US trucking's hiring surge gaining momentum

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ABSTRACT (ENGLISH)

"The 22,500 not-seasonally adjusted job gain, while preliminary, suggests carriers are not experiencing a substantial decline in freight volumes," Miller told JOC.com Friday. The continuing surge in hiring may also point to a shift in trucking's workforce away from the transactional, on-demand spot market and toward for-hire carriers moving freight under contract. Falling spot rates and diesel fuel prices higher than $5 per gallon are expected to lead many independent truckers and drivers for smaller carriers to take jobs at larger trucking firms.

FULL TEXT

US for-hire trucking employment surged for a second straight month in May, as trucking companies hired 22,500 employees, according to data released by the US Bureau of Labor Statistics (BLS) Friday.

May's employment gain, following the addition of 14,900 jobs to trucking payrolls in April, should allay fears of a near-term downturn in freight demand in the trucking industry.

The non-seasonally adjusted gain of 22,500 actual trucking jobs —dock, shop, and office workers as well as drivers —was much higher than the BLS expected. The Labor Department agency reported a 13,300 seasonally adjusted jump in trucking jobs, indicating the BLS expected for-hire trucking firms to add 9,200 employees last month, slightly less than the 9,700 non-adjusted jobs added in May 2021.

Non-seasonally adjusted trucking employment rose 5 percent year over year, according to the BLS data, after rising 4.1 percent in April. In May 2021, trucking jobs increased 4.7 percent.

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Last month's trucking employment gain is the largest increase in any May since 2015, when trucking added 22,600 jobs, and exceeds the 10-year average May trucking employment gain of 16,270.

"This is a massive gain, to say the least," said Jason Miller, associate professor of logistics at Michigan State University, who tracks a broad range of freight-related economic data.

"The 22,500 not-seasonally adjusted job gain, while preliminary, suggests carriers are not experiencing a substantial decline in freight volumes," Miller told JOC.com Friday. "This aligns with tonnage gains reported by ArcBest, Saia, and ODFL in their recent quarterly updates."

Saia on Thursday reported LTL tonnage per day in May increased 5.3 percent year over year, while daily shipments rose 4.1 percent. ArcBest on Thursday said LTL tonnage per day increased 6 percent year over year in May, while daily shipments rose 4 percent.

Growth softer, but not shrinking

If trucking is a bellwether for the US economy, trucking's employment surge is a sign the economy is chugging along, although in a lower gear than in 2021.

Diverse types of shippers in recent weeks have told JOC.com that although demand may be softer than a year ago, it is not shrinking. More often, they see single-digit percentage growth to date in 2022 on top of double-digit growth last year. Overall, truck pricing continues to rise, boosted by contract rates.

"We're seeing a normalization of freight activity," Miller said. "We're not seeing crazy year-over-year growth, and the mixture of freight is starting to look a little less lopsided than it did last year when we had way more retail and manufacturing activity was below pre-pandemic levels. Retail sales are regressing toward a long-term trendline, and manufacturing is picking up."

May’s employment gain pushed the JOC.com For-Hire Trucking Employment Index up 1.5 percentage points to 103.1, the biggest month-to-month gain since 2017. That reading indicates trucking employment is about 1.4 percent higher than its pre-pandemic peak in July 2019, and 3.1 percent higher than in 2018. The index tracks change in non-adjusted truck transportation job numbers.

Trucking employment is highly seasonal, which is why the BLS and economists rely on seasonally adjusted numbers to track long-term trends. The surge this April and May exceeds normal seasonality, however. The outsized gain raises questions about whether trucking employment is at or nearing a peak for this cycle, as it last did in July 2019.

The continuing surge in hiring may also point to a shift in trucking’s workforce away from the transactional, on-demand spot market and toward for-hire carriers moving freight under contract. Falling spot rates and diesel fuel prices higher than $5 per gallon are expected to lead many independent truckers and drivers for smaller carriers to take jobs at larger trucking firms.

If that is correct, the employment surge would represent a shift in trucking capacity, rather than the addition of new capacity, although it likely represents a mix of both. Also, truck drivers and other workers who were sidelined by COVID-19, or were pursuing other work earlier this year, may be returning to trucking in larger numbers as demand and pay continue to rise.

The pace of hiring does reflect trucking employer confidence that business will keep flowing through their sales pipelines. That confidence is shored up by increased industrial production and continuing growth in retail sales, despite concerns that inflation and high gas prices will reduce consumer confidence and spending. After a crazy 2021, “we’re moving back to a balance,” Miller said.

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