An Inside Look at the **Hiring and Scheduling Crisis** in the Hourly Workforce

Introduction

Hourly employees are essential to the North American workforce, and the long-term future of the service industry organizations that hire them. Despite this interdependency, flaws in the hourly worker hiring, scheduling and management cycle have created friction between business and employees' needs. This friction manifests in unnecessary overtime spend, under and over staffing errors, employee attrition, and legal exposure. Additionally, this misalignment of interests is causing social ills in the economy.

Today's service businesses contend with growing competition, pressure to maintain margins and limited budgets, as well as challenges that inhibit managers from devoting optimal time and resources to managing and maintaining employee relationships. In order to cut costs and keep stores staffed, management has had to rely on outdated systems and processes that deepen this employer-worker misalignment.

Nationwide, this has resulted in far-reaching business, social and political repercussions. The modern hourly job experience is often plagued by challenges salaried workers don't face, from schedule frustration to wage instability. According to an Economic Policy Institute report, 17 percent of U.S. employees receive an inconsistent number of hours each week.[1] Recent University of Chicago research found that 83 percent of young part-time workers cite changes in weekly hours, with average fluctuations around 87 percent.[2] Underemployment also remains a pressing issue: more than half of U.S. adults would welcome the opportunity to work one additional day a week to receive 20 percent more pay.[3]

Over the past few years, the rise of unstable schedules and unsustainable scheduling practices has instigated a nationwide push for stronger hourly employee rights. Certain methods, such as just-in-time scheduling, have attracted the ire of state and local governments. The New York Attorney General's office recently admonished major chains including Target, Urban Outfitters and Gap for their scheduling practices.[4] On July 3, San Francisco's Retail Workers' Bill of Rights took effect, establishing strict standards for the hiring, treatment and scheduling of thousands of local hourly employees.[5] At the federal level, the U.S. government is increasingly vocal about the need for better labor protection for hourly employees and managers alike.

Beyond legal ramifications, these practices can have lasting effects on employee satisfaction. Unpredictable schedules and wages give staff less incentive to stay, driving up expenditures for recruitment and training. On average, replacing one worker costs up to $4,000 and more than 60 hours of training.[6] As turnover and costs mount, the quality of the customer experience drops. Companies that do little to address these issues will have difficulties attracting quality employees and providing superior customer experiences. Unless employers take action, the gap between businesses and their staff will widen, diminishing employee morale and corporate profitability.

WorkJam, a cloud-based employee relationship management platform, took a closer look at how service companies hire, schedule and manage hourly workers, as well as employees' perceptions of the onboarding and scheduling process, to understand what needs to improve. WorkJam conducted online surveys of 500 U.S. service company managers (including store and shift managers, supervisors and team leaders), and more than 700 U.S. hourly employees.

Key findings from the study include:

- 60% of employees say the most difficult aspect of the job search is finding a position that matches their availability and location preferences.

- More than half of employees (56%) receive their schedules a week or less in advance.

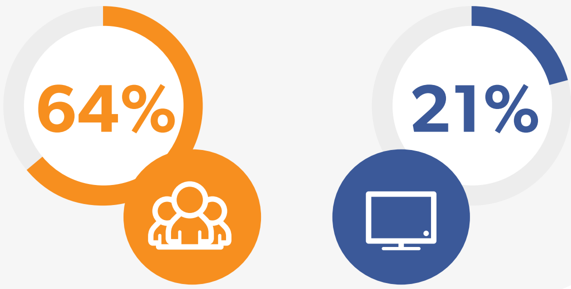
- 68% of employers say the most difficult part of scheduling is assigning shifts that accommodate both their staff's availability and business needs.

- 46% of companies report being frequently or sometimes understaffed; the most cited consequence of being understaffed is compromised customer experience.

- 29% of employees say they rarely receive consistent work schedules.

The Job Search is Still Stuck in the Past

Despite innovation in some areas of employee management (e.g., automated payroll, outsourced HR), old-fashioned job search processes are a reality for many hourly workers.



Sixty-four percent of hourly employees found their current job either through a referral from family and friends or in-person. Only 21 percent of hourly employees report finding work through the company's career page or a third-party job board. In fact, more than twice as many employees (49%) applied for their job through a paper application than online.

Location and scheduling concerns also continue to complicate hourly talent acquisition. Sixty percent of employees cite finding a position that is close to home and fits their schedule as top challenges during the job search. The traditional, static paper applications used by so many service companies fail to integrate with high volume hiring environments and are unresponsive to changing recruitment criteria. Workers also rank hourly wages and preferred work hours as their most important factors when selecting a new job.

Inefficient recruitment processes require both employers and staff to invest large amounts of time navigating around basic candidate deal-breakers such as availability. Businesses that clearly communicate shift and compensation information upfront can target the best fitting candidates faster and hold on to them longer.

Employers Face Uphill Hiring Battles

In stark contrast to the rapid pace at which hourly workers find jobs, businesses struggle to fill open positions in a timely manner. Almost three-quarters (73%) of service company managers say it takes more than a week to fill an opening for a new hourly employee. The more hourly workers a company has, the longer it takes to find and hire new ones.

The more hourly workers, the longer it takes to fill openings

21% of firms with hourly workers making up 76-100 percent of their staff take more than three weeks to fill an opening

13% of firms with hourly workers making up 51-75 percent of their staff take more than three weeks to fill an opening

8% of firms with hourly workers making up 26-50 percent of their staff take more than three weeks to fill an opening

A recruitment catch-22

Employers' top challenges in filling hourly positions largely mirror their workers' struggles. The most pressing issues cited by businesses include a lack of qualified candidates and a shortage of applicants with the right shift availability.

Top Challenges to Filling Hourly Positions

1. Lack of qualified candidates
2. Lack of candidates with appropriate availability
3. Lack of interested candidates
4. Wage issues

Broken recruitment and job application processes exacerbate the symptoms of talent shortages. Highly skilled workers don't stay unemployed for long, and enforcing a sluggish application process encourages strong candidates to look elsewhere. By not efficiently managing and integrating availability and wage requirements into the hiring process, employers waste time and resources screening applicants that don't meet their needs.

Perpetuating this problem, the majority of service companies still use antiquated hiring processes that fail to attract the best candidates' attention. Nearly two-thirds of businesses (61%) rely on paper applications. These companies may be missing out on the most qualified prospects, who are more likely to apply to employers that use efficient (i.e., online, mobile) recruitment methods.

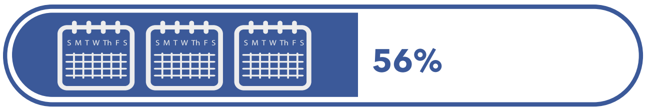
Even where organizations apply technology, inadequate internal processes undermine their overall hiring initiatives. Forty-three percent of firms post openings on their business's website, 36 percent hire over email, 32 percent list jobs on third-party job boards and 10 percent use mobile applications. With the exception of some mobile applications, the majority of these platforms lack the ability to communicate vital information about shift preferences, pay and location to applicants or hiring managers. The fundamental problem is a lack of two-way qualification and matching where both the employer and employee are assessing what would be a good fit.

Turnover among hourly workers presents another costly, persistent challenge to many businesses. According to the Institute for Research on Labor and Employment, the average cost of replacing a worker is around $4,000; onboarding a new recruit involves, typically, more than 65 training hours and two months for the employee to reach full productivity.[7]

More than a third (34%) of service companies report a quarterly turnover rate of at least 26 percent for their hourly employees. To make matters worse, 33 percent claim that this rate increased over the past two years, double the 16 percent that believe their turnover rate is trending downward. Service industry companies already contend with limited recruitment budgets; having to refill the same positions every few weeks doesn't bode well for profitability.

Service Industry Scheduling Leaves Much to be Desired

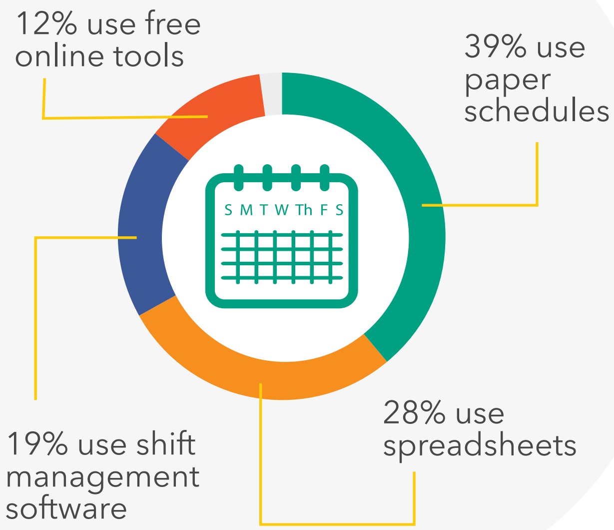
Service companies' imperfect, inefficient scheduling methods fuel much of the friction between managers and their hourly staff.

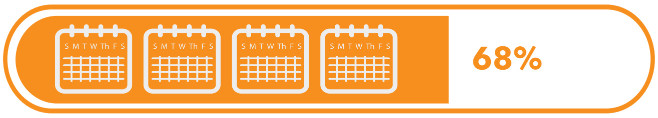


The majority of service organization (57%) set weekly schedules for employees, and a similar fraction of employees (56%) receive schedules a week or less in advance. This tight timeframe provides workers with little flexibility to accommodate personal obligations such as education, child care, and elder care or other jobs.

As is the case with hiring, service industry scheduling is cumbersome. With only 19 percent of companies using shift management software, it's clear that most employers have yet to adapt their approach to the needs of the modern workforce.

How service companies create hourly worker schedules





Given these antiquated methods, it's no surprise that so many employers struggle with scheduling. Sixty-eight percent of companies, regardless of the tools they use, say that the most difficult part of scheduling is assigning shifts that match both their staff's availability and business needs.

The scheduling practices ingrained in service company culture have enduring impacts. For younger hourly workers, scheduling discrepancies can be grounds for quitting. More than twice as many 18-25 year olds left their last hourly job due to receiving inconsistent schedules than 46-60 year olds (35% v. 16%). With Millennials recently claiming the largest share of the U.S. workforce (34% compared to Generation X's 32% and Baby Boomers' 31%), addressing these scheduling deficiencies will become imperative to service companies' bottom lines.[8]

Putting together employee schedules demands time no matter what, but employers need to start giving employees the benefit of setting shifts farther in advance. Last minute scheduling not only inhibits workers' ability to plan personal and other professional obligations, it also encourages absenteeism, dissatisfaction and eventual turnover.

To avoid these expensive pitfalls, companies need a better system. Ideally, employers should find resources that centralize schedule creation and modification, all while accounting for specific workers' shift preferences and availability and complying with head office requirements and government regulations.

A failure to communicate (schedules)

Beyond creating schedules, companies' standard methods of communicating schedules to employees are equally flawed. More than two-thirds (68%) of employers still share staff schedules via physical charts posted in break rooms or other communal areas.

How Service Companies Communicate Employee Schedules

- 68% use physical charts
- 26% use text message
- 25% call employees
- 23% use e-mail

When companies change schedules at the last minute, 39 percent notify staff over the phone; 29 percent do so in person. Hunting down workers over the phone or in person takes managers away from other more critical functions, like customer service. In the long-term, this seemingly quick task represents significant cost leakage.

Top Reasons for Changing a Set Schedule

1. Employee calls in sick
2. Employee doesn't show up
3. Management scheduling error
4. Employee scheduling error
5. Slow business day

The number one reason for modifying a set schedule is employees who call in sick. This, of course, is an inevitable (and frequent) occurrence for any company, which underscores the need for employers to find more efficient alternatives to communicating eleventh hour changes. Employers that try to compensate by scheduling workers for a day or shift that they listed as "unavailable" (or "not preferred") puts employee trust and retention at risk.

Even in companies that strive to make scheduling a two-way street with staff, their primary methods are tedious and impossible to maintain over time. Eighty-four percent of surveyed employers claim to have processes in place for employees to share their availability before schedules are made, but these systems (many of which are paper-based or otherwise outdated) can place a heavier burden on managers and hourly workers:

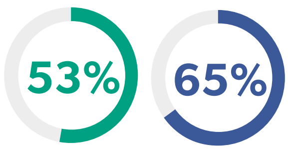
How staff share shift availability with managers*

- 43% submit written requests
- 31% have a conversation with their shift manager
- 11% submit availability via email

*Based on the 84% of respondents that have a process in place.

Similarly, 81 percent of companies report having processes for employees to submit schedule change requests. These, again, often seem more inconvenient than helpful. Almost half of these respondents (46%) say workers request changes via conversations with shift managers; 33 percent submit written requests. Only seven percent send requests via email.

Plenty of employers try giving workers the autonomy to facilitate their own shift changes, but few have been able to make this process work efficiently. Sixty-nine percent of respondents claim to have a system for coworkers to trade shifts. Of this group, almost half (41%) use paper trade requests in a break room or other communal area, and nearly one-third (32%) say staff use a phone directory to contact each other to try and trade shifts.



Despite these efforts, employees crave a better way. Of surveyed hourly workers, 53 percent would be more likely to pick up open shifts, and 65 percent would try harder to find shift replacements, if there were easier processes for doing so. Companies willing to invest in more efficient systems could enjoy simpler, faster shift management as a result.

Flawed Scheduling Weakens Ongoing Employee Relationship Management

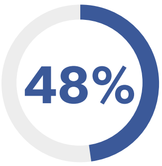
When comparing how employers feel they're doing on scheduling and how happy workers are with those schedules, you find significant gaps.

The majority of shift managers and store leaders (83%) say workers receive consistent schedules each week (i.e., working the same days or shifts). A slightly smaller portion of employees (71%) agree that their schedules are actually consistent.

Somewhat surprisingly, employees are most likely to receive consistent schedules (56% said "very frequently") when they're distributed in person, and least often when scheduling software is used. This discrepancy seems to call into question the effectiveness of existing software programs, many of which fail to account for personal shift preferences and personal commitments.

The majority of companies (90%) also report giving employees a consistent number of work hours each week; a slightly smaller portion of hourly workers (82%) feels this is the case. Based on how employers are currently scheduling, companies that communicate schedules in person are most likely to report frequently assigning consistent hours. Those relying on outdated software and mobile apps are most likely to report infrequent hour consistency. Though technology does have the power to dramatically solve many of employers' most prominent issues, companies need to search for the right solutions rather than settle for sub-optimal and inefficient tools.

Current technologies may exacerbate the issue of just-in-time scheduling and other problematic methods more than alleviate them. Though only 12 percent of surveyed companies admit to using just-in-time scheduling, more than half (53%) do make tweaks to staff schedules as necessary.



A comparable amount of employers (48%) claim that their employees are frequently or sometimes scheduled to working back-to-back closing and opening shifts ("clopenings").

Taking away an employee's shift within days or hours of it beginning – or scrambling to fill a new shift at a moment's notice – disrupts both staff morale and store operations. Likewise, unstable schedules can wreck employee loyalty and promote burnout; they might soon pose a legal issue should the U.S. adopt regulations like the ones getting approved in major metro areas like San Francisco.

Top Consequences of Being Understaffed

1. Compromised customer experience - 53%
2. Increased overtime - 45%
3. Decreased staff morale - 30%
4. Inability to meet sales targets - 27%
5. Inability to meet store compliance goals - 25%

The high price of poor shift management

Unpredictable, inconsistent or otherwise unfair scheduling and shift management habits don't happen without consequence. The traditional way of doing things has real dollar ramifications for company profitability and success, creating more unforeseen costs when employers are trying to contain expenses.

For example, 46 percent of employers report frequently or sometimes being understaffed. Even a few understaffed shifts over the course of a week or month, however, have a lasting effect.

All too quickly, discontent workers harm a company's customer service abilities, which in turn influences revenues. Service companies that maintain the insufficient scheduling status quo feed the vicious cycle of employee turnover, drawn out hiring cycles and customer experience fluctuations, piling on costs that just-in-time and on-call practices were originally intended to eliminate.

Conclusion

Economic, regulatory and technological forces constantly transform the way we live and work. Due to a lack of innovation in the employee relationship management space, service companies have been ill equipped to support their hourly employees, and they've been losing a lot of money because of it.

Across the service industry, hiring and scheduling practices need to evolve. Employers should move away from relying on paper applications, charts and spreadsheets that don't allow candidates to communicate their shift availability or take control over their own schedules. Automated, algorithm-based recruitment and scheduling tools are a step in the right direction, but they often fail to integrate with each other. Adopting technology that accounts for individual pieces of the employer-worker relationship – rather than the entire cycle – only exacerbates the problem.

Inefficient hourly employee management isn't just a business issue, but a social and increasingly political one as well. In the U.S., more than 77 million people rely on hourly work (and, in some cases, multiple jobs) to maintain some semblance of financial stability, let alone pursue career advancement.[9] As hiring, scheduling and other management practices obstruct employees' ability to at least secure consistent wages, these social issues will likely trigger more regulatory action, intensifying the burden on businesses.

Rather than preserve the status quo and continue to leak value and profits, service companies must find integrated solutions that align employee preferences and business needs and create visibility between corporate offices, store management and hourly workers.

Investing in smarter ways of hiring, scheduling and managing employees is an investment in a company's bottom line. Each of these processes complements the other; the only way to improve them is by treating them as a unified cycle, not isolated tasks. More importantly, they all impact a company's retention and customer experience, which in turn, directly affect revenues.

With the right tools in place to support service company managers and hourly workers, employers can reduce turnover, improve their customer experience and unlock significant cost savings. Employees, in turn, can better control their work-life balance and ensure consistent income, which strengthens economies and societies as a whole.

Service companies' current approach to hourly employee management isn't doing any favors for themselves or their workers. To maintain growth and minimize costs, businesses must quickly adopt more comprehensive systems to manage the employer-employee relationship. By seeking out the right solutions now, employers will benefit immediately with greater operational efficiency, compliance, worker empowerment, and profitability.

About workjam

WorkJam is an employee relationship management platform that empowers companies with shift-based and hourly workers to manage and optimize the entire employee-employer relationship life cycle with intelligent schedule creation, dynamic mobile schedule management, streamlined staff communication and on-demand training.

WorkJam drives down labor costs, lowers attrition rates, improves compliance, optimizes labor in relation to demand and improves the customer experience and sales with a happier, more engaged staff. For employees, WorkJam enables more control over their schedule and work-life balance, as well as presents the opportunity to maximize their earnings, develop skills, and advance their economic well-being. Learn more about WorkJam at www.WorkJam.com.

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