

RESTAURANT INDUSTRY REPORT:

Strategies for Reducing Turnover

An industry report examining the retention and motivation strategies employed by restaurants in order to attract and retain their best hourly employees.



Table of Contents

Pg 3 *Introduction*

Pg 4 *Demographics of Hourly Restaurant Employees*

Pg 5 *Understanding the Reasons for & Cost of Hourly Employee Turnover*

Pg 8 *What Restaurants Currently Do to Improve the Employee Value Proposition*

Pg 10 *Looking Ahead: Priorities & Plans*

Pg 13 *Summary of Key Findings & Strategies for Reducing Turnover*

Pg 15 *Who Participated in This Survey*



Introduction

Restaurants are frequently burdened by the cost and challenges of high turnover. Nation's Restaurant News reports a staggering 110% as the annual average turnover rate of hourly employees in the food service industry.¹ Despite these setbacks, the industry continues to grow, with 64% of restaurants hiring hourly workers and 60% of restaurants adding management in Q4 of 2015.²

Many restaurant chains have increased their investment in programs that help retain talent. They have found this creates a competitive edge to attract, retain and motivate the best employees in an increasingly diminishing hiring pool.

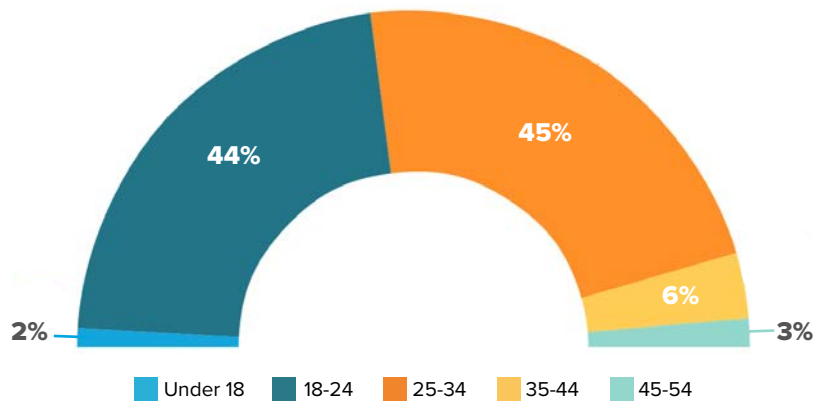
This industry report investigates how restaurants currently attract and retain top talent and summarizes their 2016 human resources strategies to reduce turnover.



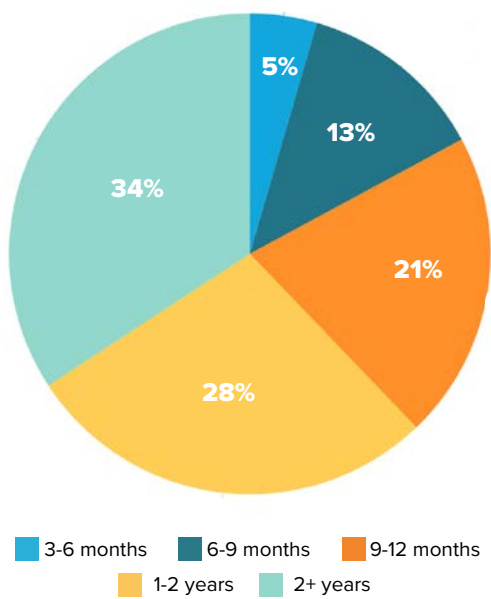
Demographics of Hourly Restaurant Employees

The majority of hourly restaurant employees are ages 18-24 or 25-34. Over half have not earned any postsecondary degrees, and nearly 10% do not have their high school diploma. In terms of tenure as hourly restaurant employees, almost 40% retain for only a year or less.

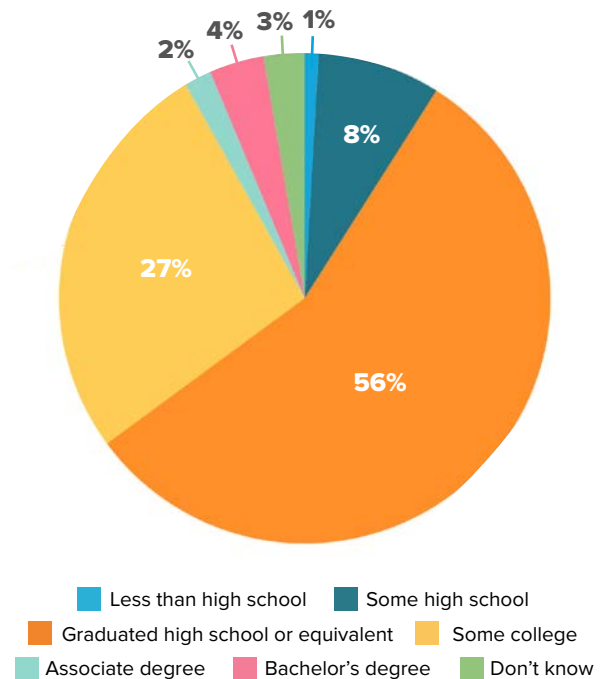
Average age of hourly restaurant employees



Average tenure of hourly restaurant employees



Average education level completed by hourly restaurant employees

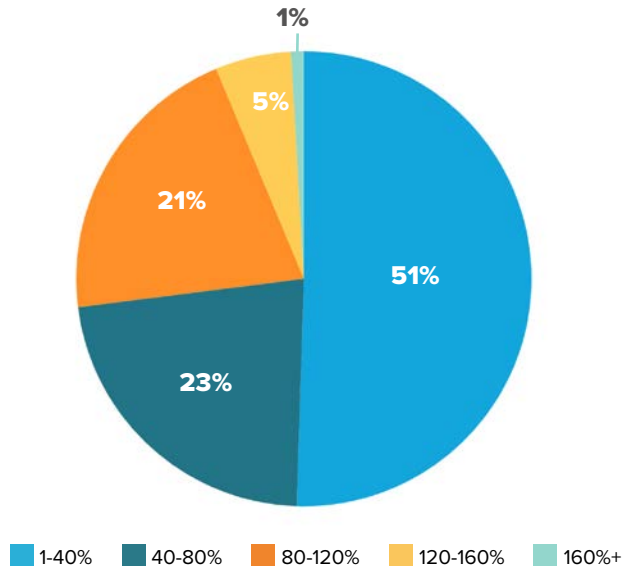


Understanding the Reasons for & Cost of Hourly Employee Turnover

One of the biggest challenges facing restaurant employers continues to be high turnover. To get a better understanding of the current landscape of turnover in this industry, participants were asked to provide annual turnover rates and costs, in addition to why they believe their top employees leave. The quick service and fast casual segments have the highest average turnover and quick service has the most expensive average cost to hire. Even a marginal improvement on turnover rate in the quick service segment can have a significant impact on operating costs and profits. Analysis of these factors highlight the impact of turnover on a restaurant’s bottom line.

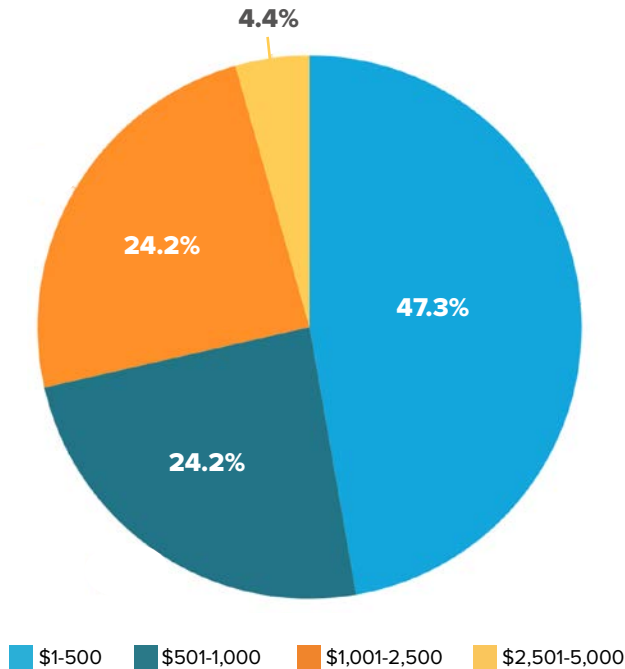
	AVERAGE TURNOVER	COST TO HIRE
Onsite	35%	\$798
Quick Service	74%	\$1,250
Fast Casual	60%	\$871
Casual Dining	51%	\$1,083
Fine Dining	45%	\$438

Annual turnover rate for hourly employees in 2015

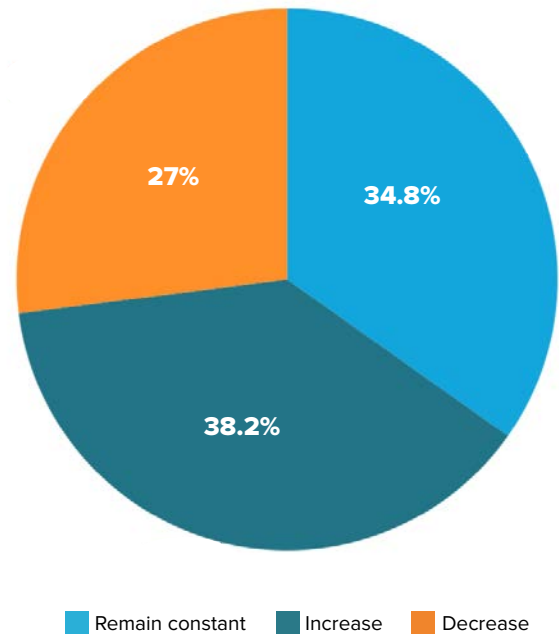


Unfortunately, almost 75% of respondents reported that the rate of turnover remained constant or increased between 2014 and 2015. Additionally, almost 30% of respondents reported that on average, it costs over \$1,000 to hire and train a new employee.

Average cost to hire and train new hourly employees



Comparing turnover rates between 2014 and 2015



Costs Insight

It's clear that there are hard costs to frequent turnover, but there are also several other factors that are more difficult to measure, including increased food costs due to waste from unskilled employees, reduced product quality, and reduced customer satisfaction. These directly related costs ripple through the P&L and collectively increase turnover costs far beyond the replacement hiring expense.

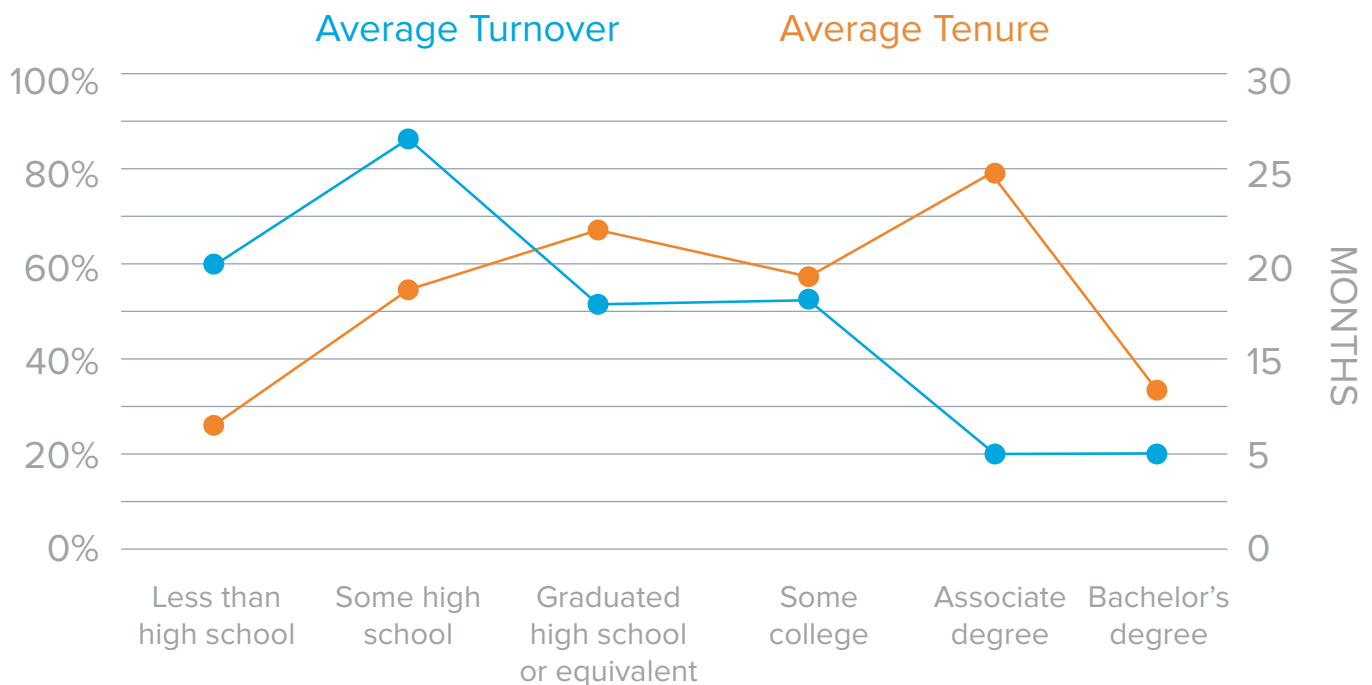
Unsurprisingly, compensation is the biggest reason top employees leave. What is equally as important is how ‘limited career advancement opportunities’ ranks as the second most common reason why quality employees quit. If restaurant employers were to focus more on providing career pathways and opportunities for promotion, employees would likely find monetary compensation less important.

There is a strong correlation between educational attainment and hourly employee retention. Up until earning their associate degree, employees with greater educational attainment tend to stay at restaurants longer than those with less educational attainment. Consequently, there is less turnover at restaurants with more educated employees. As the rate of turnover continues to rise in the restaurant industry, employers should think beyond traditional incentive programs to lower turnover costs and improve retention.

The top reasons quality hourly restaurant employees leave their job

- 1 FOR BETTER COMPENSATION
- 2 LIMITED CAREER ADVANCEMENT OPPORTUNITIES
- 3 FAMILY OBLIGATIONS/LIFE SITUATION CHANGED

Educational Attainment and Tenure of Hourly Restaurant Employees

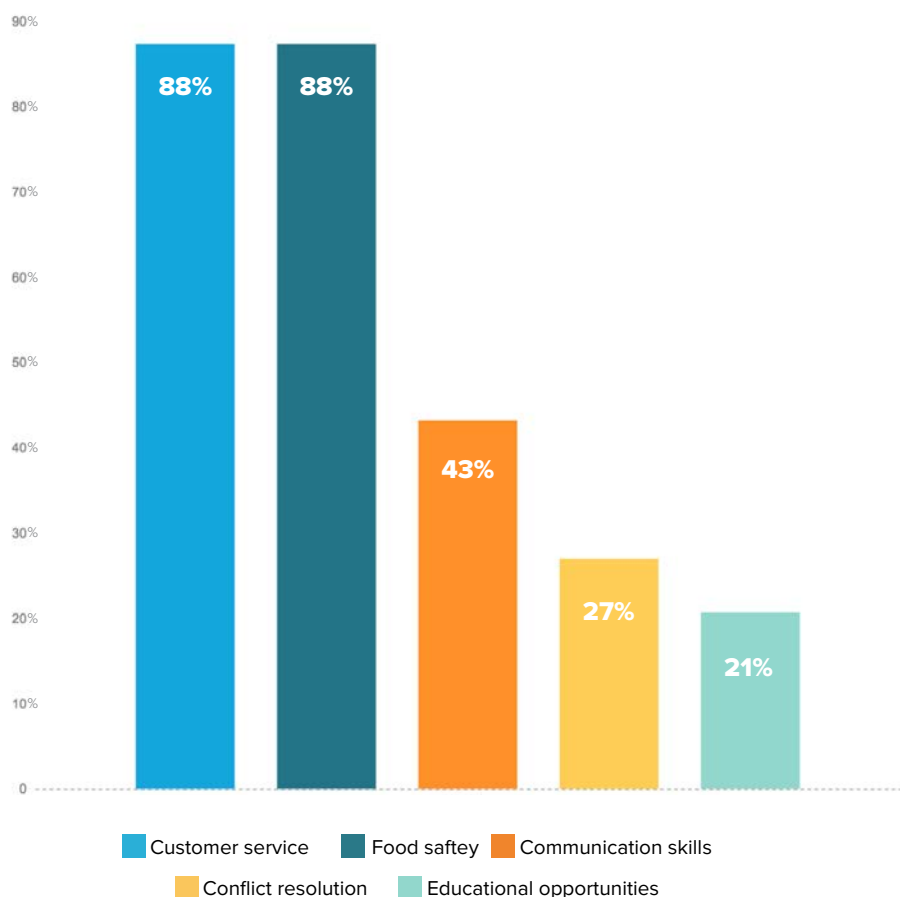


What Restaurants Currently Do to Improve the Employee Value Proposition

In order to gain a better understanding of the benefits offered to hourly employees, participants were also asked what training they have historically offered hourly employees, how they feel about the impact certain strategies have on recruiting and retaining top employees, and how their restaurants handle promoting hourly employees.

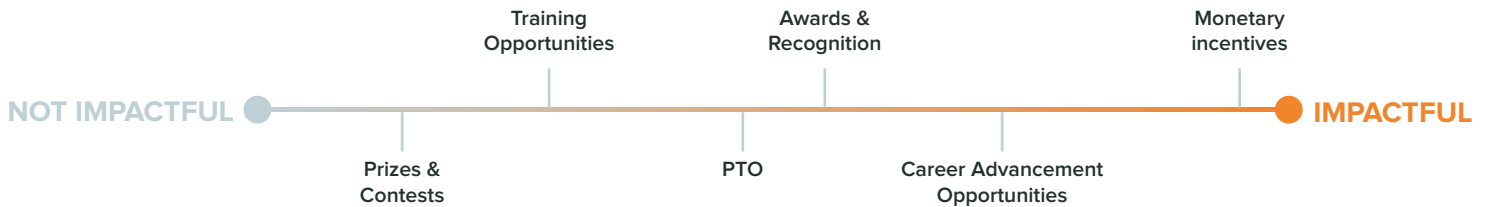
Beyond training in restaurant basics, such as food safety and customer service, restaurants are also investing in employee training for communication skills and conflict resolution. A fifth of restaurants reported providing educational opportunities for their employees as well.

Top areas of skills training offered by restaurants to hourly employees



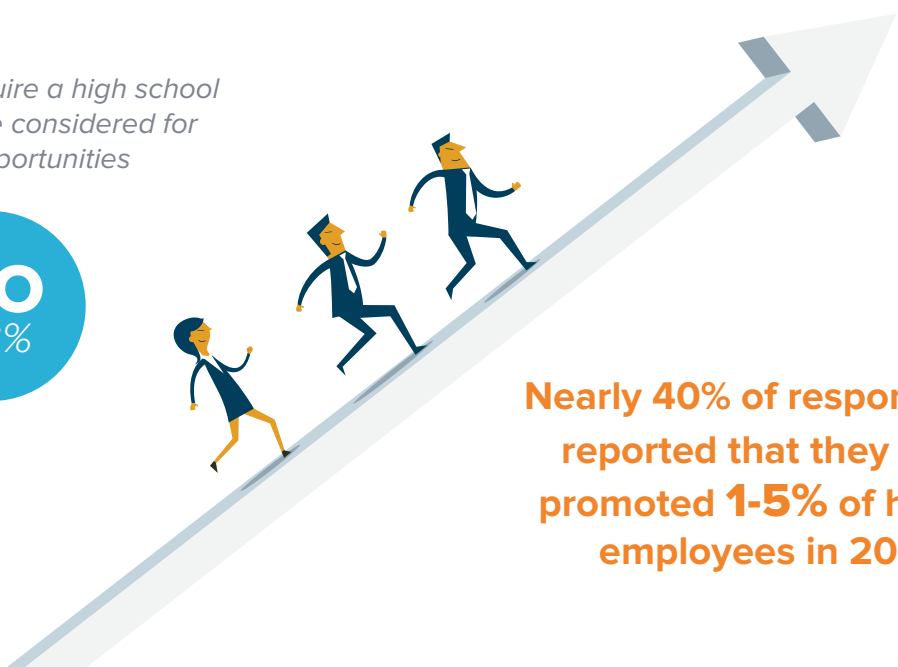
Monetary incentives and career advancement opportunities were all ranked highest for recruitment and retention techniques. Restaurants recognize that beyond monetary incentives, it's becoming increasingly important to provide additional opportunities to attract top talent, so candidates may see the job as a gateway to success and not a dead-end.

Perceived impact of recruitment and retention techniques for top hourly employees



When it comes to advancement opportunities at a restaurant, it matters whether or not an hourly employee has a high school diploma or GED. Almost half of the respondents said their restaurant requires hourly workers to have a high school diploma or GED in order to be considered for promotions. In addition, almost 40% of respondents reported that they only promoted 1-5% of hourly employees in 2015. This leaves a very narrow window for employees without a degree to earn a promotion in 2016. Without a great outlook for career advancement opportunities, it is likely that hourly workers will continue to turn over at a high rate. Therefore, restaurants benefit by offering educational opportunities to help employees advance in their career.

Percent of restaurants that require a high school diploma or GED in order to be considered for career advancement opportunities



Nearly 40% of respondents reported that they only promoted 1-5% of hourly employees in 2015

Looking Ahead: Priorities & Plans

Looking ahead, we examined restaurants' top strategies, spend, and perceived importance for employee retention programs and promotions. With 70% of restaurants seeing turnover increase or remain the same in 2015, restaurants are very concerned with motivating and retaining top employees, attracting top talent, and decreasing turnover costs.

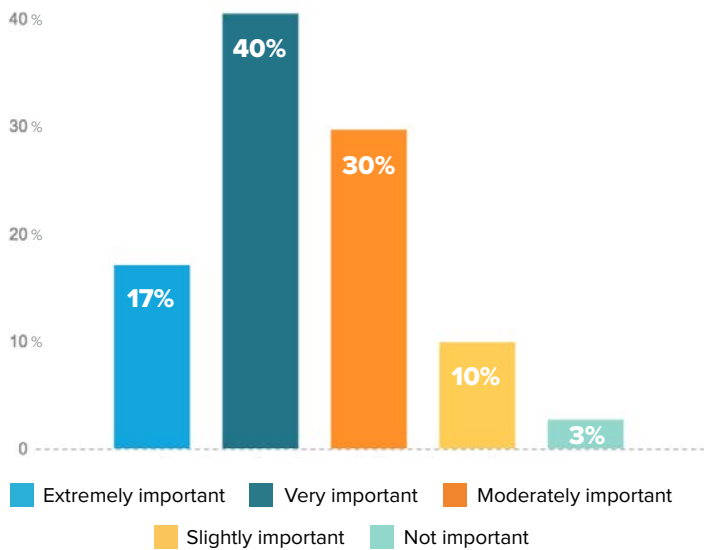
Top priorities of 2016 restaurant HR strategies

- 1 MOTIVATING & RETAINING TOP EMPLOYEES
- 2 ATTRACTING TOP TALENT
- 3 DECREASING TURNOVER COSTS
- 4 PERFORMANCE MANAGEMENT
- 5 IMPROVING EMPLOYEE DEVELOPMENT
- 6 ACHIEVING RECRUITING AND STAFFING GOALS
- 7 MANAGING CHANGE & CULTURAL TRANSFORMATION
- 8 EXPANDING COMMUNITY PROGRAMS
- 9 PROVIDING EDUCATION BENEFITS OR OPPORTUNITIES
- 10 CORPORATE SOCIAL RESPONSIBILITY

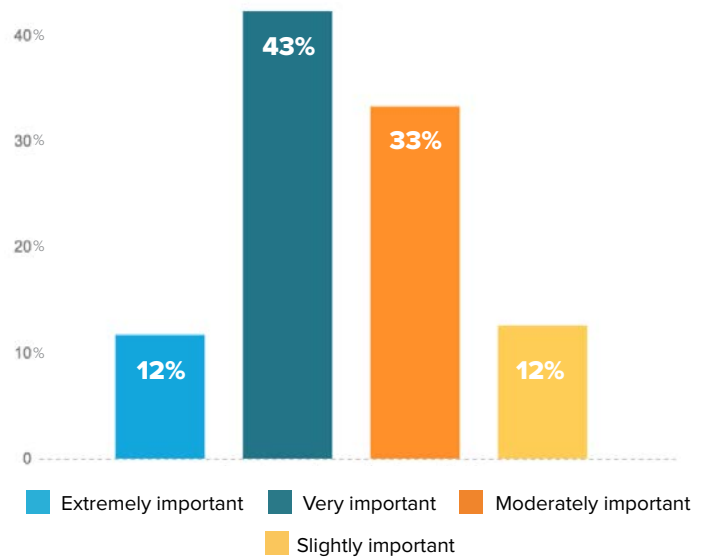


Restaurant operators understand the bottom line impact that high turnover has on their business, so for 2016, they're focusing on retention strategies. Almost 60% of respondents reported that hourly employee retention and motivation programs were 'extremely important' to 'very important.' Additionally, 55% of respondents identified 'promoting top-performing hourly employees' as 'extremely important' or 'very important.'

Importance of employee retention and motivation programs for hourly employees in 2016



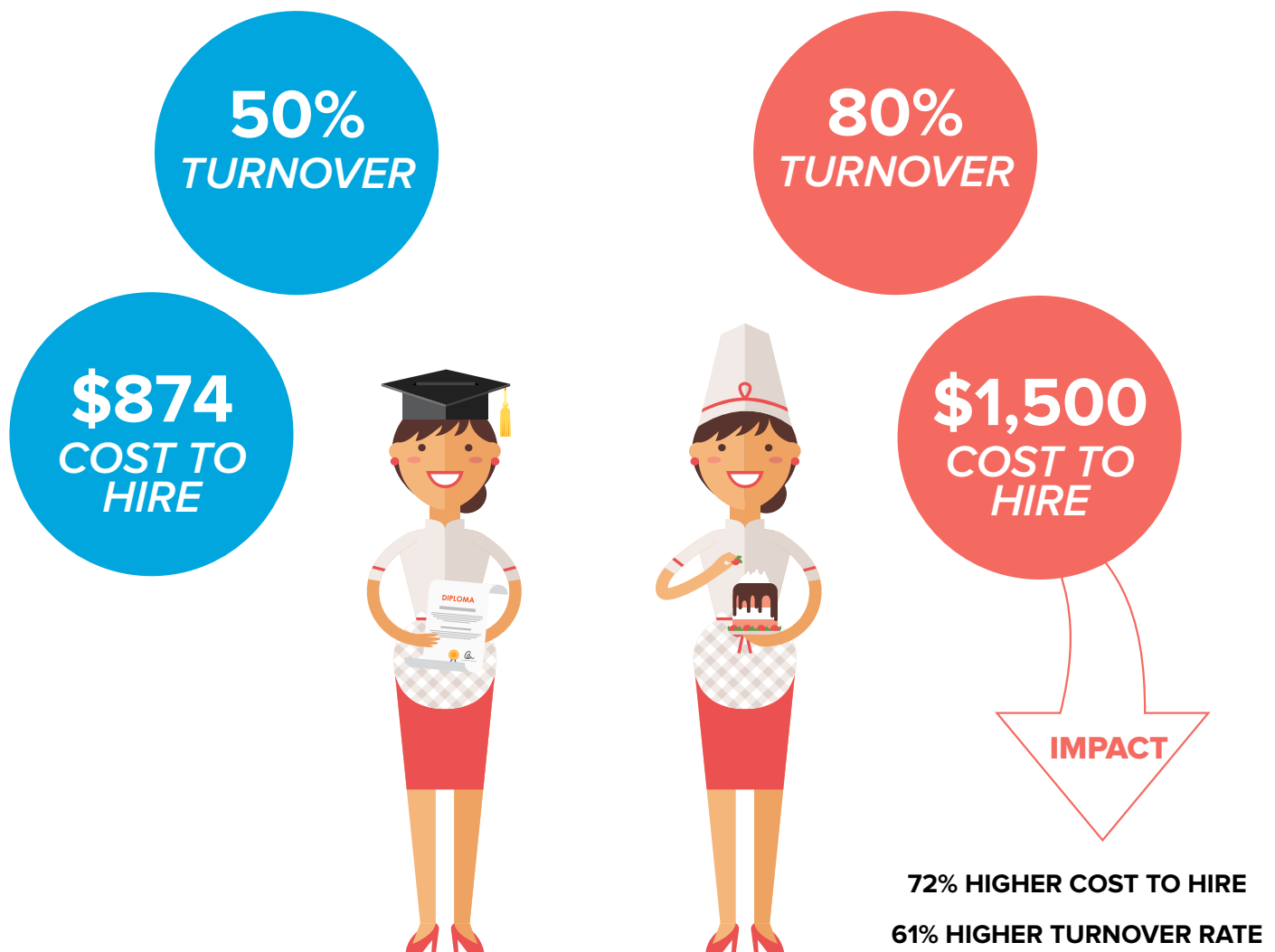
Importance of promoting top-performing hourly employees in 2016



Given the top three priorities of restaurant HR strategies and what we've learned about education and tenure, offering skills development programs and education solutions as an integrated career progression strategy is important. Companies that underestimate the importance of providing skills development and educational opportunities to their hourly employees have a 72% higher cost to hire and a 61% higher turnover rate than companies that acknowledge the importance of development. This demonstrates that offering more education and training for employees has a much greater impact than anticipated by the survey participants.

Companies that Acknowledge the Importance of Development

Companies that Underestimate the Importance of Development



Summary of Key Findings & Strategies for Reducing Turnover

Restaurants are becoming more educated about their workforce. With the economy recovering and unemployment at a low of 5.5%, restaurants are in a brutal fight for top-quality candidates. Quality employees are integral to providing good customer service and increasing company productivity. Furthermore, they are more likely to be invested in the job and loyal to a company, altogether contributing to the success of a business.

Looking ahead, restaurants are making the investment to offer more benefits to hourly employees in an effort to reduce turnover. HR strategies include many different techniques to retain and motivate hourly workers, such as creating more career pathways and educational opportunities. Moving forward, it will become even more crucial for restaurants to keep employees motivated, focused, and engaged if they are to remain competitive in the current economic landscape.





Education Insight

Currently, 24 million adults over the age of 25 do not have their high school diploma,³ and 16.8% of young adults between the ages of 18 and 24 had not earned their high school diploma in 2014.⁴ Many progressive restaurants, like Chipotle, Church's Chicken, Starbucks, and Taco Bell, have seized this opportunity to offer educational pathway programs to hourly employees as a retention program. Offering educational benefits can help companies become more competitive, attract and retain motivated workers, and develop talent internally.

Learn how your restaurant can reduce turnover, improve operating margins, and attract and retain the best talent.

CONTACT US

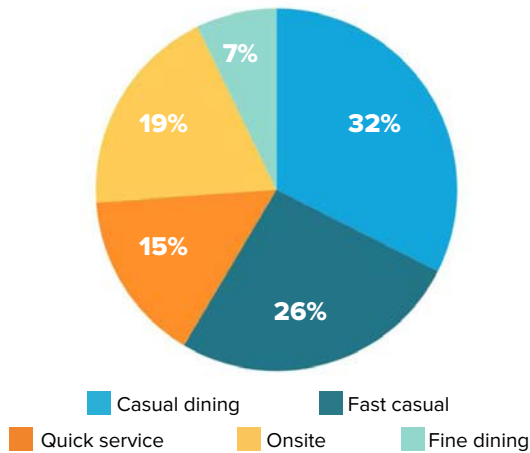
Call: **1.888.427.5400**

Visit: **partners.pennfoster.edu**

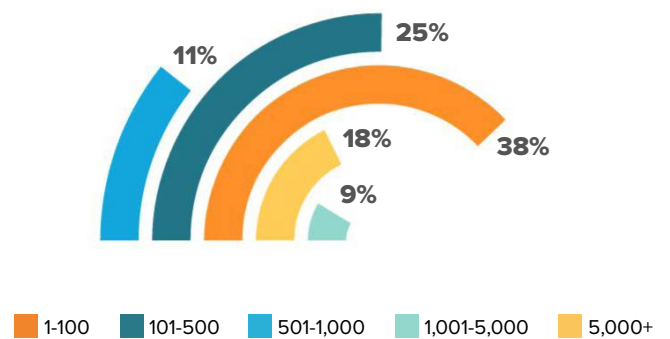
Who Participated in This Survey

This survey was based on the responses from 100+ HR experts in some of the top restaurant brands in the United States. The majority of responses came from participants in casual dining and fast casual chains.

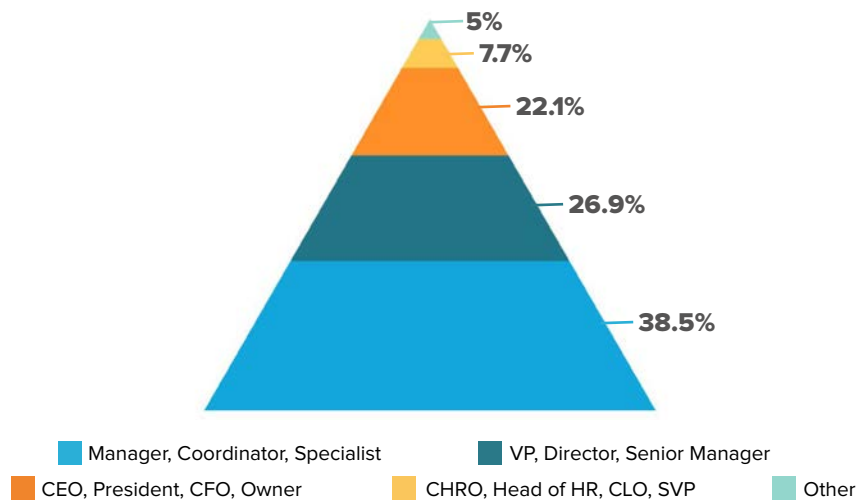
Restaurant segment



Number of hourly employees at participant restaurants



Participant role



[1] <http://nrm.com/sullivision/opinion-addressing-industry-s-800-lb-gorilla>

[2] <http://nrm.com/hr-training/people-report-4q-recruiting-challenges-highest-ever>

[3] Table 3. Detailed Years of School Completed by People 25 Years and Over by Sex, Age Groups, Race and Hispanic Origin: 2014

[4] Table 1. Educational Attainment of the Population 18 Years and Over, by Age, Sex, Race, and Hispanic Origin: 2014