



A GUIDE TO REDUCING STAFF TURNOVER:

How to Hire and Retain the Best Frontline Employees in a Competitive Environment

In the service industry, well-qualified frontline workers are becoming harder and harder to find. It's a fact that there are more open positions available than there are qualified people to fill them.

Recent demographic trends aren't helping matters. According to the Bureau of Labor Statistics, the annual growth rate in the indigenous workforce of the United States is expected to slow to .06 percent between 2000 and 2050.¹ And more young people are opting out of the workforce, as fewer teenagers are participating in the labor force today than at any point since World War II.² This is troubling for the service industry, whose prime workforce falls in the 18-25 age bracket.

When you actually can fill your open positions, it's challenging to keep those workers around. Those employees tend to be part-time and view their jobs as not ones to stay in for the long term, whether it be that they'll be going to college or they're retirees working for some extra cash for a short while.

Maybe it's for these reasons that management hasn't focused on the importance of selecting frontline workers as much as on salaried hiring. But this lack of focus is a contributing factor to higher-than-ever turnover in hourly positions. And it's costing you more than you think. In fact, each hourly worker who resigns costs you as much as a half-year of their salary.³ If your organization is plagued with high turnover, those costs add up to a significant amount.

In this guide to reducing turnover, you'll learn what turnover is costing you and what you can do about it. There are ways to not only hire the people best-suited to your organization, but also retain them longer. And better retention is the key to improving the quality of your workforce. Read on to discover how.

The Hard and Soft Costs of Turnover

Turnover absolutely affects your bottom line, so a solid retention strategy is key to the health of your organization. In fact, good retention practices lead to good business performance, according to “The Human Capital Edge” authors Pfau and Kay.⁴

So what are the consequences of doing nothing? Not only does turnover directly impact your bottom line, but it also affects your organization’s reputation, lowers employee morale, and negatively impacts productivity.

What is turnover costing your industry?

- A study by Coca-Cola Retailing Research estimated that the total direct and indirect costs of replacing a supermarket cashier earning \$6.50/hour would be at least \$3,630 (about 28 percent of a yearly full-time salary).*
- Cornell University’s Hotel School estimates that replacing a front desk employee in a Miami hotel would cost over \$5,600.*
- The estimated cost of replacing an hourly employee would be \$2,399, according to People Report’s survey of 12,798 restaurants ranging from fine-dining to fast-food establishments.**

Imagine the financial impact of a 50 to 200-plus percent turnover rate. It adds up — fast.

*Source: Retaining Your Best Hourly Workers. The Workforce Institute, 2008.

**Source: People Report study cited in Henneman, Todd. “Jack in the Box Tackles Turnover.” Workforce Management Online, December, 2004.

The cost to your bottom line

- In an organization that experiences a high frequency of involuntary turnover among frontline workers, the HR department continuously recruits, screens, hires, onboards, and trains new employees who are likely to leave a few months after being hired. Then there’s all of the paperwork and time involved in terminating those employees. It all adds up pretty quickly to a lot of wasted time and energy.
- Studies show that it costs as much as \$8,000 to replace an hourly, low-wage employee (see sidebar for industry comparisons). The total cost to your organization can be staggering if your turnover is 50 to 200-plus percent, which is not uncommon in service industries where frontline hourly workers make up the majority of the workforce.

The cost to your reputation and employee morale

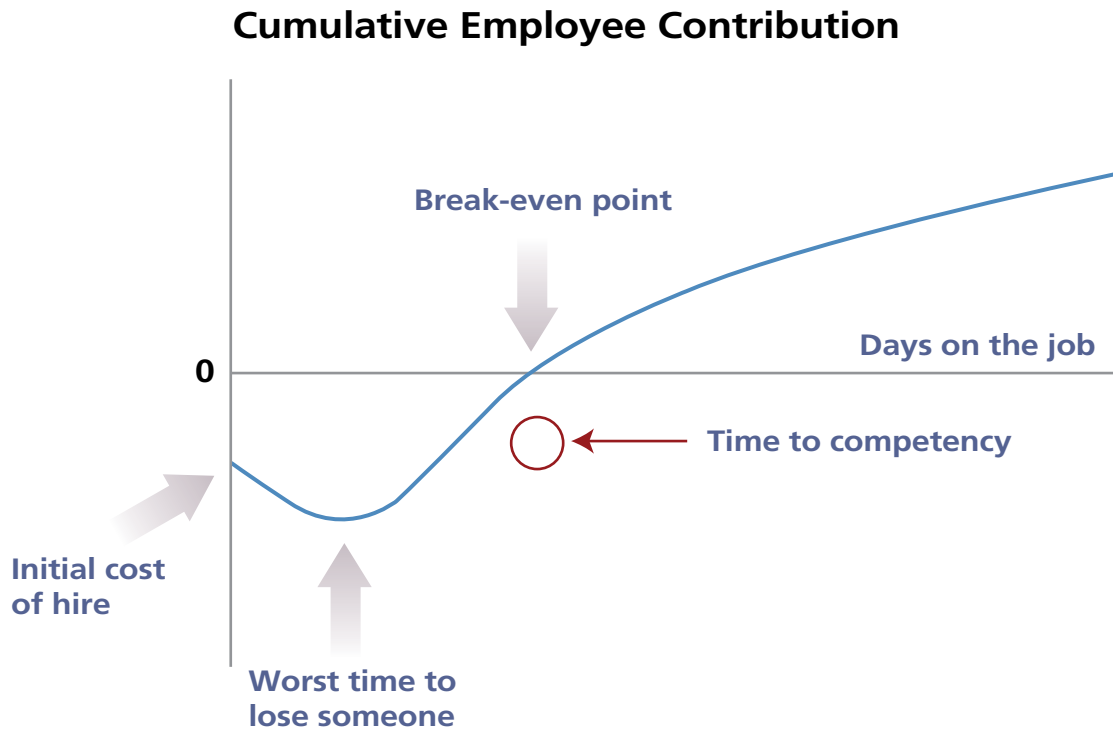
- Who wants to work at an organization that everyone frequently leaves? High turnover can give your company a reputation as a place no one wants to work for, which leads to major recruitment difficulties.
- Turnover places stress on those employees who do stick around. They are often asked to cover for unfilled shifts, constantly train/guide new employees, and cope with the results of an understaffed workplace. These stresses can lead to decreased motivation and morale, and less than optimal business results.
- If you’re in the service industry, high turnover directly impacts the customer experience. It’s not likely that a customer will receive exceptional service if your store is continuously staffed with new employees with little experience or training.

The cost to productivity

- When experienced employees leave, location managers have to try to compensate in the short term. Once a replacement is found, the new employee needs to be trained. And while he or she is being trained, other employees have to compensate for that employee’s lack of knowledge and skills. When this process is a constant instead of a rarity in your organization, productivity takes a big hit.
- Increased retention has a significant positive effect on productivity by increasing the overall experience of your workforce. The more experienced staff you have, the fewer employees you have operating at a lower capacity. And of course, this means overall higher productivity.

EMPLOYEE VALUE MODEL

This illustration represents the total economic impact of a frontline worker on an organization, including the initial cost of hire plus onboarding and training expenses. The hiring investment is realized at the break-even point, when time to competency is achieved. An effective screening, selection, and hiring system should show improvements in both retention and average length of employment.



Finish Line Improves Employee Retention and Drives Sales Performance

Using selection tools and an automated field hiring solution, Finish Line has seen continuous year-over-year improvement in critical metrics:

- 60,000 store manager hours saved by automating the hiring process, using assessments, and not having to interview poor-fit candidates
- Average days of service for a store employee up over 5 percent in a one-year period
- Close to a 10 percent improvement in retention companywide
- Increase in sales per associate by approximately 20 percent



Increase Employee Retention Through Better Selection Practices

To successfully compete in a world with a shortage of qualified workers and high turnover, your organization needs to fundamentally change its way of thinking. Savvy organizations understand that retaining their best frontline hourly workers is crucial to the success of their businesses.

The best way to improve retention of high-quality hourly employees is to improve whom and how you hire. Hires who are a poor fit for your positions are what cause high turnover in the first place; so logically, if you hire best-fit employees, they'll stay longer. The quality of your workforce will improve and turnover rates will go down.

So how do you hire more intelligently? The key is to select frontline employees based on past behaviors in addition to previous experience, skills, and education. This means that hiring managers need to focus on what the candidate *can do* rather than only what the candidate *has done*. Effective assessments can greatly help you accomplish these goals.

The role of effective assessment tools

The right assessment tools set up hiring managers to make good hiring decisions by enabling them to make better employee selections. These tools are used to help predict whether a candidate will succeed in a position, quit after a short time, or even be terminated for delinquent behavior.

Effective assessments are based on job-relevant factors that accurately predict future job performance. They aren't "personality tests" — the best assessment tools meet stringent scientific standards for content, construct, and criterion validation. Ideally, an assessment is based on the analysis of real-world hiring outcomes from the same or a similar industry as yours.

Caribou Coffee's Managers' Excellence Program Improves Quality of Hires

To shorten its hiring cycle and better ensure it hired best-fit managers, Caribou Coffee created its Managers' Excellence Program. With its talent management vendor, the company:

- *Defined nine core competencies crucial to manager success*
- *Developed an assessment for evaluating those competencies*
- *Created and implemented a behavioral-based interview process*
- *Implemented a training initiative to help managers conduct effective interviews*

Caribou has seen dramatic results from its program, including a drop in time-to-hire from six to eight weeks to just 17 days and a significant improvement in the quality of its new hires.

An ideal assessment accounts for the worker characteristics that correlate to success or failure in the position that is being filled. When an applicant takes the assessment, it measures critical aspects of the applicant's attitude, skills, personality, and motivation to predict dependability and reliability in that particular type of job.

How assessments can reduce turnover

When designed properly, assessments can increase retention by as much as 5 percent or more.⁵ Well-designed assessments can help reduce turnover by helping hiring managers:

- **Focus on a candidate's abilities:** By focusing on the candidate's abilities instead of solely on past experience, an assessment can be valuable in predicting job performance.⁶ Many people aren't able to (or don't want to) accurately describe their own personalities and ability levels in a precise way that directly relates to the jobs they are applying for. A good assessment helps hiring managers with this challenge.
- **Predict organizational fit:** An assessment should include questions relevant to the actual job requirements to assess whether or not the person is actually willing and able to do the job. It should also ask what the employee expects from the employer, from flexible schedules to general work environment. These types of questions can help predict organizational commitment and retention.
- **Screen for qualities that lead to retention:** An assessment can help hiring managers screen for qualities that lead to retention in their particular organizations. For example, an ideal candidate may value job stability and long-term coworker relationships. If your organization is experiencing high turnover, it may be hard to retain these types of people — but you may have more success keeping them if you hire people with these qualities who also adapt well to fluctuating situations.

In essence, good assessments can reduce turnover by helping your organization hire a quality workforce that fits your work environment, enjoys working for you, and stays with you longer.



"It's easier on restaurant managers to have a consistent application and selection process — it streamlines things to be able to easily access server or hostess applications when needed. [Our automated hiring system] has been a much better tool for making better staff selections, bringing a better customer experience and better sales."

— Ted Williams, Senior Vice President
Rock Bottom Restaurants

Automated Hiring Systems: Part of a Complete Retention Strategy

Good selection practices and well-designed assessments are key to reducing turnover among your frontline hourly staff. However, they are one piece of a comprehensive retention strategy. If you implement a repeatable and consistent hiring process across all of your locations, you can drive down turnover even further.

Since hourly hiring is high-volume, it's best to use an automated hiring solution that enables all of your field managers to efficiently manage an end-to-end hiring process. The solution should include selection tools that help managers make better employee selections, and ideally should offer reporting tools that help your organization analyze hiring data to further improve processes.

The three main components that an automated field hiring solution should contain are:

AUTOMATED TECHNOLOGY: An automated solution allows hiring managers to quickly identify high-quality candidates, get them through the process, and bring them into the organization. When considering an automated solution, you should look for a system that:

- Increases applicant flow and improves screening through hosted career websites, on-site devices, and job boards
- Delivers a positive, simple, and consistently branded application experience for candidates
- Automates the entire hiring process through an easy-to-use interface that field managers can quickly learn and adapt to their current processes, and that they will actually want to use
- Integrates with payroll, background checks, drug screening, and tax credit services for quick onboarding
- Supports hourly (non-requisition) and field management (requisition-based)

WORKFORCE SELECTION TOOLS: Employee selection tools, including assessments, help your organization consistently hire high-quality employees who perform better and stay longer. Selection tools should reflect the unique requirements of your organization. A field hiring solution should offer:

- Qualification and pre-employment screening tools that help you screen out candidates who don't meet minimum requirements
- Employee assessments that help you predict a candidate's likelihood of success in a given job role
- Behavioral interview tools that coach field managers on what to ask and what to listen for during an interview

REPORTING AND ANALYTICS: Good reporting and analytics tools give you detailed information that helps you optimize hiring decisions. They delve into your hiring solution to give you a better idea of your sourcing and hiring effectiveness. These tools can help you:

- Analyze hiring performance per site, per division, per region, and companywide
- Gain visibility into where your best and worst hires are coming from
- Analyze the quality of your hires from the highest to the lowest across locations
- Gain full visibility into compliance and EEO performance

Often turnover can range from location to location because different managers use different hiring methods that may be very subjective. But a repeatable, automated, and consistent hiring process eliminates these factors and helps reduce overall turnover, which is why an automated field hiring solution is part of a solid retention strategy.



Avamere Health Services Increases Applicant Pool and Hiring Efficiency

"At Avamere, the care of our residents comes first, and that's highly dependent on whom we hire."

— Judy Jackson, President, Avamere Health Services

With its automated field hiring solution, Avamere has:

- Increased its online applicant pool from 124 to 816 in nine months
- Attained 100% online hiring compliance — all field hiring is now done through online applications
- Improved hiring efficiency — 3.2% of poor-fit candidates are identified immediately
- Implemented instant rehire, criminal, and SSN checks for all new hires

Keep Your Best Employees Through Reward and Retention Strategies

Once you get the best-fit employees into your organization, the next step is to keep them there as long as possible. Reward and retention programs can help.

REWARDS AND RECOGNITION EFFORTS can motivate employees, increase their productivity, and keep them loyal to the organization. When thinking about your rewards strategy, consider the following:

- **Training and education:** For many employees, training can be a real motivator. Younger workers may be excited to take on new responsibilities, and training can help them take on these challenges. Older workers may be interested in education as a way to keep work interesting and broaden their horizons.
- **Flexible schedules:** When an employee continuously proves to be an asset to your organization, perhaps a flexible schedule would be appreciated. Many workers with families find flextime or additional time off to be more valuable than other types of rewards.
- **Whom you're rewarding:** Don't make assumptions about what people may want. An employee with grandchildren may prefer a monetary bonus over extra time off so she can contribute to her grandchildren's college funds. A young employee may prefer extra time off over a monetary bonus because he hasn't had a vacation since he left college. It never hurts to ask the person you're rewarding what he or she prefers.

THE BEST RETENTION PROGRAMS help you keep your high performers and prevent them from being tempted to leave for a competitor. Strategies that can drive retention of top employees include:

- **Work/life balance:** Employees of all ages and experience appreciate having input into their schedules. Allowing hourly employees to express their scheduling preferences and taking them into consideration when creating schedules helps people balance work with the rest of their lives.
- **Goal setting:** Engaging employees in creating individual goals can help them feel connected to the company. Helping them understand how, for example, their individual goals of exceeding customer service expectations connect to company profits and their own future raises, can be a real motivator. If employees feel that they are playing a real role in the organization's future, it creates a reason to stay.
- **Performance and compensation reviews:** During a performance review, managers can better understand which rewards will motivate their team. Allowing field managers to play a more active role in compensation decisions and using their input (that comes directly from their reports) makes it more likely that your compensation strategy will be well-received by employees.

Improve the Quality of Your Workforce and Watch Turnover Rates Drop

All turnover cannot be eliminated, nor should it be. Some turnover is natural and even healthy for an organization. But a high rate of unwanted turnover is especially detrimental to the service industry. This type of turnover is something that can be drastically decreased by continuously improving the quality of your workforce.

Implementing better selection practices, utilizing a comprehensive field hiring solution, and creating reward and retention programs can all contribute to hiring best-fit employees — and keeping them happily employed with your organization for a longer period of time. Matching people correctly to jobs is a win for the employee since it gives that person a better chance for success. And it's a win for the organization as it helps the employer make its workforce a true competitive advantage.

About Kronos talent management

Kronos is the leading provider of talent management solutions focused on improving workforce quality and productivity for the nation's top employers. Deep industry expertise, extensive client experience, and knowledge gleaned from more than 75 million job applicants combine for a proven solution that integrates hiring automation, employee-selection programs, and performance measurement to drive measurable business results.

Kronos Workforce Acquisition™ solutions are currently deployed in more than 38,000 locations nationwide for over 150 leading companies and brands, including Kroger, SuperValu, Lowe's, Circuit City, Avamere Health Services, Rock Bottom Restaurants, and Caribou Coffee Company. To learn more about Kronos talent management, please visit talent.kronos.com.

Kronos empowers you to effectively manage your workforce

At Kronos, we are solely focused on helping our customers solve their business problems through effective workforce management. For three decades, Kronos' integrated suite of software and services has enabled organizations to not only reduce costs and increase productivity, but also improve employee satisfaction and ultimately enhance the level of service they provide.

No other workforce management provider can match our track record of revenue growth and stability, our near-perfect customer satisfaction scores, or our aggressive investments in research and development. More than 30 million employees in 60 countries use a Kronos solution every day. Why? Because it's a solution that works.

Put Kronos to work for you:
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