

# People Report: Worker turnover rate continues to climb

By Dina Berta

DALLAS — Restaurant employee turnover is inching upwards as the labor market tightens, and the trend does not appear to be short term, according to data unveiled at the People Report Best Practices Conference held here recently.

Average annual hourly turnover was more than 107 percent, and average annual management turnover was close to 29 percent by the second quarter of this year for the restaurant companies that are members of People Report, a Dallas-based firm that tracks human resource data for restaurant companies. In 2005, People Report recorded average annual hourly turnover of 101 percent and average annual

management turnover of 27 percent for its members.

If turnover in the hourly and management ranks continues to rise at its current rate, member companies would be forced to replace 700,000 hourly employees and 15,000 managers in the next 12 months at a cost of \$1.8 billion, said Joni Thomas Doolin, People Report founder and chief executive.

More than 250 human resource executives, recruiters, presidents and chief executives of restaurant companies convened at the Renaissance Dallas hotel to attend the two-day conference, which offered information on HR trends and statistics as well as speakers and panel discussions on



Tom Norton, chief human resources officer for BJ's Restaurant & Brewery, second from left, and Michele Maerz, regional vice president for the chain, second from right, accept the 2006 Catalyst Award from Joni Thomas Doolin, chief executive of People Report, right, and Richard Sneed, chief executive of Carlson Restaurants Worldwide, which won the honor last year.

how to stay competitive by effectively recruiting, hiring and retaining employees.

Restaurant operators are going to have to change the way they tackle their people practices if they are going to survive in a tighter labor market, Doolin warned attendees.

"Within the next five to eight years, the winners and losers are going to be determined by the availability and quality of the employees who work for your businesses," she said.

Now in its 11th year, People Report collects data for more than 100 restaurant companies, which collectively operate more than  
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11,000 restaurants and generate systemwide sales exceeding \$42 billion. The firm's database contains records for more than 82,000 unit-level managers and 1 million employees.

Demographic shifts and competition from other industries in particular are affecting the restaurant business, noted Teresa Siriani, president of People Report.

About 45 percent of restaurant employees are between the ages of 16 and 24, but that age group is not expected to increase in size over the next 10 years, she said. Yet the industry is predicted to create 1.9 million more jobs by 2016, and other industries, particularly health care and education, also are expected to have high demands for workers.

"It could be like it was a decade ago when you had to delay openings because you didn't have enough staff, or you shortened your hours of operation because you didn't have enough staff," Siriani said. "We believe we are headed in that same direction, again. Sorry."

Siriani said hourly turnover in every segment of the industry, including quick service, fast casual and family, casual and fine dining, rose in 2006 over the previous year. In management turnover, all of the segments, except quick service, saw management turnover rise in 2006. Meanwhile, the turnover rate

for quick-service managers fell from 42 percent in 2005 to 39 percent in 2006.

Quick-service restaurants did a better job of promoting women and minorities into management, Siriani said in explaining the decline in the quick-service industry's average annual turnover rate for managers.

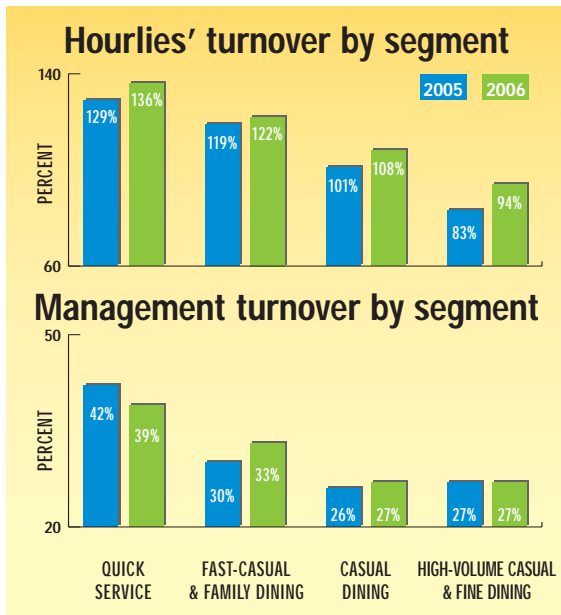
Solutions discussed throughout the conference on ways to lower turnover rates included implementing better recruiting and training methods through technology, developing minority and female hourly employees for management positions, retaining employees by improving the workplace with better scheduling, helping employees obtain a work-life balance, and creating a caring culture at work.

The restaurant industry also needs to pay close attention to immigration issues in the coming year, advised Hudson Riehle, senior vice president of research and information services for the National Restaurant Association in Washington, D.C.

Today, one in five restaurant workers is of Hispanic origin; 20 years ago, the ratio was one in 20, Riehle said during a panel discussion on immigration.

"When you look at the diversity of the industry and where those individuals come from, immigration has played not only a substantial role in our workforce, but in the development and progression of a lot of

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restaurant concepts and establishments," he said. "What happens over the next year in Washington will have a pivotal impact on how you conduct your business."

Despite the upward trend of turnover rates, some companies received recognition from People Report for improving their retention levels of managers and hourly workers.

BJ Restaurants Inc. in Huntington Beach, Calif., received the Catalyst Award for making significant improvements in peo-

ple management during the past two years, Doolin said.

People Report also recognized San Clemente, Calif.-based Bubba Gump Shrimp Co. for its commitment to its people and the community affected by Hurricane Katrina.

The Workplace Legacy Award was given to Lloyd Hill, chairman and chief executive of Applebee's International Inc., and the Overland Park, Kan.-based casual-dining chain's former chief people officer, Lou Kaucic.

Columbus, Ohio-based White Castle received the 2006 Best

Practices Award for the quick-service segment, Dallas-based Jason's Deli received the award for the fast-casual and family-dining segments, Orlando, Fla.-based Olive Garden received the award for the casual-dining segment, and Chicago-based Morton's of Chicago received the award for the fine-dining segment. Each chain had the best overall performance in terms of employee and management turnover and management diversity for their respective segments. ■