Six strategies for hourly retention in an accelerating economy.
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A SnagAJob.com white paper

Introduction

Hourly recruiters found themselves on the other side of the looking glass in 2009.

“We are below 100% turnover for the first time ever,” marveled one quick-service restaurant franchise owner.

“Currently, we are not having to spend any money on recruiting,” observed the hiring and employment manager for a national entertainment company.

“Since we are retaining far better than ever, we are paying much more in wages, which is a very different feeling for us,” said the talent acquisition manager for one of the nation’s leading QSRs. 1

A rapidly changing economic landscape has dramatically altered recruiting patterns. Unemployment reached a high of 10.1 percent in October 2009. A year prior, unemployment was 6.5 percent; and in October 2007, it stood at 4.7 percent. 2 Even more telling, by December 2009 a full 17.3 percent of the civilian labor force was unemployed or underemployed. 3 This number includes people working part-time jobs when they want full-time positions as well as people who have given up looking for work.

Hourly recruiters benefited from this surge of job seekers, finding themselves increasingly able to select only the best applicants from a large pool. Not only that, but once workers found hourly employment, they were reluctant to leave their jobs.

According to the BLS, the quits rate – a measure of workers’ willingness or ability to change jobs – hit a 10-year low in 2009, at about 1.4 percent in the private sector. 4 Retail and foodservice, two industries with traditionally high turnover, saw their quits rate (the number of quits as a percent of total employment) drop by 20 percent from December 2008 to December 2009.

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1 SnagAJob.com Hire Minds Summit Survey, September 2009
3 BLS Employment Situation Summary, January 2010
4 BLS Employment Job Openings and Labor Turnover Survey, February 2010
From the employer’s point of view, this is an ideal situation: deep applicant pools, motivated job seekers and loyal frontline employees. But how long will it last?

**Are your hourly workers ready to move?**

In a September 2009 SnagAJob.com survey of top executives in hourly recruiting, 31 percent said they believed the predicted economic rebound had already begun. 38 percent said the rebound would begin in 2010, and 12 percent said 2011.5

Their optimism seems to be warranted. Economic growth in the fourth quarter exceeded analysts’ expectations; the U.S. economy grew by 5.7 percent.6 Will jobs follow? Employment rates take a long time to turn around. But there are some signs that change is coming.

- In January 2010, the Institute for Supply Management’s manufacturing employment index rose to 53.3 percent, its highest reading since April 2006.7 The ISM’s service sector employment index, however, still sags at 44.6 (a level above 50 signifies growth).

- Despite a dip in January 2010, Kronos, a major provider of workforce management solutions, shows a recent upward trend in its Retail Labor Index report, based on hiring data for 68 major retailers. “At a national level, the Index has now been trending generally upward for 12 months, providing further credence to the opinion of many economists that the economy has reached a medium-term low and is beginning to show signs of strengthening as the recession wanes,” Kronos reported in January 2010.8

- Employment in all restaurant categories also began to climb, according to the Q1 2010 People Report Workforce Index. “Most companies are maintaining their current staffing levels or cautiously adding staff,” the report concludes.9

**Foodservice Employment Levels, Q3 2006-Q1 2010**

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5 SnagAJob.com Hire Minds Summit Survey, September 2009  
8 January 2010 Retail Labor Index report, Kronos  
9 Q1 2010 People Report Workforce Index
The predicted outcome of all these trends is that hourly workers will begin to leave their current jobs and seek better opportunities. That prediction is supported by the job seekers. In a recent survey, a majority (56 percent) of American workers foresee an imminent rebound in the U.S. job market.\(^{10}\)

“As the economic turnaround picks up steam, turnover rates in many organizations are likely to skyrocket and recruiting replacement workers of the same caliber will be extremely challenging,” writes Dr. John Sullivan, management professor at San Francisco State University. “The economic downturn, combined with the mortgage crisis, has forced many frustrated, disappointed, and unmotivated employees to stay put.”\(^{11}\)

HR executives at top companies are fully aware of this. Retention may be great now, but “when the economy turns, will they stay?” asks Evelyn Walter, Vice President of HR for AMF Entertainment.\(^{12}\)

To predict when your hourly staff may begin to migrate to other jobs, keep close tabs on your hourly retention rates. One major indicator is manager turnover – skilled managers are the most likely to leave for salaried positions elsewhere. According to People Report, hourly turnover closely tracks manager turnover.

**General Manager Tenure Impacts Turnover at All Levels**

\(^{10}\) Telephone survey conducted in December 2009 by Ipsos Public Affairs on behalf of SnagAJob.com

\(^{11}\) “Understanding Available Retention Strategies: Are You Prepared for Turnover Rates to Double? (Part I)” Dr. John Sullivan, ERE, Sept. 28, 2009

\(^{12}\) SnagAJob.com Hire Minds Summit Survey, September 2009
Six strategies for handling the hourly exodus

1. Rebuild recruiting budgets.
In 2009, hourly recruiting managers were forced to adopt a proper recessionary mindset: hunker down, accept cuts, do more with less. Because applications were streaming in without prompting, recruiting budgets were pared down. According to Borrell Associates, in 2009 recruitment spending fell in nearly all categories.\(^\text{13}\)

**U.S. Recruitment Spending 2009-2010**

<table>
<thead>
<tr>
<th>Recruitment Spending Category</th>
<th>Projected '09 Spending ($ Millions)</th>
<th>Share</th>
<th>% Change From '08</th>
<th>Forecast '10 Spending ($ Millions)</th>
<th>Share</th>
<th>% Change From '08</th>
<th>% Change From '08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newspapers</td>
<td>$1,815.53</td>
<td>3.5%</td>
<td>(36.0)</td>
<td>$1,934.30</td>
<td>3.4%</td>
<td>6.5</td>
<td>(31.8)</td>
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<tr>
<td>Other Print (Includes Trade Press)</td>
<td>$1,658.88</td>
<td>3.2%</td>
<td>(32.2)</td>
<td>$1,618.80</td>
<td>2.8%</td>
<td>(2.4)</td>
<td>(33.9)</td>
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<tr>
<td>Broadcast (Radio, TV, Cable)</td>
<td>$696.92</td>
<td>1.3%</td>
<td>94.8</td>
<td>$736.25</td>
<td>1.3%</td>
<td>7.2</td>
<td>108.8</td>
</tr>
<tr>
<td>Out of Home (Includes Cinema)</td>
<td>$550.28</td>
<td>1.1%</td>
<td>(3.4)</td>
<td>$572.34</td>
<td>1.0%</td>
<td>4.0</td>
<td>0.5</td>
</tr>
<tr>
<td>Full-Service Employment Agencies</td>
<td>$14,542.91</td>
<td>27.8%</td>
<td>(13.6)</td>
<td>$16,055.38</td>
<td>28.2%</td>
<td>10.4</td>
<td>(4.6)</td>
</tr>
<tr>
<td>Temporary Help Agencies</td>
<td>$27,689.23</td>
<td>52.9%</td>
<td>4.3</td>
<td>$30,236.64</td>
<td>53.0%</td>
<td>9.2</td>
<td>13.9</td>
</tr>
<tr>
<td>College Recruitment/Job Fairs</td>
<td>$102.77</td>
<td>0.2%</td>
<td>(38.8)</td>
<td>$106.98</td>
<td>0.2%</td>
<td>4.1</td>
<td>(37.3)</td>
</tr>
<tr>
<td>Online*</td>
<td>$313.7</td>
<td>0.1%</td>
<td>(0.6)</td>
<td>$34.06</td>
<td>0.1%</td>
<td>8.6</td>
<td>7.9</td>
</tr>
<tr>
<td>2009 U.S. Total</td>
<td>$52,355.50</td>
<td>100%</td>
<td>(3.4)</td>
<td>$57,020.31</td>
<td>100%</td>
<td>8.9</td>
<td>5.2</td>
</tr>
</tbody>
</table>

*Includes external expenses incurred by employers to develop and maintain recruitment spaces on their Websites.

Source: Borrell Associates, Recruitment Data Table (Table J), Q309

Thrift may feel virtuous. But companies that continue to slim their recruiting budgets will be hit hard when experienced frontline staff start to walk away.

In 2010, start making the case for rebuilding your recruiting budget in 2011. Don’t allow your executive team to assume that you can continue to attract A-level hourly candidates without spending anything.

- Show the value of having a full staff instead of trying to demonstrate how you can get by with a skeleton crew.
- Set clear expectations; e.g. “When sales hit this level, you need to give us X dollars for recruiting.”

2. Recalibrate your hiring practices.
The recession forced many former professionals to seek hourly jobs.\(^\text{14}\) On SnagAJob.com, the percentage of visitors who are their household’s primary income earner steadily increased from 37% in April 2009 to 43% in December 2009.\(^\text{15}\) Recruiters gladly hired experienced college

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\(^{13}\) “Recruitment Advertising Outlook 2010: A Jobless Recovery,” Borrell Associates

\(^{14}\) “Older and younger workers compete for part-time hourly jobs,” CNN.com, Feb. 2, 2010

\(^{15}\) “Job Seeker Visitor Demographic and Satisfaction Trends.” SnagAJob.com, December 2009

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Strategies for hourly retention in an accelerating economy
graduates for entry-level positions. But those overqualified hourly workers may intend to stay only as long as they have to – and as the economy rebounds, they’ll leave.

Starting now, encourage store-level managers to lose the “bargain candidate” mentality and instead hire for longevity. Scrutinizing candidates’ past work history and probing their career plans in the interview can help sort career hourly workers from those seeking stopgap work.

3. Solidify your hiring strategy.
Does your company have clearly defined standards and processes for hiring hourly candidates? Or are hiring decisions largely left to individual managers? Significant decreases in turnover can be achieved by:

- **Identifying key traits in new hires.** Some companies hire for attitude and train for skill. Some do the opposite. One study found that of new hires who don’t work out (hourly and salaried), only 11 percent fail because they lack the necessary technical skills. Most fail because they have problems with motivation, frustration, or receiving feedback. But in some hourly positions, skill is paramount and personal traits matter less. Whichever is true for your company, make sure your managers are aligned with regard to the traits they consider most important and consistent in how they screen for these qualities.

In one case study, Hyatt Hotels & Resorts wanted hourly applicants “who had that Hyatt DNA,” Vice President of Recruiting Randy Goldberg said, meaning people with patience, enthusiasm and a willingness to serve. Hyatt used online assessments from Assess Systems to select candidates that met these criteria. A year later, 80 percent of the applicants who scored “avoid” (and were hired anyway) were rated poorly by hotel guests; 73 percent of applicants who scored “best” were given an excellent rating by guests.

- **Using applicant assessments to select for cultural fit.** Even a brief series of questions that address applicants’ personality traits can make a big difference in employee longevity. After adopting Sysdine, a simple screening and applicant tracking system, national quick-service chain Captain D’s saw crew member turnover plummet from 228 percent in 2008 to 94 percent at the end of 2009. In one recent study of a national retail chain, stores with higher skilled employees averaged about $4,000 of sales per employee per quarter more than those stores with employees whose test scores ranked lowest.

- **Tracking retention metrics.** Most larger companies track hourly turnover. But what about retention? By measuring your retention curve – hourly tenure over time – you can get a better sense of how long the average employee stays. A key benchmark is **employee half-life**, or the point at which 50 percent of employees remain. For one large

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16 “Why New Hires Fail.” Leadership IQ
18 Sysdine case study, January 2009
supermarket study, the median length of employment for hourly workers was just 97 days.20

4. Make retention efforts visible.
What’s the single most important factor in job satisfaction? It’s not compensation, but job security, according to the Society for Human Resource Management’s 2009 Employee Job Satisfaction report. 63 percent of employees surveyed named it number one.

The recession has demonstrated that employees are expendable. Your hourly workforce is weary of working overtime (if short-staffed) or undertime (if your managers have been cutting hours). And they’re wary that their jobs may disappear. To combat this perception, make no secret of the fact that you want to keep your long-serving hourly employees. Encourage managers to be frank with their teams in saying that the business outlook is improving and the company wants employees to stay.

Offer retention incentives, if possible, whether financial or psychological. Starbucks uses a system of special award pins. Convenience chain Spinx offers incremental wage increases (25 cents/hour) with a title promotion.

5. Restore perks and benefits.
After job security, the #2 and #3 most important elements of job satisfaction are, not surprisingly, benefits and compensation.21 Many companies trimmed wages and benefit packages in 2009, or cut employees’ hours back to part time. Even if budgets are still tight, now’s the time to set employees’ expectations for future raises and restoration of benefits.

Even in a tough economy, Texas Roadhouse, ranked no. 1 among restaurant companies by PeopleMetrics for best practices to keep employees engaged, sends 1,000 frontline employees to an annual four-day motivational conference. Initiatives like these help employees feel invested in the company.

6. Illustrate advancement opportunities.
Seventy-six percent of Americans are not satisfied about future career growth opportunities at their company.22 But hourly workers aren’t as concerned about career advancement – or are they?

Your younger workers certainly are. According to a 2008 survey commissioned by SnagAJob.com, 40 percent of 18- to 29-year-olds see themselves as career hourly workers. That’s virtually tied with the 41 percent who consider themselves career salaried workers. These “New Collar” workers are most frequently found in retail (18 percent); service/customer service (16 percent); healthcare (16 percent); office/business (10 percent) and restaurant/food service (8 percent).23 These numbers have likely increased since the survey was conducted.

20 “New Ideas for Retaining Store-Level Employees.” Coca Cola Retailing Research Council, 2000
22 American Workplace Insights Survey, Adecco Group, Sept. 2, 2009
In order to retain these dedicated hourly workers, you can’t just let it be known that hard work will result in a management position. Instead, lay out the specific steps required for advancement. At Golden Corral, for instance, new Golden Corral employees begin in one skill position. Once certified, an employee can cross-train into other skill positions; earn achievement pins in different programs; and/or enter a specific career track (such as the Certified Assistant Manager or Breakfast Lead track).

Offering advancement opportunities and training will make a huge dent in turnover. At Mike’s Car Wash, even entry-level hourly workers receive individual employee development plans and up to 90 hours of training. The result? Annual hourly turnover is about 10 percent and the average tenure is eight years. Half of all vacancies in the company are filled from within.24

**Conclusion**

After a year of dramatic declines in hourly turnover and hordes of applicants for hourly jobs, recruitment trends are predicted to shift in 2010. While unemployment levels may remain elevated for some time, a mass exodus of hourly employees is likely once the American economy begins to bounce back.

Companies that prepare for this rise in turnover, however, will be able to stave off any significant business impact. Recruiting executives must act now to rebuild budgets and prepare their companies’ leadership for a more competitive hourly recruitment landscape. At the store level, make sure that hiring managers are aligned on hiring criteria and that tools like applicant assessments are used consistently across all locations. And don’t be afraid to let your hourly workforce know that you want to keep them! Remember that job security is now the most important element of job satisfaction.

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24 “Good Jobs at Mike’s Carwash.” Peter Capelli, Human Resource Executive, Nov. 9, 2009