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WHY WORKING ON THE RAILROAD COMES WITH A \$25,000 SIGNING BONUS

Tight labor market forces BNSF, Union Pacific to dangle big incentives from Missouri to Oregon

By Paul Ziobro
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Railroad workers are being offered signing bonuses of up to \$25,000 to join BNSF Railway and Union Pacific Corp. as the freight railroads struggle to fill jobs in a historically tight labor market.

BNSF and Union Pacific are hauling more products across the Western U.S., where their networks are based, and trying to ease congestion in areas with high demand. Freight volumes are rising on strong economic growth and industrial expansion, and a shortage of available truck capacity is pushing more shipments onto rails.

At the same time, the unemployment rate has fallen to 4.1 percent in the U.S., and as low as 2.8 percent in some markets where railroads are hiring.

In response, the companies are dangling incentives that analysts and union leaders say are the highest they can recall.

Union Pacific is offering \$10,000 to \$20,000 "hiring incentives" to train crews in cities like Denver, Kansas City, Mo., and North Platte, Neb., where its largest rail yard is located. Those jobs average \$40,000 in pay over the first year and \$60,000 the next, according to job listings.

Electricians to inspect, repair and maintain locomotives are being wooed with \$25,000 signing bonuses to Union Pacific locations outside Milwaukee; in Hinkle, Ore., a three-hour drive from Portland; and elsewhere.

A Union Pacific spokeswoman said the hiring bonuses are for certain positions in "tight labor markets."

BNSF, owned by Berkshire Hathaway Inc., BRK.A +0.45 percent has hiring incentives starting at \$15,000 for some new hires, according to a document reviewed by The Wall Street Journal.

A BNSF spokeswoman said the railroad is facing a talent shortage across its system and is extending the offer to diesel mechanics, electricians and conductor trainees. "We are constantly evaluating the market and will use this approach when it makes sense to recruit talented individuals for hard to fill positions or locations," spokeswoman Amy Casas said.

The jobs can be demanding, with irregular work schedules, long hours and frequent nights away from home. "This is a tough lifestyle," said Jason Kuehn, a vice president at consulting firm Oliver Wyman who focuses on transportation. "It's a very unforgiving work environment."

For those willing to endure it, the pay is good. The median Union Pacific employee – a locomotive engineer – made nearly \$83,000 in total compensation in 2017, according to a company securities filing. Health-care and retirement benefits, including a pension, are also fairly generous. (See how your pay stacks up.)

One catch is that the bonuses are paid out over time, after meeting certain milestones, like completing training or one year of service. And they lock in workers to the location for around three years. If workers leave or are terminated for cause before that, they have to pay back the full amount.

Credit Suisse transportation analyst Allison Landry said she doesn't recall any time in recent years when railroads were struggling to hire enough workers. "It highlights how the current broader labor backdrop is perhaps something the U.S. hasn't seen in many, many years," she said.

Other transportation sectors face similar pressures. Wages and benefits are rising for truck drivers, who also work long hours and often spend weeks at a time on the road. Trucking companies experiencing strong freight demand are dangling bonuses and other incentives to recruit and retain drivers. Last year, the median salary for long-haul truckload drivers working irregular routes was about \$53,000, up 15 percent compared with 2013, according to the American Trucking Associations, an industry group.

BNSF and Union Pacific had furloughed thousands of workers just a few years ago, as demand for coal and other products slumped. But now that economic activity has picked up, both have recalled nearly their entire furloughed workforces and are hiring rapidly. BNSF plans to hire 2,000 train, engine and yard, or TE&Y, workers, who operate and build trains, among other tasks, this year. That is an 11.4 percent increase from current head count of 17,500 such workers, the company said in a recent letter to federal regulators.

Union Pacific is adding at least 2,100 TE&Y workers but so far has been falling short, Chief Executive Lance Fritz said in a recent letter to regulators. In addition to signing bonuses for new workers, the Omaha, Neb.-based company is offering retention bonuses to older workers considering retirement and looking at other ways to boost its ranks. It also is planning to hire nearly 900 mechanical and engineer employees this year. Overall, Union Pacific had about 42,000 employees at the start of the year.

The hiring bonuses aren't happening on the large freight railroads east of the Mississippi River, where companies say there is slack in the railroad hiring pool.

CSX Corp. overhauled how its network operates last year, including eliminating employees, and has about 900 workers furloughed that could be recalled as needed. The railroad isn't hiring, CEO James Foote said in an interview, and CSX still operates with more employees per the amount of volume it moves than its peers.

Norfolk Southern Corp., meanwhile, is planning to hire 1,400 conductor trainees this year, most of them before June, but isn't offering hiring incentives, a spokesman said. Norfolk Southern and Union Pacific will report their latest quarterly results this week.