

WORKSTEP

eBook: Easing Supply Chain Labor Challenges

Using Modern Technology to Hire &
Retain Your Frontline Workforce



Having trouble hiring and retaining your supply chain workforce?

You're not alone.

It's no secret that the pandemic has wreaked havoc on the labor market, but even before Covid-19, frontline workforce trends were already showing significant signs of strain. Companies were struggling to hire and keep up with ecommerce demand, workforce turnover was on the rise and a skills gap among manufacturing workers was becoming more evident. Increased unemployment and quit rates, Amazon's ever-expanding footprint and a lack of qualified candidates further contributed to a storm of labor shortages.

It's undeniable that Covid exacerbated all these conditions, but the reality is that the underlying issues were present long before and Covid merely amplified concerns that will continue to persist after the pandemic finally subsides.

Prudent companies are leveraging this opportunity to modernize their talent hiring and retention processes, not just in the short-term as a response to the pandemic, but in a continued and sustained manner that ensures long-term success.

But we know that's easier said than done.



Supply Chain Labor Market 2021

As we near Q4 of 2021's historically challenging supply chain labor market, we continue to see an increase in consumer demand coupled with sustained quit events, thereby redoubling already record high pressure for companies to hire and retain talent.

In particular, organizations with more than 1,000 company-wide frontline workers are facing difficulties sourcing and retaining talent to keep their supply chain moving and to ensure that customers and partners receive the goods they need.

But why are we seeing such a labor strain? What is happening in the market today to cause this strain?



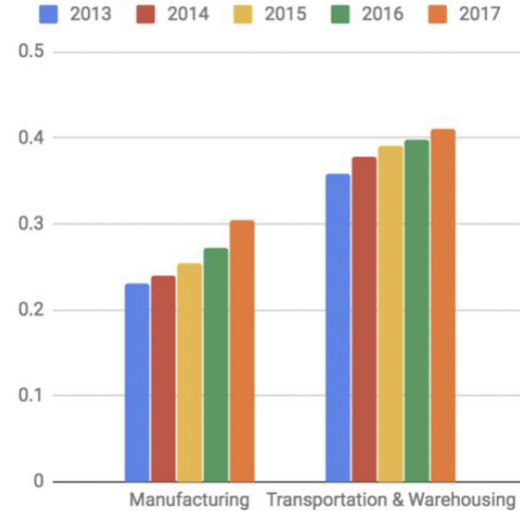
Three Simultaneous Labor Trends

Total Employment Change (Jan '17 to Jan '19)



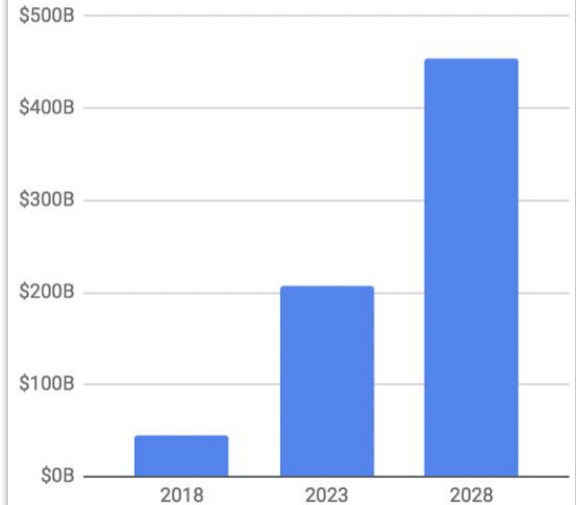
Employment is moving up the supply chain from point of consumption

Annual Employee Turnover Rate by Industry



New hires needed per employee is growing every year

US Manufacturing Output at Risk Due to Skill Shortage



Skills required are increasingly less aligned with skills supported

Pandemic Woes

Covid turned the supply chain on its head as organizations faced global lockdowns, supply and raw material shortages, sick employees, a need for childcare as kids turned to homeschooling, financial disincentive created by extended unemployment benefits and overall uncertainty.

While vaccines and easing of lockdowns has offered some relief, initial exuberance has been tempered by a realization that pandemic-influenced challenges and unpredictability will persist for the foreseeable future, especially with the spike in delta variant cases and as new variants emerge.

There are more open jobs in the US than ever before. Despite 6.7 million new hires in June of 2021, the Bureau of Labor Statistics still reported a whopping 10.1 million openings, and this is even more acute in fast-growing sectors such as manufacturing, distribution and ecommerce.



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The Elephant in the Room

You can't get a picture of the modern labor market without accounting for Amazon, which continues to permeate our cities and put down deeper roots in rural America. In fact, Amazon is accelerating warehouse construction and building more in 2021 than ever before. Amazon will have built more warehouses between just 2020 and 2021 than it ever has in its entire company history.

While Amazon has always been known for its revolving-door workplace, its turnover for hourly employees is now even higher at around 150% per year. In 2020, Amazon hired 500,000 new employees, and this year they are planning to hire 75,000 more with the appeal of an average pay of over \$17 an hour, a \$100 bonus to those who have Covid-19 vaccines and additional sign-on bonuses of up to \$1,000 depending on location.

Reports suggest that the company views turnover as a positive because there is always eager, fresh talent rather than a population of "worn-out" tenured workers. They use advanced algorithms to monitor job performance, and workers can be fired if production isn't up to par.

In fact, by some accounts, managers are actually required to terminate a certain percentage of their workforce every year.

All of this normalizes turnover in the minds of employees and produces a trickle-down effect on the industry at large. When Amazon builds a warehouse in a county, warehouse turnover in that county increases. And as Amazon pushes market turnover rates up, companies like yours are left scrambling to deal with the aftermath.

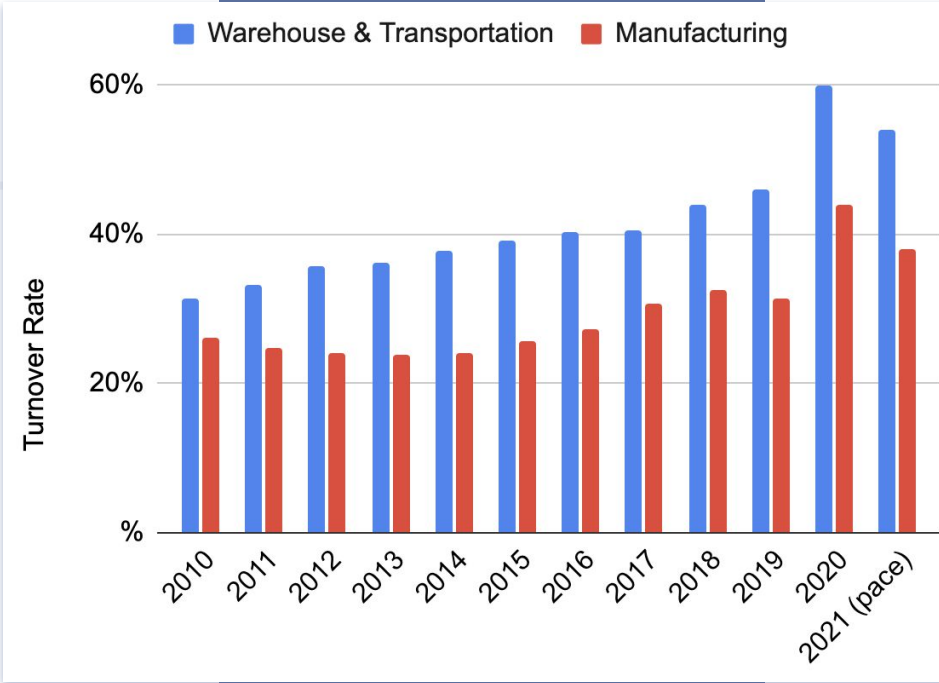
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How does this impact you?

Annualized turnover in manufacturing and distribution has been on the rise for a decade, with a spike in 2020 due to Covid layoffs. Even if removing layoffs from the equation, 2021 is on pace to be a record year—the kind that talent teams like yours don't want to see—because more workers are quitting than ever before.

We have our doubts, but maybe turnover is a “good thing” if you're one of four global multi trillion-dollar companies with unlimited resources—but for the rest of us, the reality is that turnover is extremely expensive, bad for morale and a drain on productivity.

Companies know this and it's no exaggeration to say that some are feeling a sense of desperation. They need people!



Short-term vs. Long-term Strategies

How are companies like yours responding to labor challenges?

Ultimately, companies have to protect revenue, and this means they need staff to fulfill customer demand and keep their supply chain fluid. But what do you do when labor is so scarce and competition is through the roof? It seems there's little choice: You improvise and you offer incentives. Recent trends we've noticed include:

- **“Feed the beast” hiring aka lowering standards** — Gets labor in quickly, but places strain on training and productivity. Chasing the lowest common denominator is rarely a winning strategy.
- **Temp-to-perm** — Good for quick job placement, but increases turnover even further and perpetuates a vicious cycle.
- **New-hire bonuses** — Attracts new talent, but encourages misaligned incentives from day one and can also lead to turnover as employees chase bonuses from one company to the next.
- **Forced overtime** — Helps maintain production schedules and ensures products go out the door on time, but increases cost and can lead to employee burnout, potentially increasing turnover even more.
- **Wage increases** — Attracts and helps retain talent, but with permanent across-the-board cost increases.
- **Education stipends** — Shows that you are willing to invest in your employees for the long run, but in some cases, companies require repayment if the employee leaves within a specific timeframe.

But are these strategies going to last long-term?

Unfortunately not. These reactive solutions are band-aids at best and simply not tenable long-term because they come with significant tradeoffs, are expensive to implement and can actually increase turnover after the initial hire.

There are twice as many new-hire bonuses today as there were at the end of Q4, and overall, the average cost per hire is around \$4,000 and keeps increasing. From Q3 last year to Q2 this year, the cost of sourcing your next hire has increased by an average of 85%.

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Focus on Long-term Success

A sustainable hiring and retention strategy requires a proactive approach that addresses the underlying cause of turnover, while minimizing costs and fostering employee satisfaction.

#1

Make jobs more appealing by prioritizing retention-driven hiring.

How? By asking the employees. Depending on employee feedback, consider offering specific benefits, better training, improving safety measures, and encouraging an environment of respect among supervisors and team members.

#2

Be as transparent as possible with job requirements.

Employees should know exactly what they're getting themselves into from the onset and your team should remain in constant contact with them throughout their employment.

#3

Give frontline workers a voice so they feel heard and know that they are being heard.

Employees who feel valued are much more likely to stay, especially if they believe their managers and supervisors are cognizant of their feedback and make decisions with their interests in mind.

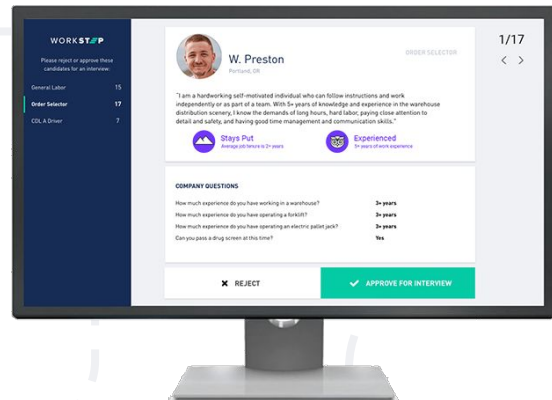
How WorkStep Makes Things Easier

Though general trends are useful as an overall guide to workforce turnover, the reasons behind hiring issues and turnover are company specific and no two companies are alike. So stop guessing. You need real data to identify the key factors impacting your organization, and that's exactly where WorkStep comes in. WorkStep offers holistic, sophisticated technology built specifically for supply chain companies.

Find Great-Fit Talent, Fast with WorkStep HIRE

- Retention-optimized matches from WorkStep's Talent Network
- Reduce Time-to-Hire with Intelligent Screening
- Eliminate mundane tasks with workflow automation

Learn more at www.workstep.com



WorkStep has the largest, fastest growing supply chain-specific talent network in the US

Retain Your Critical Workforce For The Long Run with WorkStep RETAIN

- Engage your distributed hourly workforce in real-time
- Get ahead of job abandonment
- Know the health of your workforce
- Measure the impact of retention initiative and investments

WORKSTEP

*Helping supply chain companies hire and retain
their frontline workforce*

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