



SKILLS INDEX

Despite ample labor supply, restaurants are facing a severe skills gap

KEY TAKEAWAYS

- 1/ **Business is booming for restaurants, but an increase in establishments has led to a tight labor market**
- 2/ **As quality hires become increasingly difficult to find, employers will need to tap into new recruiting sources as well as offer more enticing wages and benefits**
- 3/ **Employers must also reduce high turnover and hold on to quality talent by, for example, providing education benefits and defining career paths within the industry**

The US food and beverage industry—a vast array of companies that includes food processing, delivery, grocery stores, and restaurants, among others—is thriving. In the post-recession environment, consumers have more disposable income and are using it to go out to eat more often. Restaurants have benefited from this cresting wave: according to the National Restaurant Association, restaurants have added more than 1.8 million jobs since the end of the recession and enjoyed four straight years of at least 3.5 percent growth in employment.¹

As new establishments open to feed the hungry masses, the competition for talent has never been fiercer. According to the Bureau of Labor Statistics, end-of-month job openings for the restaurants and

¹ "Labor shortage making a comeback?," Restaurant.org, September 4, 2015.

accommodations sector reached 650,000 in the first half of 2015, a year-on-year increase of 70,000.² And yet, the Strayer@Work Skills Index reveals that supply outstrips demand throughout the food and beverage industry—suggesting ample talent to fill these open positions. More than half of the index categories, from alcoholic beverages to baking, demonstrate a gap of 100 percent or more; baking takes the cake with supply at 74 but demand at just 17—a gap of 337 percent.

Despite a wealth of available, skilled workers, many jobs are going unfilled. Why? The leading reason is that working conditions in the food and beverage industry are tough; the hours are long, and the wages are usually poor. According to the *Wall Street Journal*, in 2014 nonsupervisory food-service employees earned \$11.11 an hour (compared with a national mean wage of \$20.61 an hour),³ and half of the restaurant worker population is part time, meaning they don't qualify for health care benefits. Moreover, food and beverage jobs usually offer little room for advancement; few line cooks move into management, for example.

Both low- and high-skilled workers can easily move to greener pastures—to better jobs in the industry or different jobs outside of it. This climate is forcing restauranteurs to sharpen their focus on hiring and employee retention.

Employers will increasingly be looking for new ways to attract the talent that formerly walked through their doors. For example, the Strayer@Work Skills Index revealed that currently employers use sources such as LinkedIn to source higher-skilled positions, such as managers and chefs, but are less likely to do so for lower-skilled positions. However, lower-skilled workers are increasingly using such social media tools to post their resumes and profiles—suggesting that employers who aren't looking there may be missing a crop of available talent.

So how can restaurants attract and retain workers with the right skills? A more holistic view of the labor pool and professional development holds the key.

ADDRESSING THE SOURCE OF THE LABOR SHORTAGE

Despite the industry growth, business leaders are struggling to attract and retain their workforce. Indeed, the turnover rate in the restaurant and accommodation sector was 66.3 percent in 2014 (compared with 44.4 percent for the private sector as a whole).⁴ It's even higher among hourly employees; the Dallas-based People Report found a turnover rate of 94 percent among hourly workers—meaning that on December 31 of a given year, almost every hourly job is held by someone other than the person who filled the position on January 1.⁵

The same business leaders who are struggling to keep positions filled are often the ones bemoaning the lack of work ethic in today's food and beverage workforce. Although some people may be hesitant to start at the bottom and work hard to rise through the ranks, this complaint is often a red herring for restauranteurs who don't want to invest in employees. According to Council of Hospitality and Restaurant Trainers, 53 percent of restaurants cut training expenditures in 2009. But restaurant owners are beginning to wise up; 40 percent of owners plan to invest more in training this year.⁶

² "Labor shortage making a comeback?" Restaurant.org, September 4, 2015.

³ Eric Morath and Jeffrey Sparshott, "Wages rise at restaurants as labor market tightens," *Wall Street Journal*, February 27, 2015.

⁴ "Hospitality turnover rose in 2014," Restaurant.org, March 11, 2015.

⁵ Jim Sullivan, "Best practices in restaurant employee retention," *Nation's Restaurant News*, April 27, 2015.

THE IMPACT OF PROFESSIONAL DEVELOPMENT ON RETENTION

To survive the labor shortage in the coming years, food and beverage executives must lead the charge for systemic change throughout the industry. The realities of working in a restaurant will not change; the hours will remain long, the labor hard. As such, business leaders must invest in their employees through professional development and by offering opportunities for advancement—benefits that restauranteurs haven't traditionally offered. Employers must also face the reality that the labor shortage will likely lead to higher wages across the board; in food services and drinking establishments, 2014 wages were up 3.1 percent over the previous year, outpacing the total private sector gain of 2.1 percent in that time period.⁷

Restauranteurs must invest in their employees through professional development and by offering opportunities for advancement—benefits they haven't traditionally offered.

This increased spending has an upside. Replacing an employee making \$8 an hour can cost an establishment up to \$4,000, but higher salaries can improve retention and lower hiring costs.⁸ Additional investments can further reduce turnover. Across industries, employers who fully finance education opportunities such as degree programs have reduced turnover among program participants by 50 percent, experienced a halo effect on retention across their entire workforce, attracted 20 percent more applicants for employment, and improved employee performance by 6 percent.⁹

Other forms of employer-sponsored training—such as courses for a general educational development (GED) degree, language instruction, life skills, or other certifications—could have a similar impact. Since high turnover rates impede training efforts, employees should be informed of professional development opportunities upon being hired. Ideally, managers would select promising employees for these programs, which should be linked directly to high-demand skills.

CLOSING THE GAP

The food and beverage industry doesn't typically invest in professional development, but the current skills gap has brought the need for targeted programs into sharp relief. Establishments that offer employees the resources to gain additional expertise could not only reduce turnover but also improve their customer service—a source of competitive advantage as consumers dine out more frequently.

⁶ Figures from National Restaurant Association.

⁷ Eric Morath and Jeffrey Sparshott, "Wages rise at restaurants as labor market tightens," *Wall Street Journal*, February 27, 2015.

⁸ American Management Association, 2009.

⁹ The results from degree programs at Verizon, Starbucks, and University of Georgia's Terry School of Business, respectively.