WORKFORCE INSTITUTE

The Role of Frontline Managers in Retaining Hourly Workers

By David Creelman and Steven Hunt

Introduction

It's often said that employees don't quit companies – they quit managers. Although there's a lot of truth in that statement, just pointing the finger of blame is not helpful. Dig a little deeper and you'll find that there are specific things that the managers are doing – or not doing – that creates employee dissatisfaction.

In many cases frontline managers feel constrained. How can they be expected to keep their people happy when their hands are tied by corporate? They don't control compensation, they don't determine working conditions, they don't set the targets, and they don't write policy.

In other cases managers don't know how to act. They haven't been told that managing retention is important, taught how to do it, or given feedback on how well they are doing.

Changing manager behaviors can reduce the drag on the business caused by needless turnover. In this article we will focus on how a business unit can improve retention of hourly workers by giving frontline managers the tools, training, and latitude they need to hold on to their best people.

Do We Care About Retaining Hourly Workers?

Before we spend time solving a problem, it's worth asking if anyone cares. In many industries turnover among hourly workers is very high. According to the U.S. Bureau of Labor Statistics in 2007 annual turnover in the retail sector, most of which is hourly worker turnover, hovered around 4.5 percent/month (54 percent on an annual basis). High turnover is accepted by some as one of the costs of doing business. In fact, some companies are quite explicit that this is how they operate. Companies have responded by keeping hiring and training costs low.

> "They thought of us as disposable. How do I know? Because that's what they said. They said, it'd be dead easy to replace you, so if you have a problem go ahead and leave," related Cindy[1], a grocery clerk.

Not everyone thinks this way. For example, Jim Sinegal co-founder of Costco, the fabulously successful retailer, said, "Most people agree that we're the lowest-cost provider. Yet we pay the highest wages. So it must mean we get better productivity. It's axiomatic in our business—you get what you pay for."[2]

Wayne Cascio, a professor of management and international business at the University of Colorado at Denver, notes, "Costco's wages help keep turnover unusually low, 17 percent overall and just 6 percent after the first year." [3] In contrast, turnover at an average retailer can be anywhere from 6 percent for full-time employees to even 110% percent for part-time employees, according to the National Retail Federation.

Action Item 1
Reject the idea that turnover of hourly workers is unimportant or uncontrollable.

Granted, the cost of replacing an hourly worker is less than replacing a professional or manager, but the cost is not insignificant. Kronos uses $1,500 per transaction as a rule of thumb to estimate the cost of turnover of hourly employees. This includes costs such as managers' time, training, and paperwork for exiting. Other companies who have studied the problem peg the number higher, at $2,000 to $4,500 per hire.

In addition to the costs associated with recruiting new employees, you lose money every time you hire someone because it costs money to get them up to speed. Turnover creates other costs in terms of disrupting work processes, creating stress for employees who have to cover for others due to being short staffed, and the subsequent negative impact this has on customer service levels.

To get the most useful cost data for your organization, Martin Jetton, Practice Manager, Analytics and Modeling at Kronos, recommends taking a broad view of how retention leads to stabilizing the workforce. Jetton says, "Stabilization of a workforce captures the costs of hiring, training, teambuilding, and time to becoming a fully effective employee. Stabilization can be measured with new hire retention statistics called survival rates at 30, 60, and 90 days of service. When calculating the costs of hiring, include the value of the manager's time to sort through applications, select and interview potential hires, and then train them."[4]

Outlining a methodology for accurately calculating the payoff of retention is beyond the scope of this chapter. However, companies that encourage and empower their frontline managers to improve retention can save a substantial amount of money.

Is Turnover the Line Manager's Fault?

There are line managers who intentionally practice the *burn and churn* method. They treat employees poorly, squeezing everything they can out of them until they burn out—and then hire a new victim. Other managers may not be quite so intentional about it but achieve much the same result by treating employees with a thorough lack of respect.

> "I'd ask for time off, but my wishes were never a factor. I'd be refused time off even when I needed to go to a wedding," said Frank, a warehouse worker.

Companies can control a large percentage of turnover by being careful about whom they select as managers in the first place. Cases of egregious behaviour on the part of managers abound. People like Jim's boss, described below, should never have been placed in a supervisory role.

> **Action Item 2**
> Penalize or move managers who generate excessive turnover.

> "My boss was an alcoholic and not a happy drunk. He would shout at people on the sales floor; he'd pass out on the job." said Jim, a retail clerk.

However, a company may not always have a great pool of talent from which to draw first line supervisors. It's easy to come up with a list of competencies that managers should have, but it's not so easy to find people who have those competencies. Nonetheless, all managerial selection processes - even at the lowest levels of management - should check for derailers, and a disrespectful view of employees should be enough to eliminate a candidate for consideration.

HR should take an active role in getting the right selection processes in place and auditing them to be sure these processes are followed. Auditing may seem like extra work, but examining even a small sample can send a clear signal that the company is serious about these processes. Beyond that, HR should track turnover and report on it, making a point of highlighting the names of any managers whose turnover is above normal levels. Write in the estimated cost of excess turnover. The report can be framed as "areas where we can save money" but make it clear that managers who drive staff out the door will be following them soon if they don't clean up their acts.

Conversely, managers who keep turnover low should be given significant financial rewards. If you really want to send a message that you care about how managers treat their employees, you might also reward those rare and valuable managers who not only keep turnover low, but consistently develop their hourly employees into future managers. After all, these managers are saving the company considerable sums of money.

A Recipe For Creating Bad Managers

While some managers are born bad, others have inadequacy thrust upon them. Here is a list of reasons why good managers may go bad.

- **Too wide a span of control.** A manager with too many direct reports cannot give the direction, feedback, and support needed to get people to stay. Effective management requires regularly talking to employees on a one-to-one basis. Managers with dozens of direct reports do not have enough time to truly act as managers to their employees.

- **Too much pressure.** Everyone is under pressure, but when organizations put too much emphasis on short term targets they can unintentionally encourage bad or even unethical behavior which will impact all employees eventually. Managers who are forced to achieve short-term results by requiring employees to work long hours with little rest can cause long-term losses by creating employee burnout, resentment, and turnover.

- **Too much administrative work.** A hefty load of administrative work comes along with any management role, but organizations should try to minimize management time spent on paperwork in favor of time spent managing people.

- **Poor quality leadership.** One reason managers may display poor behaviors is because they report to senior level managers who role model these behaviors. If your district managers are abusive and insensitive to your store managers, do not be surprised if your store managers pass this behavior on to their frontline staff.

These are tough issues but not irresolvable ones. Spans of control can be mitigated by creating the role of Team Leader to handle some elements of supervision. Managers of managers should be alerted to cases where too much pressure is interfering with performance. Technology can greatly reduce administrative work. Finally, the focus on performance quality should be applied consistently and diligently up the entire line leadership chain: from the entry level hourly employees all the way to the regional vice president.

Why Do Even Good Managers Face Turnover?

There are many reasons why hourly employees quit that have nothing to do with the manager or the company. For example, students graduate and go on to professional jobs, workers find other jobs closer to home or that pay better, people who take on part-time jobs to supplement their income may reach a point where the extra income is not needed. Others just get bored. One 27 year old woman said she had already held 59 jobs because she wanted to experience as many different roles as possible so she could discover what she wanted to do in her life.

> **Action Item 3**
> Check if company-induced demands are actively undermining managers' ability to retain staff.

Granted, a substantial amount of turnover is uncontrollable. However, that's not a valid excuse for ignoring controllable turnover. One way to minimize controllable turnover is to ask yourself, "Why should an employee work for my company when he or she can get the same pay rate at the company across the street?" The answer to this question will help you focus on creating an attractive workplace. Remember that most hourly employees want jobs that support their interests outside of work. They may hold a job because the schedule fits their lifestyle, because it is close to their home, or because the job provides needed benefits. But as soon as the job conflicts with their non-work goals, they will quit. In light of this, consider how your jobs meet the interests and desires of your employees, instead of the other way around.

When examining avoidable turnover, examine whether it makes sense to treat all hourly workers as a homogeneous group. Will an elderly person working a part time job quit for the same reasons a student might? This question has been studied by Professors Robert Sinclair and James Martin, who write, "…our data call attention to the main message that not all groups of [hourly] workers are alike and subsequently that management interventions aimed at…retention need to be selected based on an awareness of the characteristics of the relevant work force."[5]

There are many possible ways to categorize hourly workers. Martin and Sinclair created a typology based on the economic profiles of part-time workers: primary wage earners, college students, high school students, married wage supplementers, single wage supplementers, full time moonlighters, and part time moonlighters.[6]

> **Action Item 4**
> Don't assume that all hourly workers share identical needs and motives.

Each group seeks different things from hourly work. Primaries view the job as the primary source of income for their families. They are least likely to quit a job unless they have another better paying job lined up. Students want jobs that accommodate their class schedules. Supplementers hold primary jobs and view hourly jobs as a way to get some extra income. But they are probably more likely to leave when a job starts to conflict with their non-work interests. If you understand the employee's need for the job, you'll be better able to predict how he or she will react to changes in workforce policies, pay, and schedules.

Knowing What Makes People Stay

It's frequently instructive to ask the flip side of a question to gain a new insight. We've discussed why employees leave, but let's probe into the matter of why they stay. The answers are not that mysterious.

> "He was willing to work with my schedule. He was patient as I learned the job. He had no trouble sitting down and taking time to train me," said Kate, an office clerk.

People stay in a job even when there are temptations to leave for reasons such as:
- Good pay
- Good benefits
- Career opportunity
- Convenient commute
- Flexible hours
- A supportive boss who takes time to show an interest in employees
- Good workplace atmosphere (friends at work)
- Enjoyable work (including bonds to customers and clients)

Go through this list to see which levers are available in your organization. You might be able to make a case that higher compensation is a good investment because it will reduce turnover as is the case at Costco, but most managers don't have that option. Still, every manager can strive to be supportive and encourage a good workplace atmosphere.

> "It was a great experience; my boss was funny and laid back. There was a lot of respect and autonomy and there was always something to learn," said Jim, an employee in a store that made and sold trophies.

Handing Out the Tools

The company can help frontline managers retain hourly workers by providing the latitude and tools to retain people.

One obvious tool is incentives. If a manager has the latitude to buy the team a pizza, that may help buy loyalty. But even the organizations that do empower managers to give out incentives are usually quite timid about it. Wouldn't it be interesting to up the ante and give managers the authority to give exceptional rewards from time to time? For example, one casual dining chain arranged karaoke competitions between restaurants and flew the employees in the top teams to a competition in a resort town. They found out that some employees stayed with the company largely so they could participate in this annual competition. Other companies set up programs to provide financial assistance to employees who apply for company sponsored scholarships and grants. Just knowing that the company offers that sort of support to its hourly staff can be a powerful tool to increase employee loyalty.

Benefits are routinely cited as a tool for retention. But frequently, employees are not aware of the benefits or of their value. Managers need tools, such as a well-designed handbook or a web page, so they can easily show employees what benefits are available, who is eligible, and how to enroll. Frontline managers should proactively encourage employees to take advantage of the benefits. They should help the employee overcome the inertia ("oh yeah that's a good idea, I should sign up") and actually help them take the steps to get on board. This shows that the boss really does care and simultaneously gives the person an increase in total rewards. Research has also shown that hourly employees who actively participate in company benefit programs are less likely to quit.

Setting the Right Tone

Managers should have some reasonable latitude in what they can do to keep employees. The more flexibility they have in how they assign tasks, set schedules, give rewards, and create team building events, the better they will be able to retain their staff. Companies must provide leadership support, create the policies and the tools, and provide training in how to use the tools and apply the policies. Finally, leadership has to follow up with frontline managers to find out if the tools are working for them.

> **Action Item 5**
> Management must support the initiative to retain employees with their words and deeds.

There's an underlying assumption that leadership supports supervisors and managers in these efforts. Few leaders would say retention of hourly workers doesn't matter, but they can signal it quite clearly. For example, when a frontline manager mentions he is short-staffed, does the leader volunteer advice on how to improve retention? If a manager is filling vacancies does the leader say "Go get five more bodies" or does the leader say, "Let me help you find five winners"? Does the leader take the time to talk to the hourly workers, signaling to everyone that they are important?

Focusing Retention Where It Matters

So far our analysis has assumed that all hourly workers are equally valuable, which any manager can tell you is far from the truth. Once managers have a retention mindset and the tools to improve retention, then the next step is focus retention on those employees who are most valuable. This should happen fairly naturally, but leadership should facilitate the process by asking managers "Who are your best people? How do you assess the risk of them leaving? What are you doing to keep them?" To make sure this conversation occurs, leaders should put it on their quarterly to do list.

The other way leaders can help frontline managers retain the best people is to teach them to better identify who the best people are. Humans tend to like people who are most like themselves. After asking, "Who are your best people?", the leader should probe with questions like "Why do you think those people are the best?" and "Let's go through the people who *aren't* on the list; what are *their* strengths?" The goal is to push back a little so that the manager becomes more reflective and less biased regarding whom she sees as valuable.

The One Thing and the Big Trick

Making the jobs themselves enjoyable can be a challenge but Marcus Buckingham gives an interesting suggestion in his 2005 book, *The One Thing You Need to Know.* He describes how great managers swap around tasks so that employees do what they do best. If one retail employee is great at setting up displays, let him spend a disproportionate amount of time on that. If another employee is great at customer service, make sure that she is out in the aisles where she can help people. This is in fact the "one thing you need to know" referenced in the title: great managers figure out where each employee excels and then they do everything in their power to take advantage of that unique strength.

If the one *thing* you need to know is that you should tweak jobs to take advantage of each individual's strengths, the one *trick* you need to know is that you have to spend time with employees. You can't know their strengths, what is driving them to leave, or what is making them stay unless you talk to them and observe what's going on.

Gary Latham, a professor of psychology who teaches at the Rotman School of Business in Toronto likes to ask people, "Is there something I ought to know?" It's a question best posed in an informal environment like a walk to the car park and it gives employees the opportunity to say where things are going off track.

Beverley Kaye, author of *Love 'em or Lose 'em* advocates the ‘stay interview’. This is simply a matter of asking employees “What is it that makes you stay here?” If you don’t ask, you may never know.

A fair criticism of the advice presented in this article is that it seems to require that the manager take on more work. If managers are going to spend more time talking to employees, what are they going to spend less time doing? In this case there is a straightforward answer: if they spend a little time on retention, they will spend less time interviewing to fill vacancies, training new people, fixing problems, and doing work that could have been done by capable employees.

Summary

In many industries, there will always be fairly high turnover of hourly workers, but a company that empowers its frontline managers will be able to lower their turnover rate substantially. Helping frontline managers retain staff can have bottom line benefits but that’s not the only reason to do it. Taking care of the hourly workers can actually make their lives better. As leaders, we believe it’s a responsibility that we own.

To quote Costco’s Sinegal, “We’re trying to turn our inventory faster than our people.”[7] That’s a goal worth pursuing and one that can provide enormous rewards to all involved.

David Creelman and Steven Hunt are members of the Workforce Institute Board of Advisors.

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[1] Quotes from hourly employees come from interviews with the authors. Note that names have been changed to protect the anonymity of the interviewees.
[2] Shapiro, N. “Company for the People.” *Seattle Weekly*, December 15, 2004.
[3] Cascio, W.F. “Decency Means More than “Always Low Prices”:A Comparison of Costco to Wal-Mart’s Sam’s Club.” *Academy of Management Perspectives*, August 2006.
[4] Conversation with the authors
[5] Sinclair, R. R., & Martin, J. E. “Examining Some Assumptions about Lower Income Entry-level Workers.” Paper presented at the 21st annual conference of the Society for Industrial and Organizational Psychology, Dallas, TX. May 2006.
[6] Sinclair, R. R., & Martin, J. E. “A Typology of the Part-time Workforce: Differences on Job Attitudes and Turnover.” *Journal of Occupational and Organizational Psychology* 80 (2007): 301–319.
[7] Shapiro, N. “Company for the People.” *Seattle Weekly*, December 15, 2004.