Retaining Your Supply Chain Workforce in Today's Economy

WORKSTEP'S 2021 RETENTION REPORT

The past year has been a whirlwind. While it's always been tough to retain talent, 2021 has brought new challenges to the forefront, resulting in the most strained market for supply chain workers that we've ever seen.

If you're responsible for hiring and retaining frontline workers, this won't be news to you. You know the effects of this squeeze: missed production schedules, unhealthy and expensive amounts of forced overtime, and substantial resources wasted on employees who stay on board for less than 60 days - all of which has a big impact on your company from a business performance and financial perspective.

At WorkStep, we're committed to helping enterprises everywhere retain their frontline employees, which is why we've put together this definitive report on the state of workforce turnover. In this report, we've compiled and contextualized stats from a number of trusted sources, shared our own proprietary data, and highlighted the insights that enable you to take action. We've also created an operational framework and offered specific suggestions to help you rise to the challenge.

Because hiring is so difficult, retention is no longer a nice-to-have, it's a necessity. In 2021, you have the opportunity to be much more effective in reducing employee turnover. We hope this report provides a clear path to getting there.

Dan Johnston
Co-founder and CEO, WorkStep

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The State of Supply Chain Workforce Turnover in 2021

- Key Industry Trends
- COVID-19's Influence
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What We've Seen at WorkStep

What Companies Can Do to Reduce Turnover and Improve Retention

The State of Supply Chain Workforce Turnover in 2021

KEY INDUSTRY TRENDS

If you're struggling to retain hourly workers, you're not alone. Across supply chain, manufacturing, and other similar industries, companies are confronting a shortage of labor, coupled with high turnover, especially in the first year. Amazon's emergence in many communities has negatively impacted turnover, as well.

Demand is strong, but turnover is high

Demand for hourly workers is strong, up nearly 40% despite COVID. According to CBRE research, T&W employment in 37 top US industrial markets grew by 17% between 2013 and 2017, beating the national average of 12.8%. The US Bureau of Labor Statistics further projects employment to grow by 21% between 2016 and 2026.

However, worker turnover is high, expected to be 50% in 2021, which has an adverse effect on employer hiring and employee retention.

There's a shortage of labor in the market

We're seeing ballooning rates of job abandonment, with workers citing "personal reasons" and "lost interest" as top reasons for their departure. There aren't nearly enough workers in the market to satiate demand, either. According to Indeed, the number of warehouse job seekers per warehouse job has decreased by almost 50% since the start of the year.

Amazon hires many– and changes communities

Amazon delivers over 1.6 million packages a day, all sorted and assembled by supply chain workers, also known as "frontline workers"– the folks in warehouses, shipping facilities, and more. To meet the surging demand of online shopping, Amazon announced the hiring of an additional 100,000 employees.

But Amazon is not alone - it's one of thousands of e-commerce, industrial, logistics, transportation and warehousing companies that depend on frontline workers for their success. Amazon's presence has had a ripple effect on the many others that hire hourly workers, introducing immediate competition. In fact, counties with Amazon fulfillment centers see higher levels of employee turnover than those without. ***The average turnover rate for warehouse workers in "Amazon" counties has more than doubled***, going from 38.1% to 100.9%, according to the National Employment Law Project.

In addition to Amazon, companies are competing with flexible work alternatives such as UberEats and InstaCart. With decreased union density, there's less opportunity to make substantially more money with a long tenure.

Decreasing union density = high turnover

Union density has decreased all over the United States, which has stifled financial opportunity for many hourly workers. A study in The Economic Journal found that increasing union density leads to more productivity and higher wages. With decreased union density, there's less opportunity to make substantially more money because of a long tenure. In short, employees have little incentive to stay in one job.

Flexible work alternatives = high turnover

Gig work is more prolific than ever before and hourly workers are able to take advantage of a number of flexible options. Many take up flexible jobs shopping and driving for Instacart and UberEats rather than sign on to traditional hourly employment. This gig work leads to more turnover, as workers don't need to wait 4 weeks to receive a paycheck. With gig work, they can make money immediately.

Covid-19's Influence

Here's how COVID-19 has affected the labor market and employee turnover:

Candidates have removed themselves from the workforce

In an already tight labor market, workers leaving the workforce can have drastic consequences for enterprises. In the past year, many workers have removed themselves from the workforce due to health concerns or family care obligations.

This is particularly true for women– roughly 865,000 women left the workforce in September 2020 compared with 216,000 men, according to American Progress. The Washington Post reported that one in four women who became unemployed during the pandemic said it was because of a lack of childcare.

There's been a resurgence of workforce demand from other competitive sectors

The labor market has experienced a lot of turbulence due to the pandemic. One of the biggest disruptors has been the reopening of formerly closed businesses in hospitality, food service, and retail. When businesses closed, many hourly workers sought new opportunities. Now that they are reopening, workers are faced with an array of job options to choose from. As businesses reopen and consumers become more comfortable venturing out, there will be more demand for hourly talent. That's why Uber is enticing drivers back post-pandemic with a $250 million stimulus.

Stimulus checks may be influencing jobseeker's urgency

It's difficult to ascertain the total effect of stimulus checks on hourly jobseekers, but it's fair to surmise that the stimulus checks being distributed via the 3rd round of Economic Impact Payments may have influenced jobseeker's levels of urgency, keeping them out of the workforce for a few more months.

Lack of ability to engage with hourly workforce = high turnover

Most supply chain enterprises have no way to regularly engage with an hourly workforce, especially in the first 90 days. They might offer an annual engagement survey, but this is too late, as many workers leave long before they've worked for one year. COVID-19 has exacerbated this problem, as traditional methods of engaging with workers in the first 90 days are more difficult, if not impossible. Many companies were using in-person roundtable lunches, 1:1 meetings, and other retention tactics that are no longer available.

Why You Should Care – The Consequences of High Turnover

With employee turnover at an all-time high, there are ramifications for enterprises in many industries. Turnover is bad for a company's bottom line, but it also compromises safety, creates skill gaps, and ultimately causes a downward cycle that can turn into a company-wide epidemic.

It's expensive

Employee turnover is expensive for a variety of reasons. When an employee joins a company, they need to be trained– it can take 60 or 90 days for a worker to be meaningfully productive. So when someone leaves early on in their tenure, the company has wasted time –– and money –– investing in them.

We've heard of companies investing $10m+ on job boards, billboards, radio ads and podcasts. And while these were successful in driving candidates and hires, these hires are turning over.

It compromises safety

In warehouse and manufacturing jobs, there's substantial risk for accidents at work, even with experienced workers. But new workers are much more likely to have an accident at work.

In fact, a study from the Institute for Work & Health revealed that workers in their first three weeks on the job are 3x more likely to suffer an injury that keeps them out of work than those who have been at the job for a year. Younger workers are also more likely to suffer injuries on the job.

Amazon has been hiring new workers at a rapid pace, but they've also incurred more workplace injuries, especially during busy periods like Prime Day and Cyber Monday, according to Deborah Berkowitz who cited a recent analysis of internal company records and weekly safety reports by Reveal from The Center for Investigative Reporting, as reported by the Seattle Times.

It decreases productivity

At most companies, workers aren't productive until day 45 or day 60. Until that time, they are costing the business money and decreasing overall productivity. If people are turning over in early days, especially before they hit 90 days, overall productivity will take a hit.

It's no surprise, then, that productivity is down overall. According to the Bureau of Labor Statistics, productivity was down by 4.2% in the fourth quarter of 2020.

It creates a skills gap

When workplace turnover is high, there's a shortage of people to promote into supervising roles. This not only means that you don't have highly skilled and experienced workers in charge, but it also opens the company up to safety issues. If you don't have the best people in leadership and supervising roles, you're likely to encounter more workplace injuries.

A skills gap also makes succession planning difficult. As skilled laborers retire, who will lead? A study in the International Journal of Business and Management cited success planning as a major problem for enterprises. A report from Deloitte found similar results: a gap in skills may leave 2.4 million positions unfilled between 2018 and 2023, with a potential economic impact of $2.5 trillion.

It creates a downward cycle that impacts your business financially

When workplace turnover is high, it creates a downward cycle that impacts your business financially. It leads to a negative culture, becoming an epidemic that encourages would-be-stayers to leave in droves.

In such a culture, companies must force staff to work overtime, which is not only expensive, but is usually something these employees don't want, as they are often overworked already. This leads to burn out, which leads to more workers quitting.

In short, a high rate of turnover can cause a downward spiral that's difficult to correct. The pain is felt by workers and by the company's bottomline.

What We've Seen at WorkStep

At WorkStep, we collect anonymized, primary data on hiring trends and turnover rates to better serve our customers, which include 16 of the Fortune 500. Our data has confirmed overall industry trends, as well as the effect of COVID-19, but we've also uncovered additional insights that can help company leaders understand the state of turnover today, and take appropriate action.

Here are some behaviors we see:

The majority of turnover is voluntary

Turnover can be attributed to lay-offs or individual terminations due to poor job performance or overall fit, but 68% of turnover is voluntary, meaning hourly workers decide for themselves that they no longer want to continue working.

32%
INVOLUNTARY

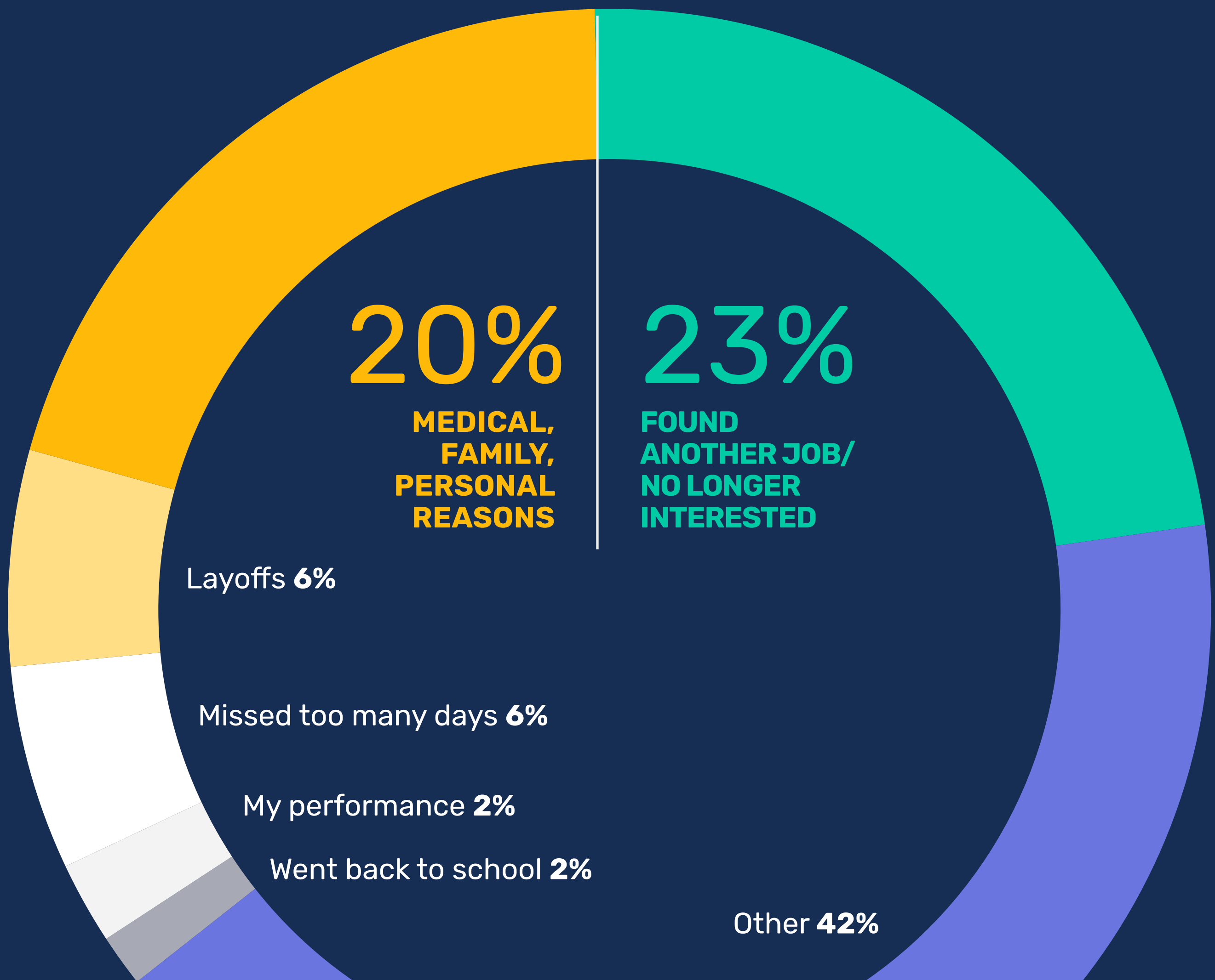
68%
VOLUNTARY

?

This saddles enterprises with big questions: *how can we hire people who are likely to stay? And, once they are hired, how can we encourage them to stick around?*

Top reasons for leaving include finding another job or personal reasons

Most workers leave hourly employment on their own accord, but why are they doing so? Top reasons include finding another job/ no longer having interest (23.1%) and medical, family, or personal reasons (20.3%). Still, 42% of hourly workers simply cited "other reasons," implying that their decision to leave was too nuanced to fit neatly into a category. Only 1.4% of workers said they left for educational reasons, and a mere 2.2% left because of performance.



Working the graveyard shift negatively impacts retention, but not by much

Shifts matter, but maybe not as much as you'd expect. At WorkStep, we've seen that the graveyard shift has a negative impact on retention but not by a very large margin. If workers take on a shift of four or more hours between the hours of 11 p.m. and 6 a.m. they are more likely to leave the job within the first 90 days. But the numbers are close enough that employers should look deeper, digging into the data to look for turnover reasons beyond a shift.

90 DAY RETENTION

In short, companies are feeling the squeeze. They have jobs to fill, and not enough bodies. And the people they do have are not reliable– turning over at a rapid rate and costing companies millions of dollars.

What Companies Can Do to Reduce Turnover and Improve Retention

Fortunately, there are steps you can take to reduce turnover and increase retention. At WorkStep, we've developed a focused approach to help companies better retain employees. When companies follow this approach, they see results, and reduce turnover, often by large amounts.

1.
Focus investments on high quality talent acquisition and better wages

If you want to retain employees, you need to make sure you're hiring the right people in the first place. By using hiring technology like WorkStep Hire, you can ensure that new hires are a fit on both skills and preferences for shifts and overtime. When employees find a good fit, they're much more likely to stay.

As part of this effort, you might work to hire more direct employees, decreasing the contingent percentage of your workforce. After all, temp and contingent workers turnover at over 4X the rate of direct employees.

Finally, wages matter, and the structure around wages can serve to retain employees for a longer period. It's a good idea to invest in tactical compensation increases to increase workforce loyalty.

2.
Engage with your workers at key milestone events

It can be difficult to engage with hourly workers, and COVID-19 has not made this challenge easier. It's not enough to offer an annual survey to find out what workers think. You need to engage with workers at key milestone events.

At WorkStep, we've found that key milestones events occur at Day 7, Day 30, Day 90, and upon exit, which we've quantitatively determined are the key breakpoints for supply chain worker retention. It's also essential to set up some sort of recurring check in, whether that be on a monthly or quarterly basis.

Not only that, but you also need to implement training, as well as growth and development programs to show employees a career path and a reason to stay.

3.
Analyze data by facility, role, and other key segments

Companies can gain a lot of insight when they analyze data by facility, role, shift, and other key segments. Understanding how each of these areas come into play will help you gain insights you can take action on.

By facility – Some facilities will have more or less turnover than others, and once you identify which facilities are most successful, you can begin to understand what could be replicated in other facilities.

By role – Certain roles, such as that of a warehouse worker, might have higher turnover than others. Once you understand which roles are especially vulnerable to high turnover, you can begin to make adjustments for the employees in these roles.

By shift – Earlier in this report, we shared that those working the graveyard shift had higher levels of overall turnover. Certain shifts may be more susceptible to turnover than others.

By other segments – There are many other segments, such as weekly hours, manager, and skill level, that may affect turnover. The better you understand where high turnover is happening, the better positioned you are to improve.

4.
Surface actionable insights

The point of analyzing data is to surface actionable insights. That is, you need to know the top reasons employees are turning over so you can develop a plan to keep them around for longer.

For example, here are some insights you might find that you can take action on:

Insight:
Employees are upset because they don't have access to necessary equipment and accessories when they need them.

Action:
Implement facility-wide supply vending machines that can be activated with an employee badge.

Insight:
Employees are leaving because they don't understand growth paths available to them.

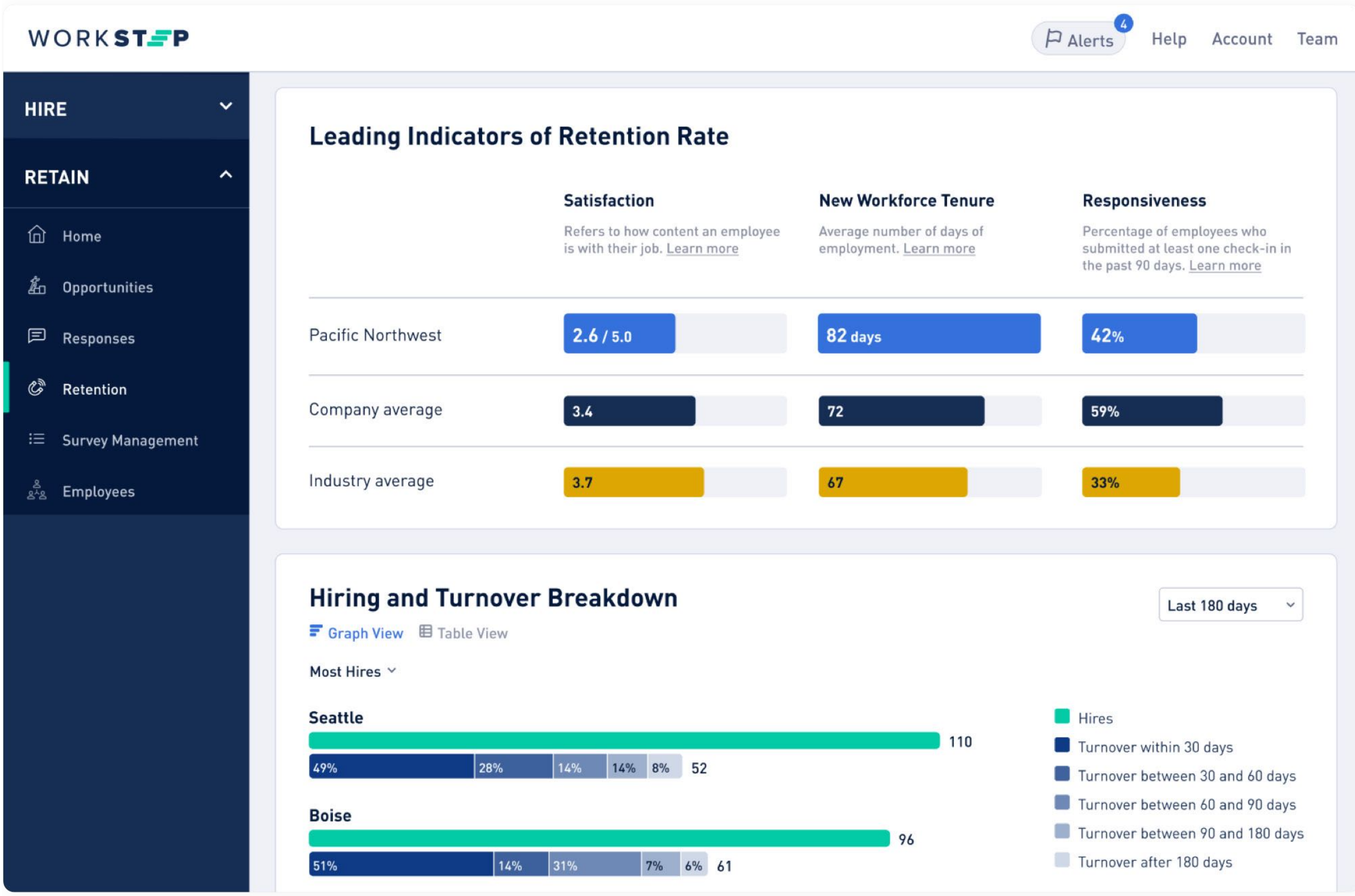
Action:
Include promotion pathways when you onboard employees, and circle back to the topic with each employee quarterly.

5.
Find an experienced retention partner

Improving retention is difficult, so it's advantageous to find a partner with experience. Companies see substantial improvements in retention when leveraging a workforce retention platform like [WorkStep Retain].

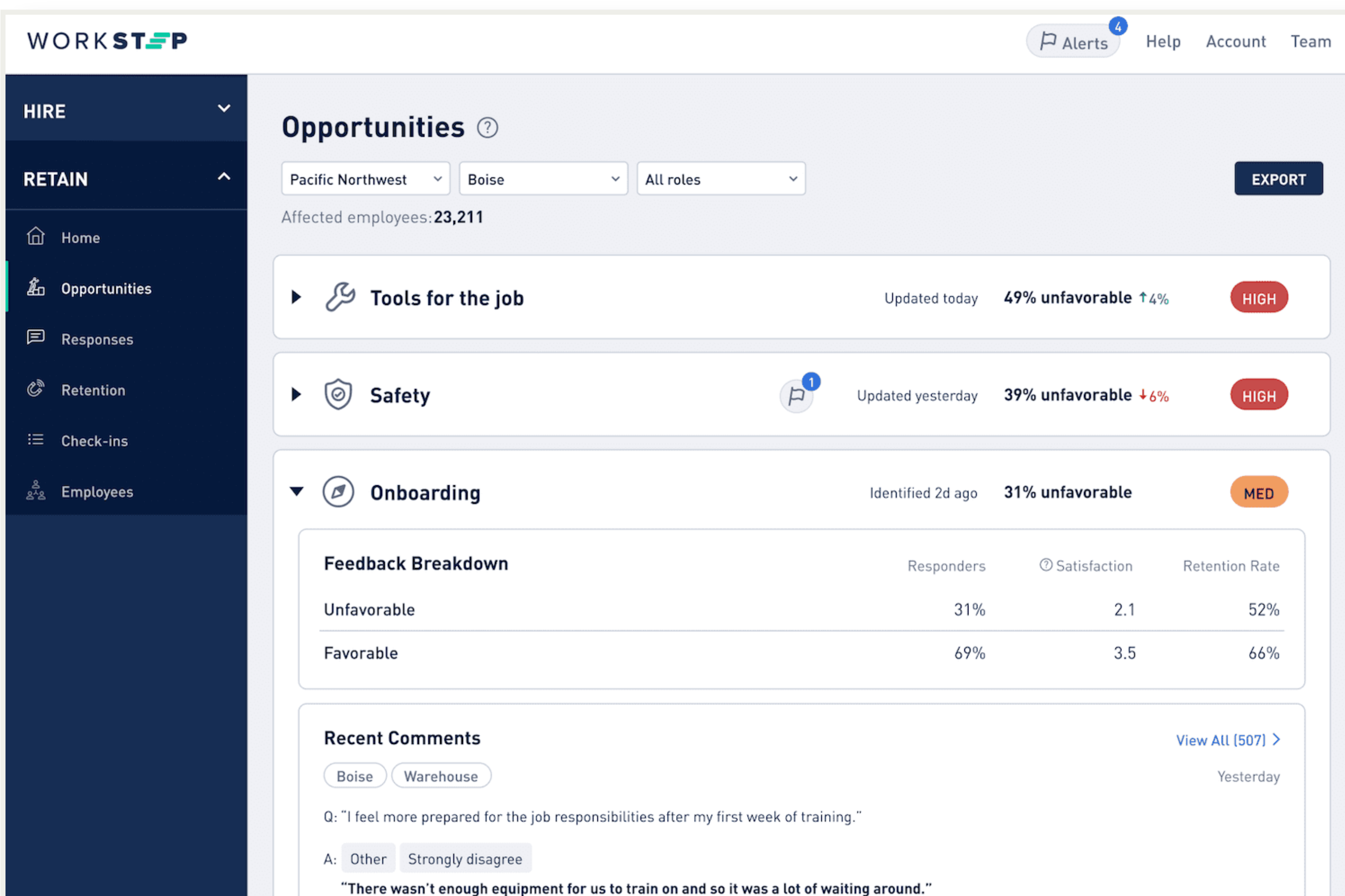
WorkStep Retain can help you analyze data by facility, role, and other key segments so that you can surface insights, and then take action.

View leading indicators of retention:



View retention by month and milestone:

Identify key opportunities:



According to an analysis of customer data, WorkStep found that its hiring and retention platform reduced year-over-year employee turnover by an average of nearly 30% in Q4 2019.

How NFI Improved Retention with WorkStep

NFI, a third-party logistics company, handles logistics, distribution, and transportation for its customers. With 250 locations across North America, NFI needs to be able to hire and retain employees. To best serve their customers, NFI partnered with WorkStep to decrease employee turnover across the organization.

"Retention has always been a big topic in the supply chain industry. Front line employees can pick up skills and go to a competitor at any point," said Jamie Anderson, Director of Talent Pipeline Programs at NFI. "We want to be the employer of choice, and using WorkStep has helped give us the data we need to understand exactly what's affecting employee turnover. Using this data, we can react immediately."

Thanks to the partnership with WorkStep, NFI saw:

36%
Decrease in new hire turnover in the first month of employment

18%
Decrease in overall turnover

2%
Increase in new hire satisfaction on Day 7

3%
Increase in new hire preparedness on Day 7

Next Steps

WorkStep's unique Retain employee retention solution, part of its broader employee hiring and retention platform, gives supply chain HR leaders more proactive communication, engagement and visibility with their frontline workers than ever before – allowing them to far better meet the needs of their workforce and stem the high costs of attrition.

To learn more about WorkStep's Retain solution and get a complimentary industry retention benchmark report, email: **sales@WorkStep.com**

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