People Report Workforce 2007: Getting and Keeping Your Share of the Labor Pool in the New Economy - By Kacy Oden

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What are the issues facing the workforce today? We are faced with a workforce shortage and an aging population. Turnover is on the rise and it's expensive.

And restaurant management is confused as to what the best practices are for training and retaining employees today. People drive our business and affect the marketing/brand promise, finance and growth and operations/productivity, but how do we find the best employees and keep them? The recent 'People Report Workforce 2007: Getting and Keeping Your Share of the Labor Pool in the New Economy', highlights some of the employment challenges the restaurant industry faces in the coming decade and points to how some of these challenges can be met.

As the unemployment rate has dropped, the number of foodservice jobs has risen. The projected growth for foodservice in the next ten years is projected to be 16.4%, compared to a 30.9% increase for health care and 32.5% for education. There is a struggle for finding and retaining employees in many industries. There's a shortage, for example, of family doctors, a teacher shortage is looming, nursing schools are short on teachers, police forces are finding it hard to fill vacancies and tight borders leave farmers with fewer workers.

In the hospitality industry, there will be an additional 1.75 million jobs. Who will fill those jobs? Historically, 45% of the population that fills those jobs is under 25. But the 16 to 24 year old labor pool is projected to stay the same.

Today, the average foodservice assistant manager is a 33-year-old white male with foodservice casual experience, no college degree, recruited from within, with a salary of about $41,133. With the projected 0% increase in the younger labor force in the next ten years, where will the workers and management come from?

Today, 23% of the population is 55 and over and there will be another 9 million coming into that category by 2010. This age group is the fastest growing age group. And yet, few people in this age group are hired as managers. Baby boomers plan to spend their golden years cycling between work and leisure. This group plans to change careers. Seventy-six percent plan to 'retire' from one job in their 60s, to jump into another job or career.

Non-caucasians are another underrepresented group. Diversity in the foodservice industry is most pronounced in the younger age groups, under 35. A recent Gallup Survey studied the impact of diversity on business. The study found that 86% who felt 'included' would recommend their company. Eighty-seven percent who felt 'included' said they would still be working there in one year. Only three percent who didn't feel 'included' would recommend the company, and 31% who didn't feel 'included' said they would still be working there in one year. Only 20% of US employees consider their workplaces to be truly inclusive.

Our research shows that 50% of unit employees are white, 32% Hispanic and 12% African-American. White employees comprise 69% of the assistant managers and 79% of general managers. Hispanic employees were only assistant managers 18% of the time, and general managers only 11%. And African-Americans were assistant managers a mere 7% of the time and general managers only 5%.

Turnover is on the rise and affects the bottom line and potential for growth. The turnover rate for Hispanic employees, for example, was 122% in the bottom 25% of the jobs, 109% in the middle 50% jobs and 99% in the top 25%.

Where are the good employees?

The good news is that the NRA ProStart/AHLA Lodging Management Program including school-to-career initiatives has increasing enrollment with 60,000 high school juniors and senior participating in 1,500 schools in 25 states and 7,000 students per years are mentored by industry professionals.

The not so good news is that there is no college recruitment in 65% of restaurant companies and no internship programs in 61%. However, 45% of hospitality graduates go to hotels and 15% to chain restaurants.

Our research shows that there is an overall 27% management turnover, with the largest turnover in quick service and fast casual. What is it that causes managers to leave? Job abandonment is the biggest reason and is on the rise.

For hourly employees, the overall average turnover is 104%, again with the quick service and fast casual with the highest numbers. What are the reasons hourly employees leave? The top three reasons used to be personal reasons, professional reasons or job satisfaction. Today, the top three reasons are scheduling difficulties, job abandonment and the seasonality of the workforce.

Turnover is expensive. It costs $2,366 per hourly employee and $19,661 per manager. For a unit with 76 hourlies and 5 managers, given the turnover rate it could cost a restaurant a 10% profit loss. If a restaurant, for example, generates $2,364, 460 per year in profit, that's a loss of $236,448 per year.

Restaurant management today is confused over what best practices to use to retain employees. People Report found that who conducts the orientation really matters. The higher up the person is who conducts the training, the less likely there is for turnover. The report also found that it really does pay to have a trainer. Turnover at restaurants that used trainers was 97%, while at restaurants that did not use a trainer the turnover went to 119%. The report also found that the more hours new hires spend in classroom training, the lower the turnover rate.

Other finding by People Report is that web/internet training has doubled in use as a training media in the last five years, and that communicating open management positions, especially frequent mention, has a huge positive impact on turnover rate.

What’s next on the menu?

To hire and retain younger employees, employment and training practices have to adapt to appeal to this population. According to the Roper Youth Report, 55% of today’s youth have their ’own way to doing things’, are fiercely individual and want things to be customized to them. If you make them rock, you make them yours.

For the younger generation, green is the new black. According to Cone Corporate Citizenship Study, over one-half of employees doubt their employers are concerned with interests other than their own. Seventy-five percent of Americans consider a company’s commitment to social issues when deciding where to work, and six in ten employees with their company would do more.

In fact, according to our research, philanthropic activity is directly related to turnover rate. Since 1999, turnover rates have decreased dramatically, by 30%, in companies that contribute, encourage or sponsor community service.

The other imperative for gaining and retaining young employees is branding. For them, it is the key to connecting with guests and part of the value proposition. When restaurants continuously innovate, it distinguished their brands and keeps them relevant. According to Adrienne Weiss, Branding Guru, ’If you do branding well, you become a club. You get better quality people by being the cool place to be.’

People Report is the leading provider of human capital metrics, benchmarks, trends and best people practices for the hospitality industry. We have twelve years of human capital practices. Our key metrics are: Composite Diversity, Retention Rates and Cost of Turnover, Compensation and Benefits and Recruiting, and Training Practices. We are focused on business outcomes of workforce issues.

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