innovative approaches to recruitment and retention will continue to play a central role in mitigating the driver shortage. Trucking HR Canada is committed to helping support a healthier supply chain and providing key programming that aims to alleviate the trucking and logistics sector's labour market challenges on the road to recovery.



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