



# The Case for Good Jobs

---

*June 2023*

# 1- Low people investment is expensive

## MENTAL MODEL

Labor = just another cost

Market pay = right pay

Lean and mean = efficient



## 2- There's a better way

### MENTAL MODEL

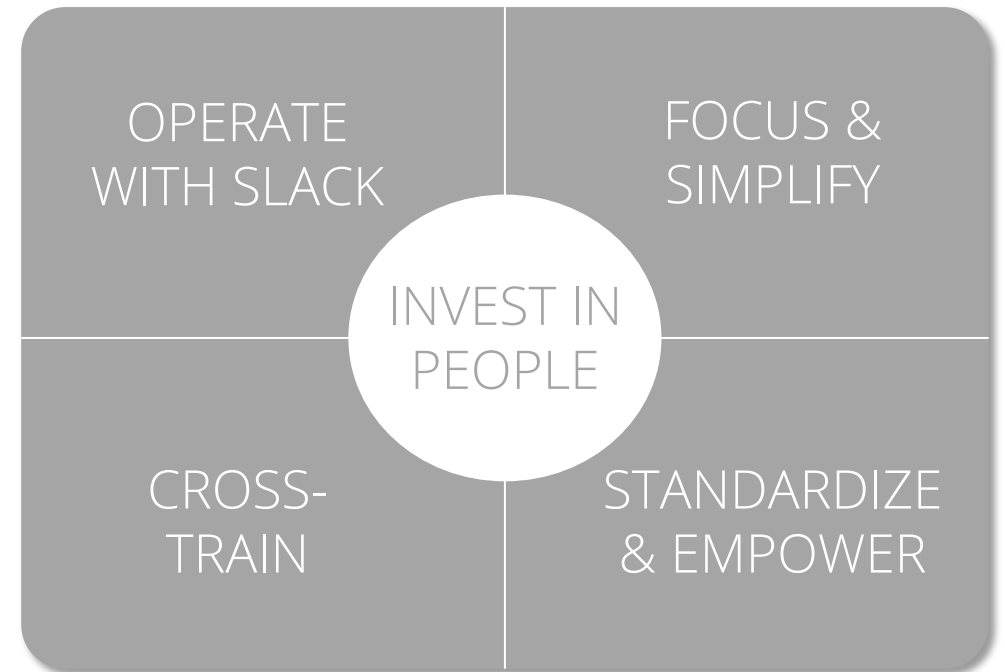
Great companies win with  
customers

Customer focus requires  
frontline execution focus

Strong execution requires a  
system that can attract &  
keep the right people and  
position them for success



## The Good Jobs Strategy



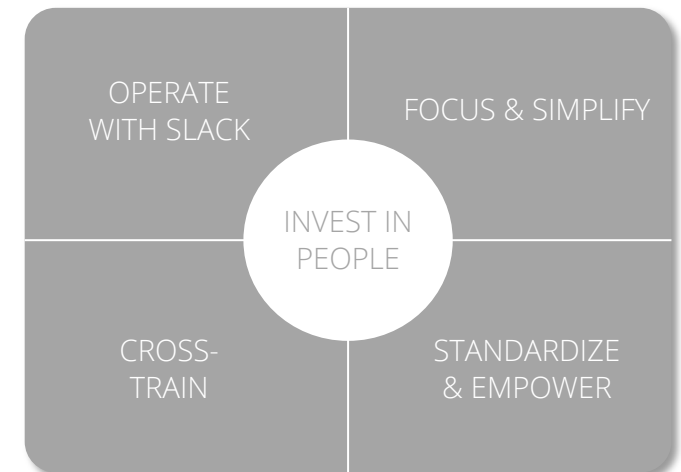
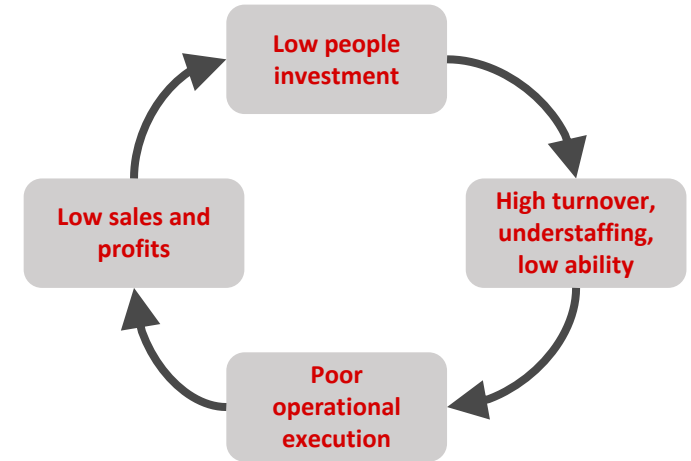
### 3- System change is less risky than we may think

#### Requires

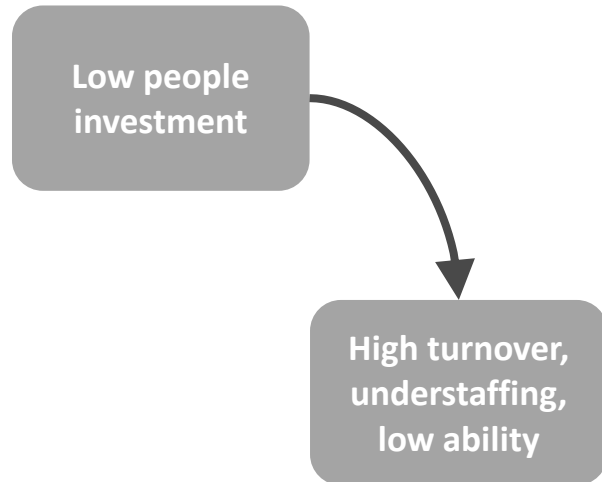
Imagination and conviction  
in the system

Trust in people

Courage to make changes



# Low people investment is expensive: direct turnover costs



	Total direct costs as a % of payroll
Call center for fin. service	~45%
Restaurant chain	~25%
Factory	~\$20,000 / operator
Senior living	>10%
Retail	10%-20%

Direct turnover

# Low people investment hurts store execution

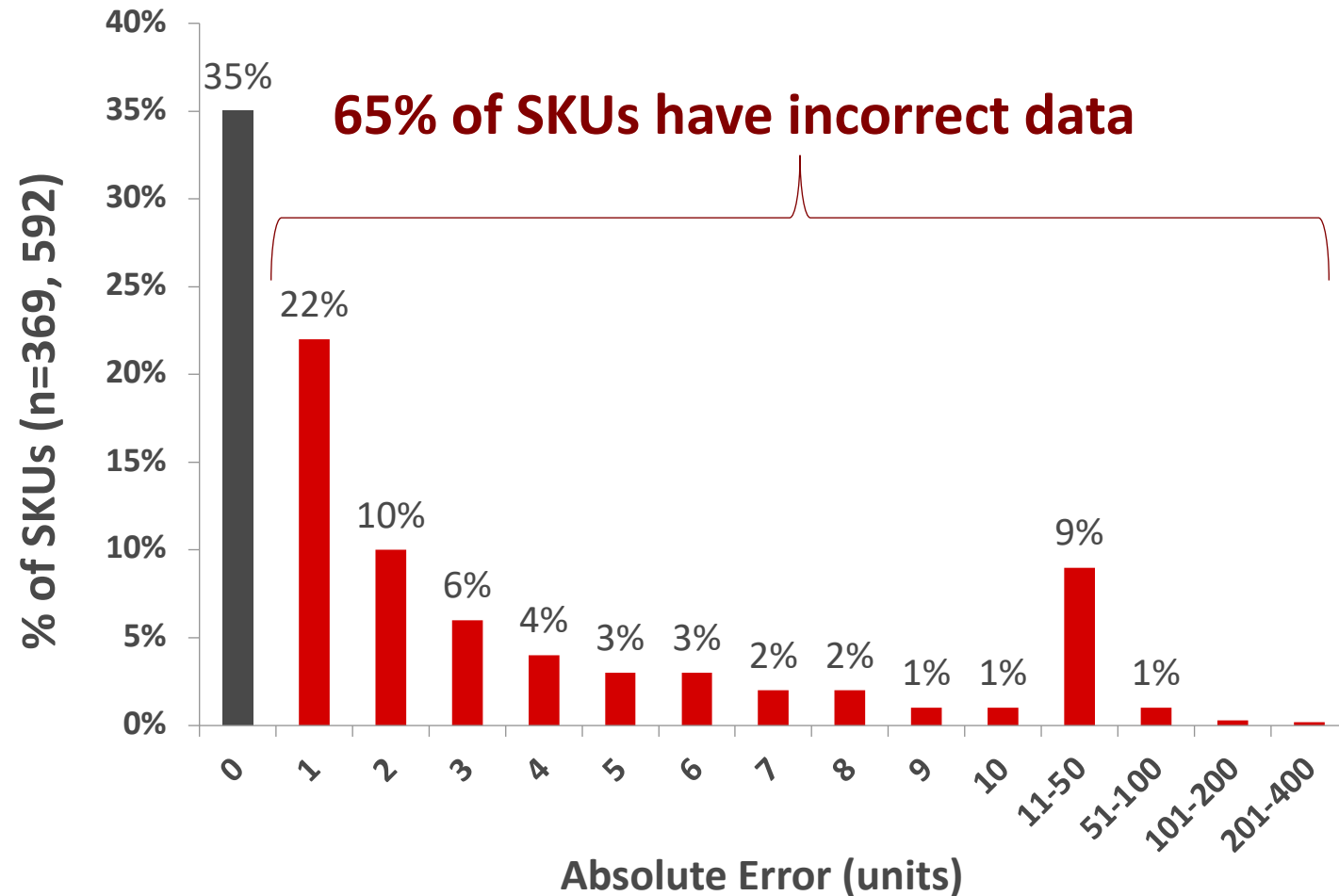
## Phantom stockouts

- 18% of customers who asked for help at Borders
- 25-30% of stockouts in CPG, 60% at a specialty retailer

## Promotion compliance

- ~ 50% compliance

## Shrink



# Poor execution shows up in other ways, too

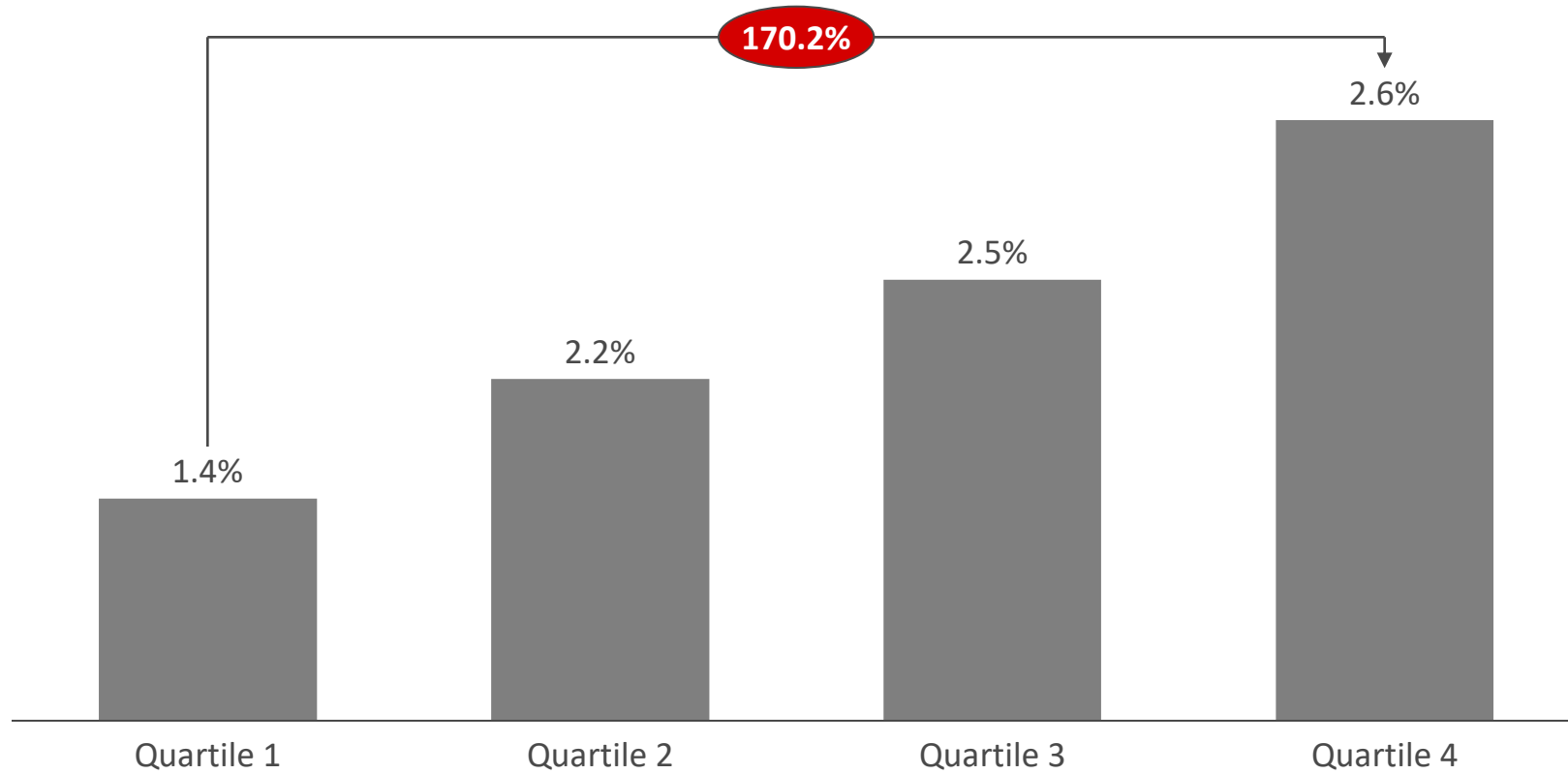
## Product/inventory-related

- Misplaced products
- Data inaccuracy
- Shrink & spoilage
- Pricing errors
- Poor display conformance
- Omni mistakes
- Inconsistent food quality

## Service-related

- Long lines
- Dirty stores & bathrooms
- Unfriendly, unhelpful, unavailable associates
- Order inaccuracies
- Lack of product / process knowledge

# Stores with higher turnover had higher shrink



Average Turnover

70%

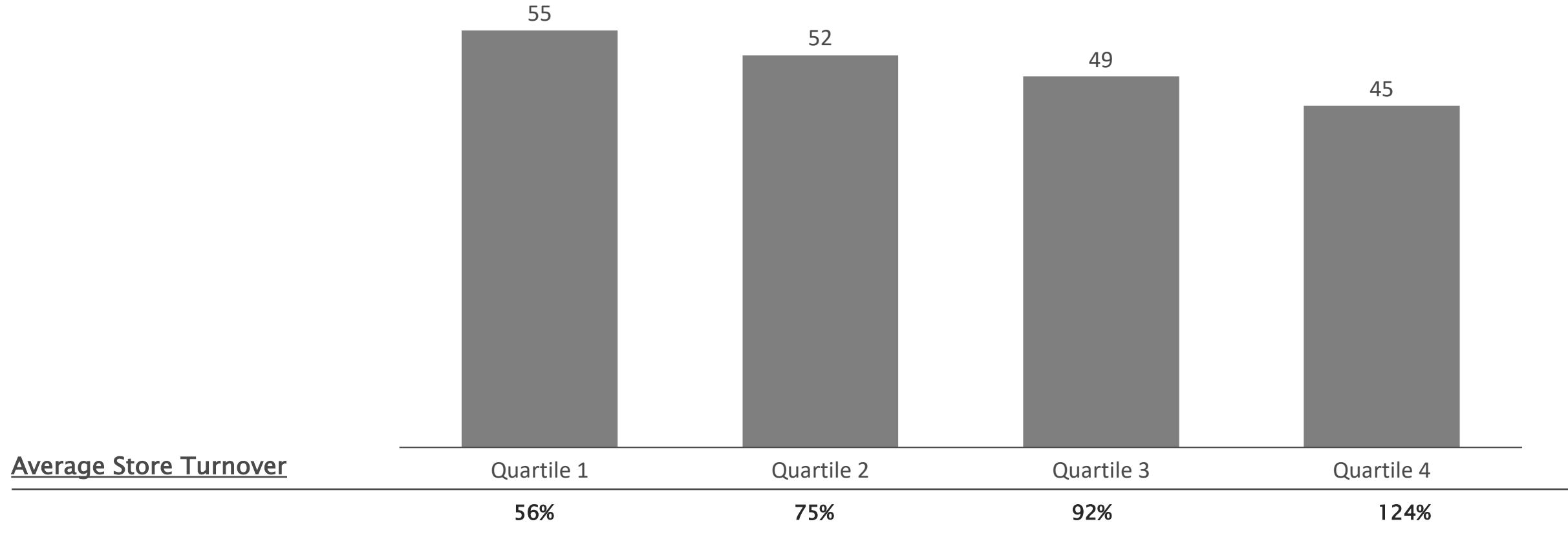
96%

139%

311%



# Stores with lower turnover have higher average NPS ratings

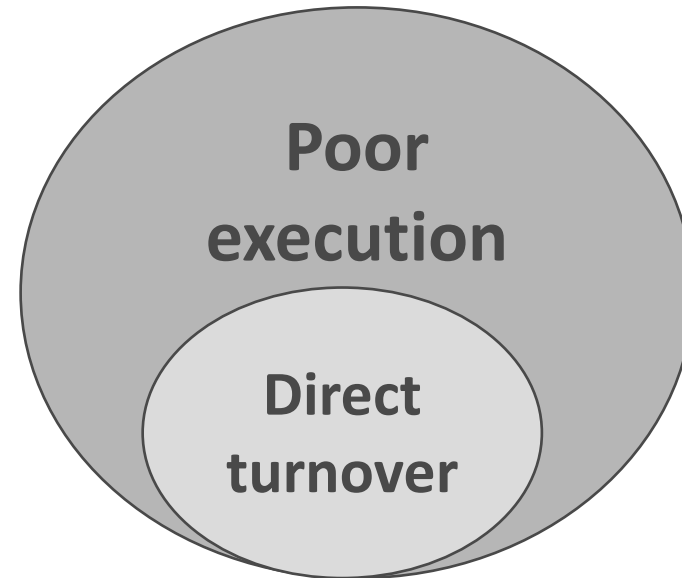


# Low people investment is expensive: execution costs



**Lower sales:** from misplaced products, data inaccuracy, omni mistakes, poor service, poor merchandising and lost customer goodwill

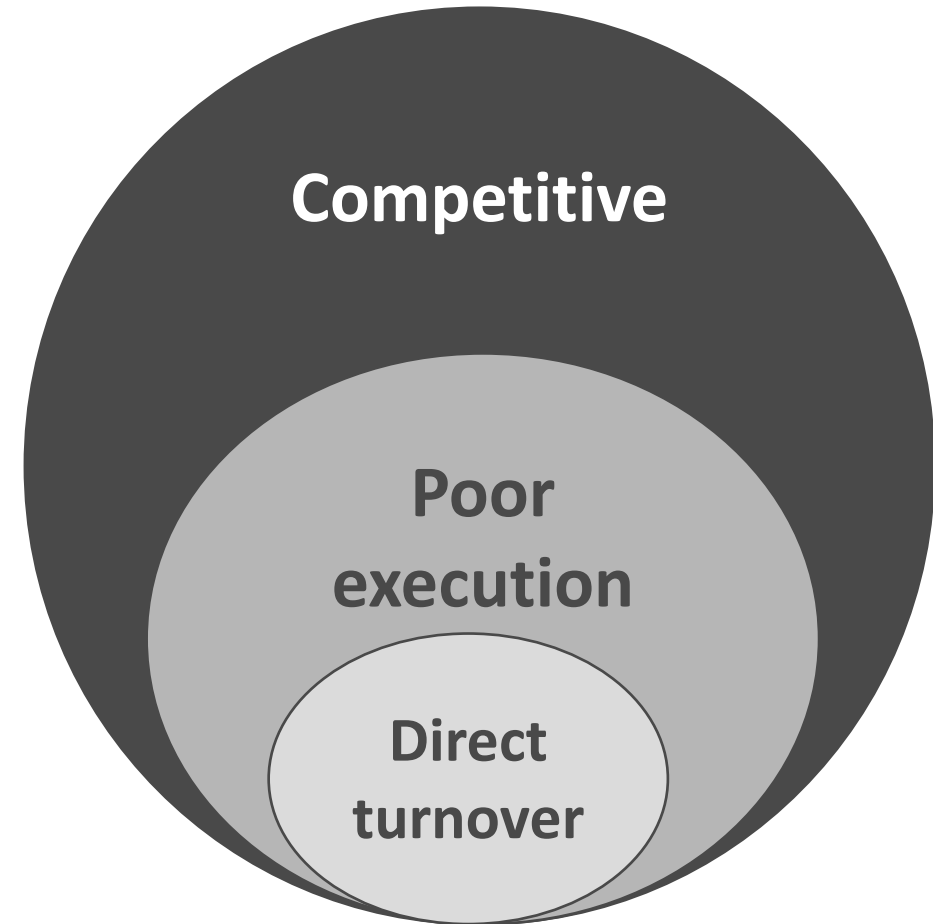
**Higher costs:** Shrink, inventory holding, returns, low labor productivity, overtime



# Low people investment is expensive: competitive costs



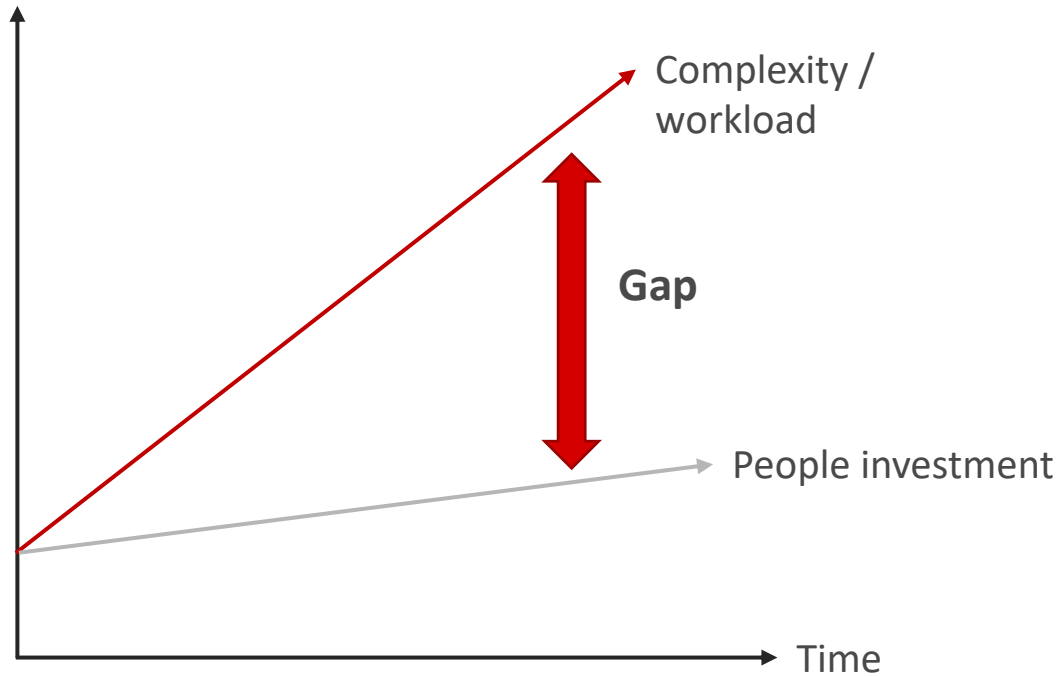
What Can't Companies Do?



**Differentiation:** Win with customers  
**Adaptation:** Adapt to changes

# Adding more, while in a vicious cycle, weakens the core

## Complexity/people gap



## Low people investment

- High turnover
- Inadequate training
- Persistent understaffing

# There is a better way



- **Frontline turnover:**
  - 20% for full-time vs 109% c-store average (2019)
  - 64% for part-time vs 125% c-store average (2019)
- **Frontline tenure (average):**
  - Store managers 16 years
  - 1<sup>st</sup> assistants 9 years
  - ..
  - Night assistant 4 years
  - Part-timers 2 years



- **Frontline turnover:**
  - 17% aggregate
  - 6% for employees with tenure > 1 year
- **Frontline tenure:**
  - 60% more than 5 years
  - 33% more than 10 years



- **Frontline turnover:**
  - <4%



# What does it take to create a great team that's set up to succeed?

## Investment in people



- **Starting full-time pay:** \$55K salary + bonus in Dallas (2022)
  - **Internal promotion rate:** 100% for field managers
  - **High expectations in hiring, training, perf management:**
    - Interview ~10% of applicants (pre-covid). Clear attributes, math tests)
    - 92-138 hours for FT, 40 hours for PT (evaluative, led by experts)
- 



- **Starting pay = \$17/hr; Average hourly pay = \$26/hr**
    - Show they value experience through tenure-based raises
  - **Internal promotion rate:** near 100% for field managers
- 

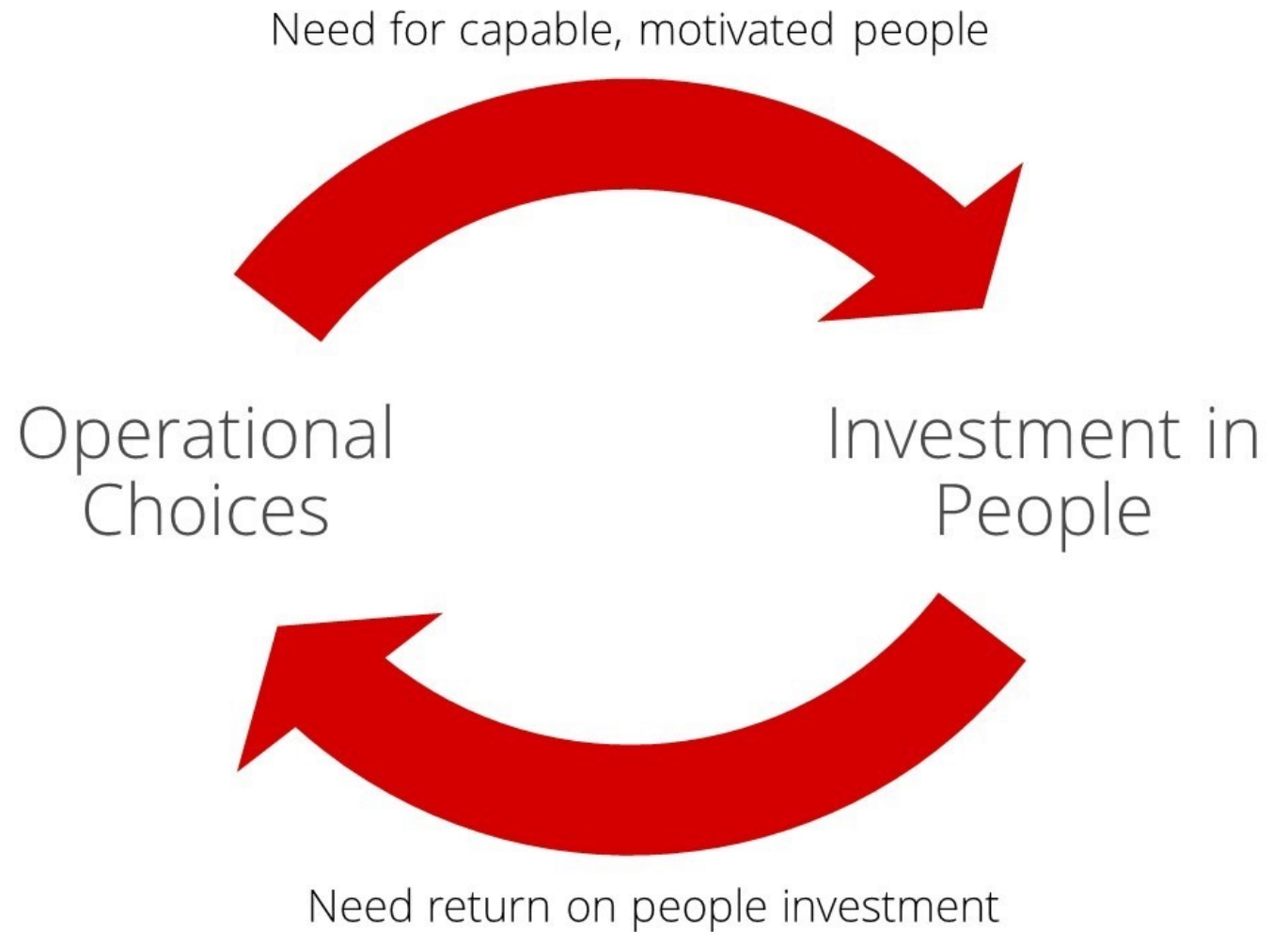


- **Pay:** ~2X min wage in Spain and bonus (one or two months of salary), strong pay progression
- **FT mix:** 85% are full-time and work in shifts
- **Internal promotion rate:** 100% for field managers
- **High expectations in hiring, training, perf management**

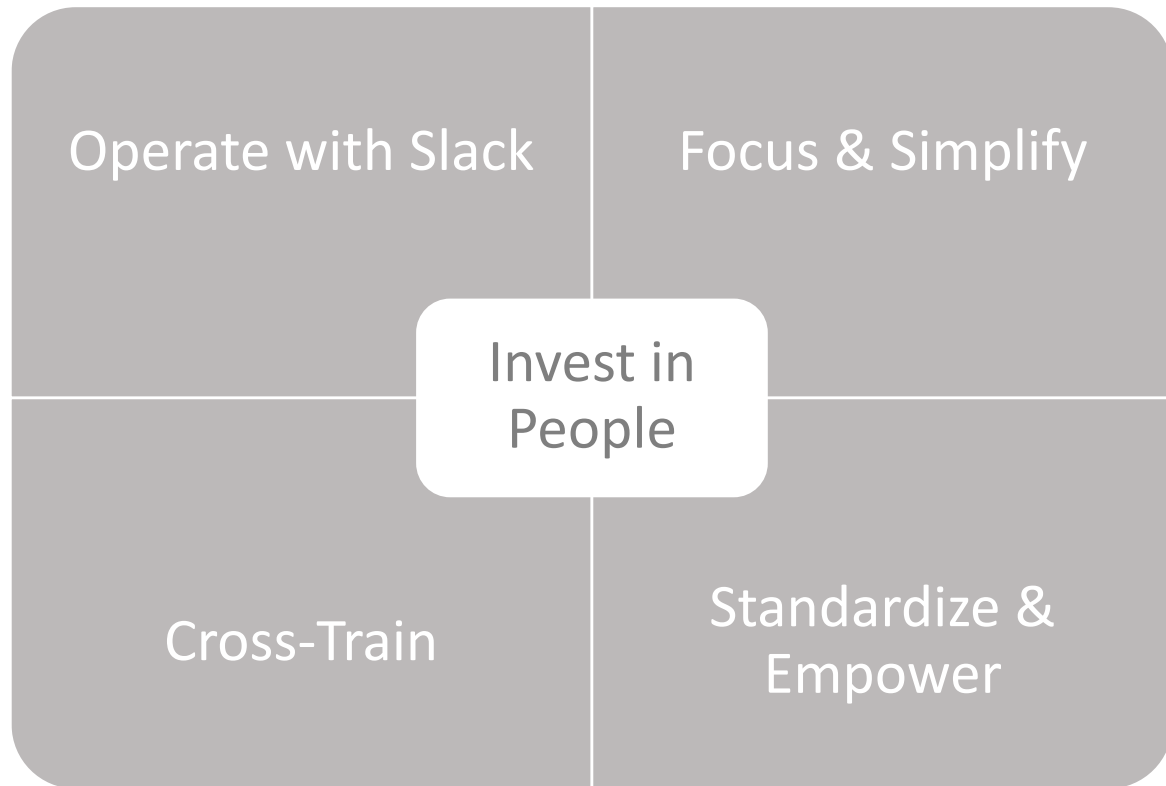
# Pay alone is not enough:

Operational choices require, leverage, drive people investment

People investment enables and requires operational choices



# The Good Jobs Strategy: An integrated, customer-focused system



VALUES: 100% COMMITMENT TO  
CUSTOMERS, EMPLOYEES &  
IMPROVEMENT

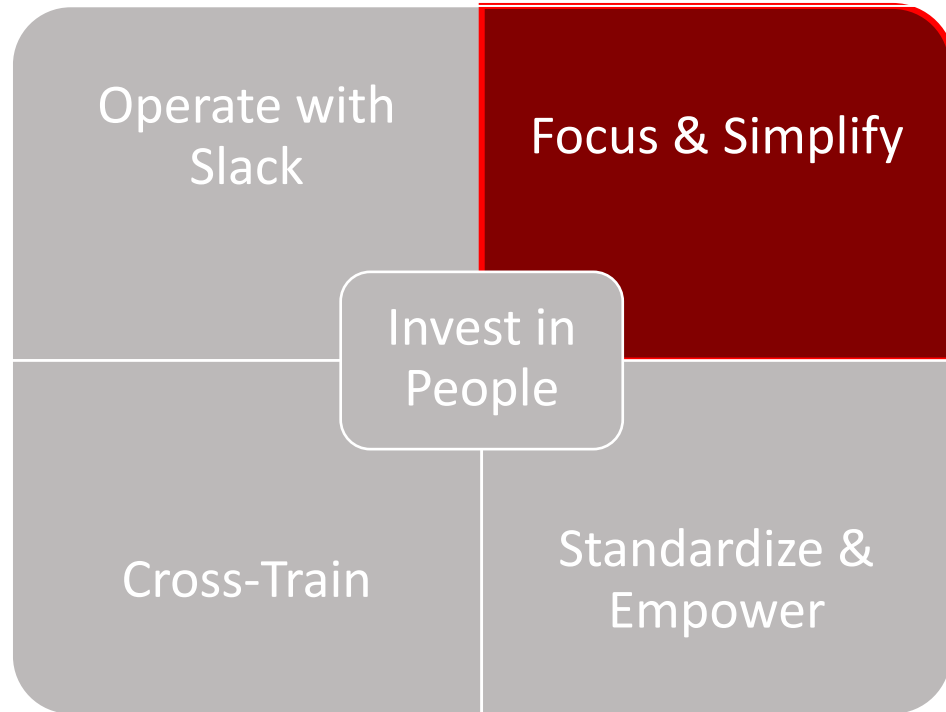
**Low turnover, a motivated & capable  
workforce**

**Strong frontline execution  
and service**

**Improve value to customers & adapt  
to changes**



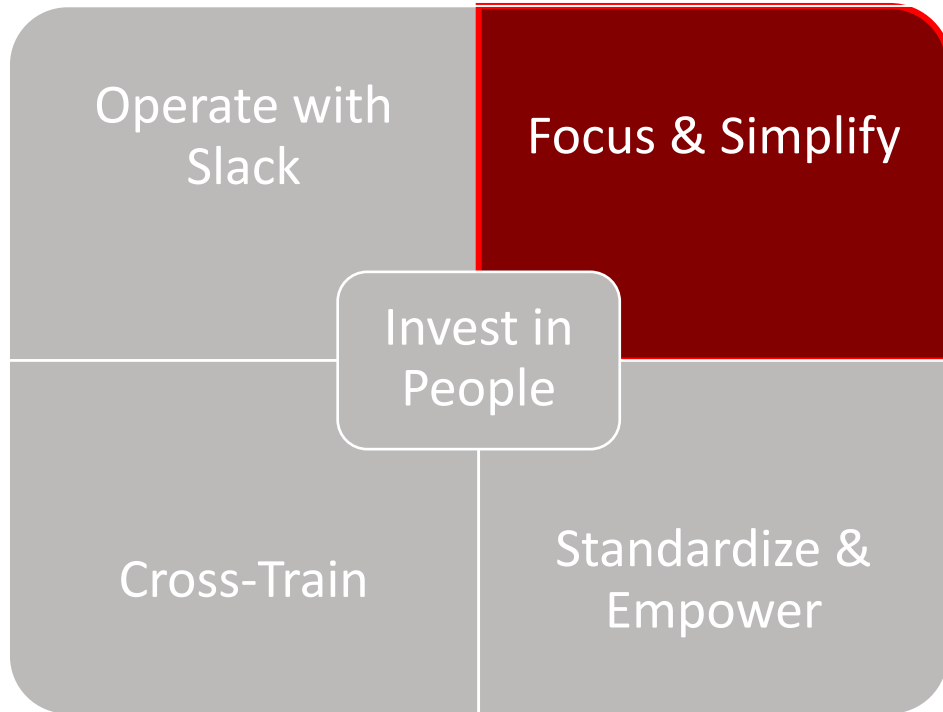
# Be the best at a few things



Customer 1<sup>st</sup> ≠ giving all customers everything they want



# Be the best at a few things, simplify to reduce workload to enable frontlines to serve customers well and be productive



## Reduce workload amount:

- Only offering what adds **value** to customer, eliminate and reduce wasteful/low value-add tasks/processes + involve frontlines

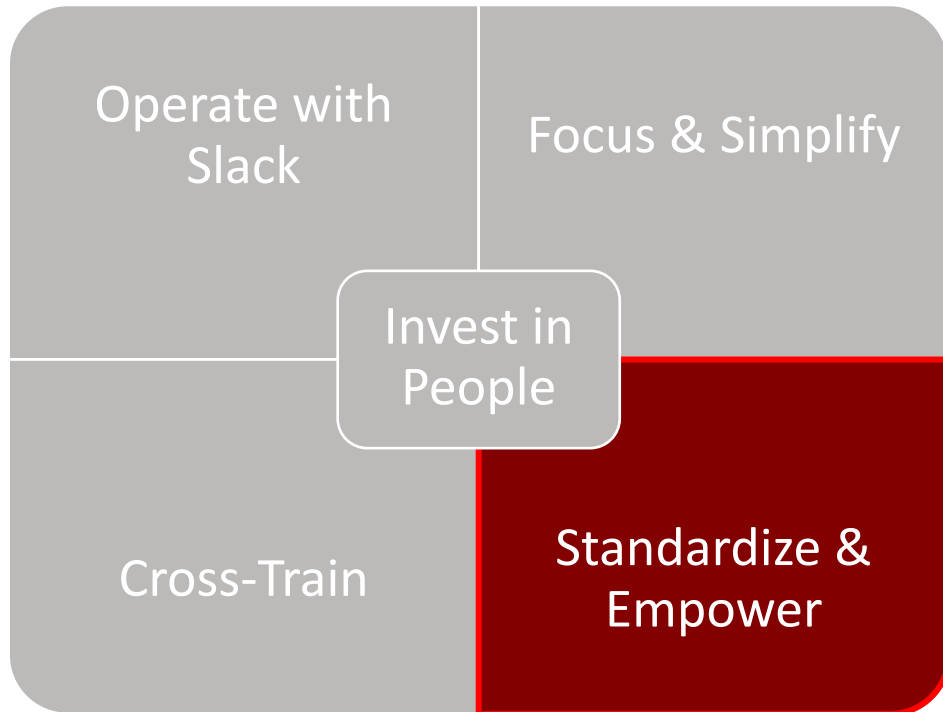
## Smooth workload:

- Improving timing of work (e.g., non-customer facing tasks during low traffic), more predictable work (e.g., staggering changes, delivery windows, fewer last-minute requests)

*More time to focus on quality/customer experience, more productive, employee expertise, handle more volume, etc.*



# Standardize to reduce mental burden & be able to empower



## Standardize routine tasks and management practices:

- Discipline about # of standards and rules
- Involve the frontlines in setting standards and explain the why

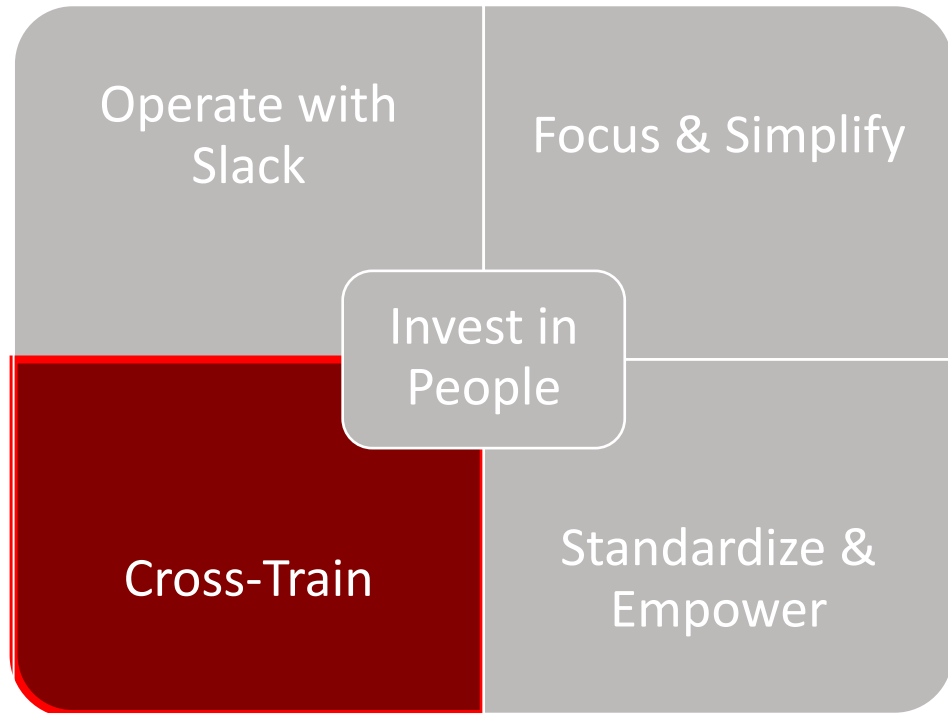
## Empower employees to solve problems, improve work / standards:

- Trust capable & motivated employees to use judgment (including “standardized empowerment”)

*Consistency, leverage frontline knowledge to improve customer experience*



# Balance specialization with flexibility to manage variability and improve employee motivation



## Flexibility to manage traffic fluctuations

- Ownership in area with customer and non-customer facing tasks

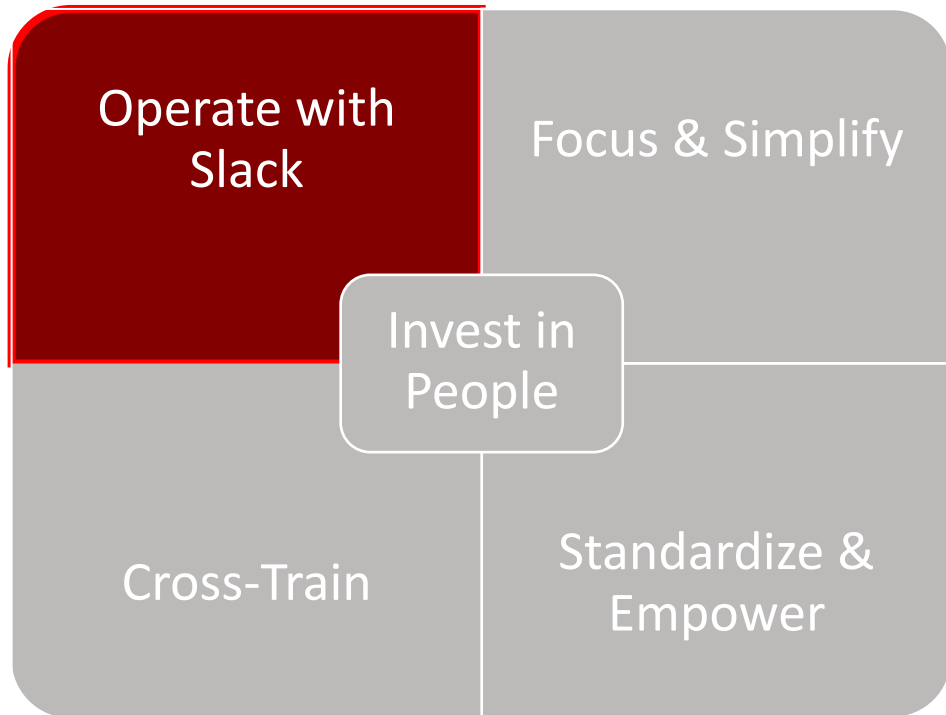
## Specialization to create mastery / ownership:

- Strategic about where cross-training improves customer experience
- Not cross-trained to do everything, but a little bit of cross-training goes a long way

*More productive, easier to schedule, more task variety*



# Staff higher than expected workload to be customer first, drive improvement

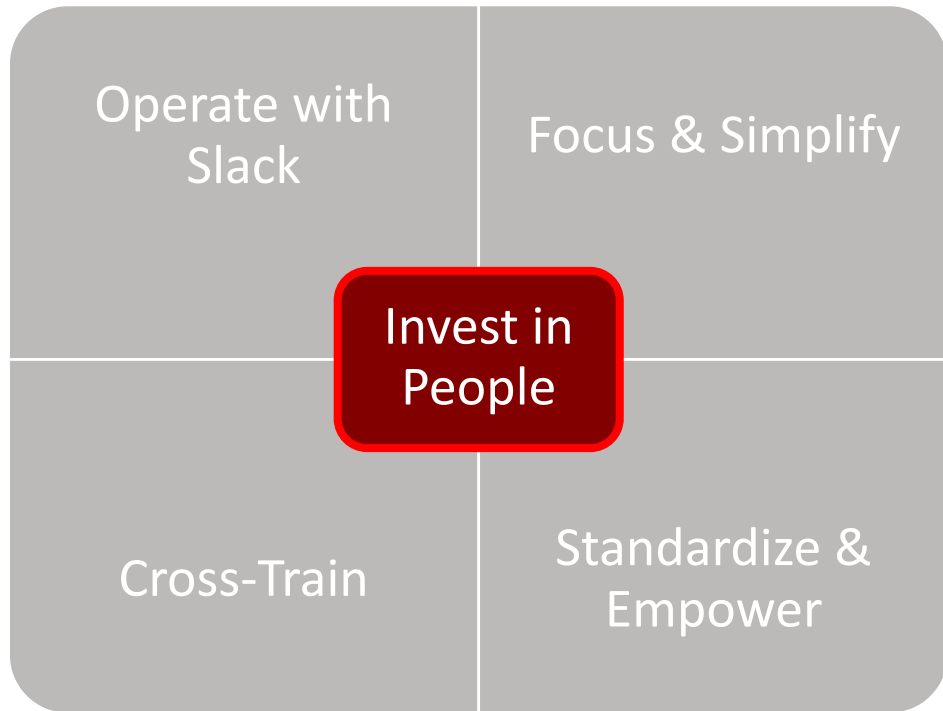


- Objective: customer 1<sup>st</sup>
- Last for a reason: Low workload variability means less slack required to achieve high service level
- Assumption: high expectations

***Ability to hear customer feedback, do continuous improvement, better hire/train + managers can focus on leading, take time off***



# Investment in people to attract and retain the right talent, set high expectations



## Meet basic needs

- Living wage, adequate benefits, predictable schedules

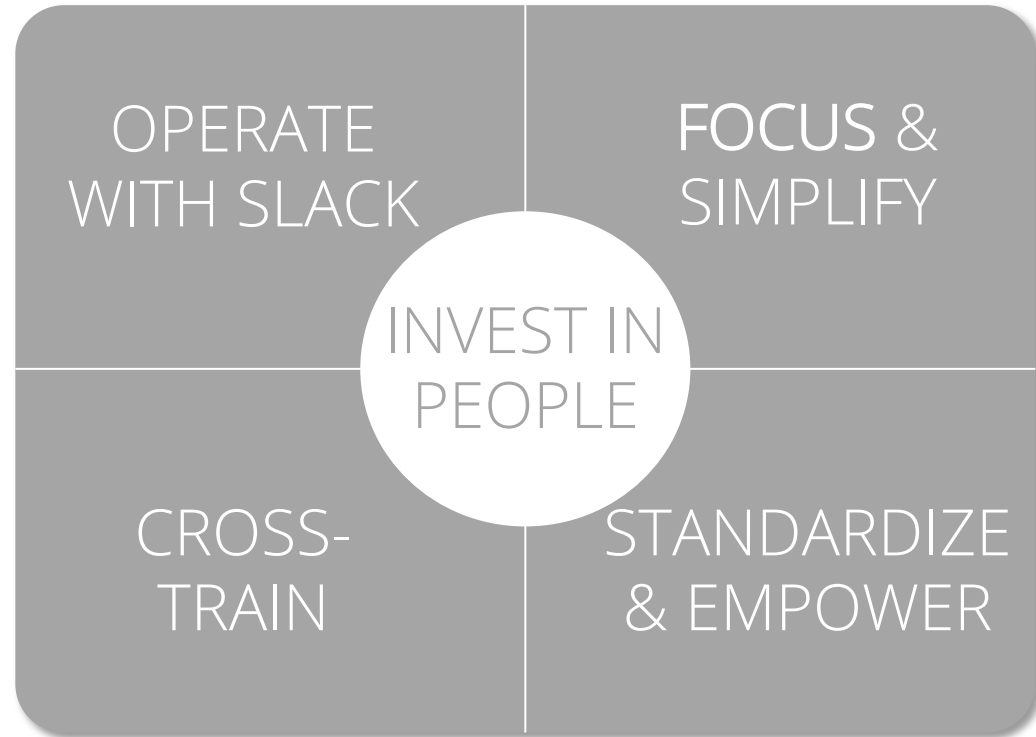
## Invest in excellence

- Strong hiring, training, performance management
- Promotion from within = crucial

*Low turnover, less mistakes, managers can focus on development (vs. teaching the basics)*

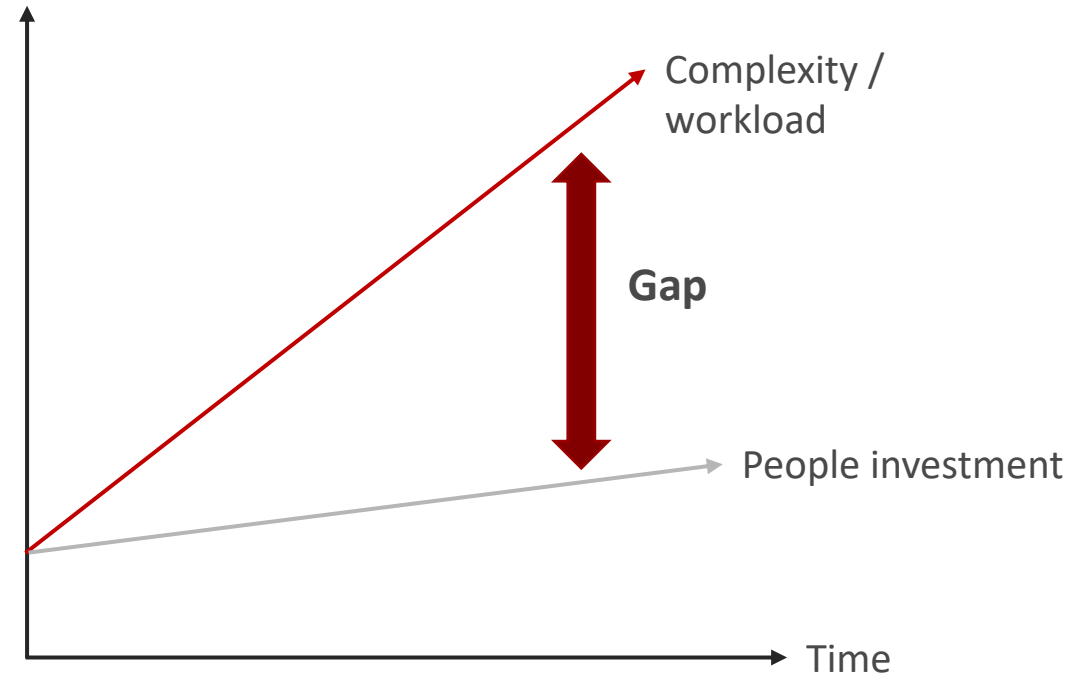
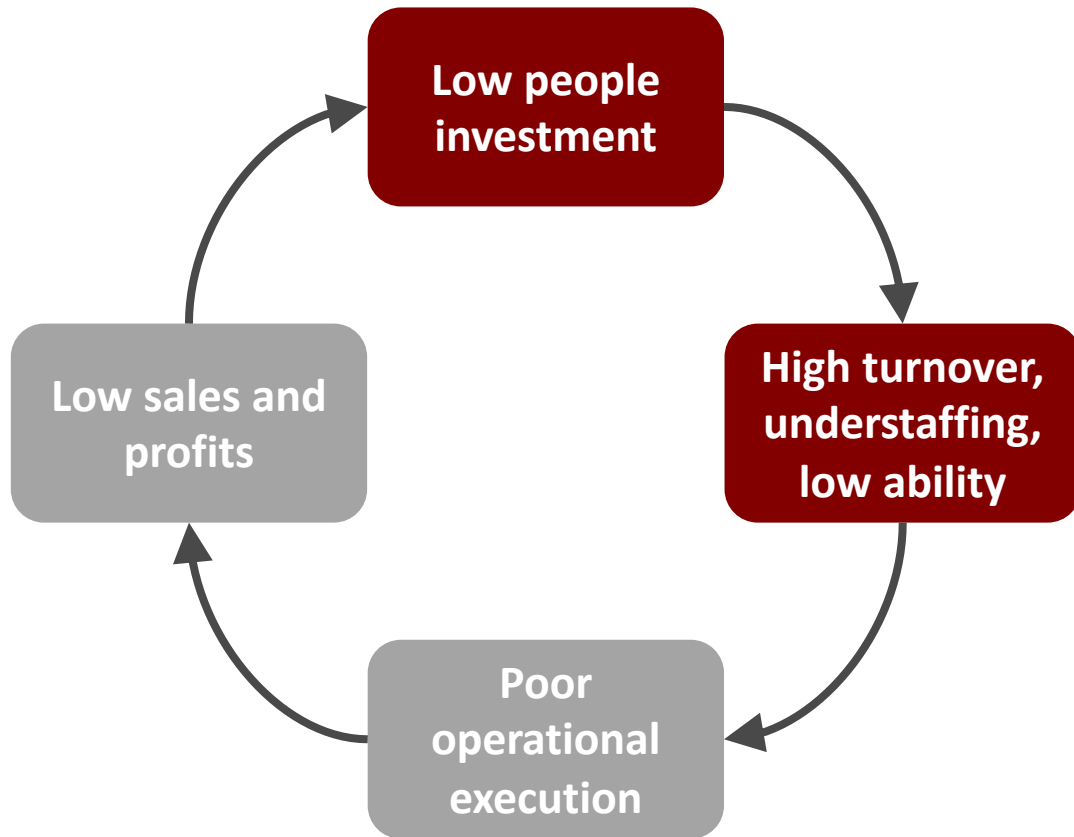


# What changes do you make first?



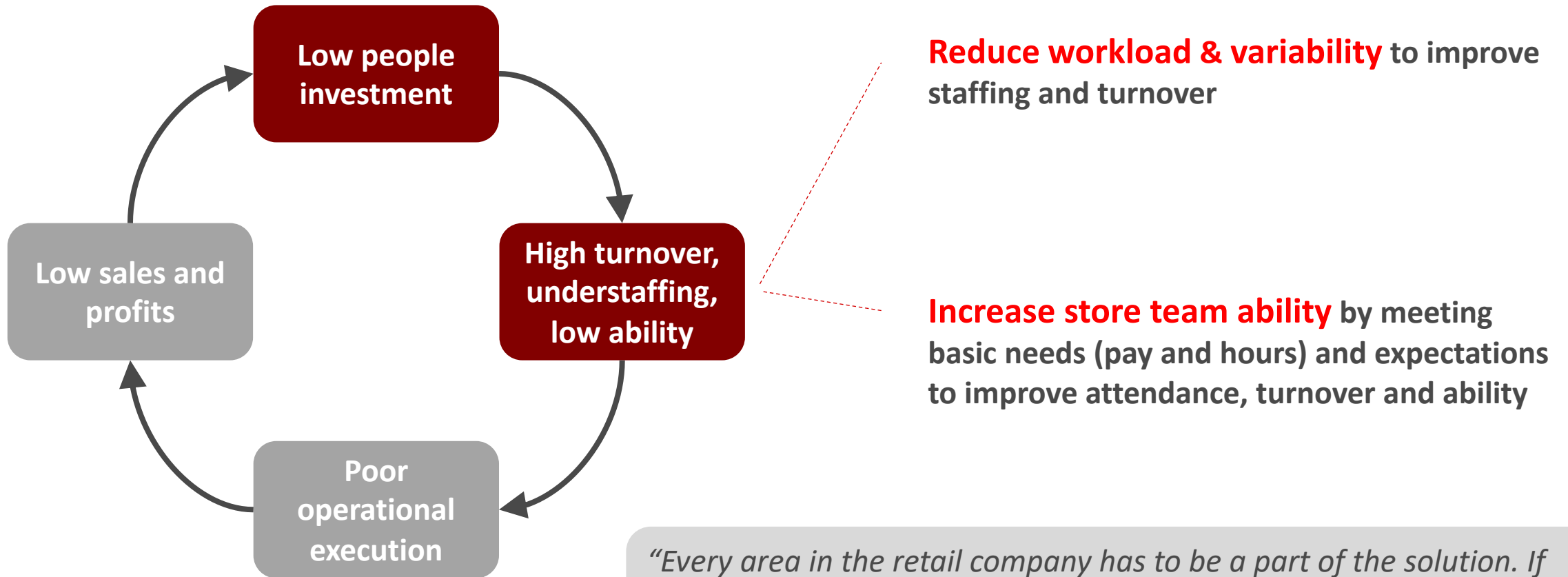
VALUES: 100% COMMITMENT TO  
CUSTOMERS, EMPLOYEES &  
IMPROVEMENT

# Make big (often upstream) changes to reverse the vicious cycle as early as possible





# Make big (often upstream) changes to reverse the vicious cycle as early as possible



*“Every area in the retail company has to be a part of the solution. If someone said, ‘Well, merchandising is off the table,’ it won’t work. Or if they said marketing or operations is off, it won’t work.”*

# Focus and simplify improves team member value proposition

**MEANINGFULNESS**  
Work itself and  
significance to customer

**PERSONAL GROWTH**  
Learning, creativity,  
problem solving

**BELONGING**  
Team, pride for working at  
the company, mutual  
respect

**ACHIEVEMENT**  
Have autonomy, tools, time  
and resources to do great  
work

**RECOGNITION**  
High expectations, feedback  
from others and job

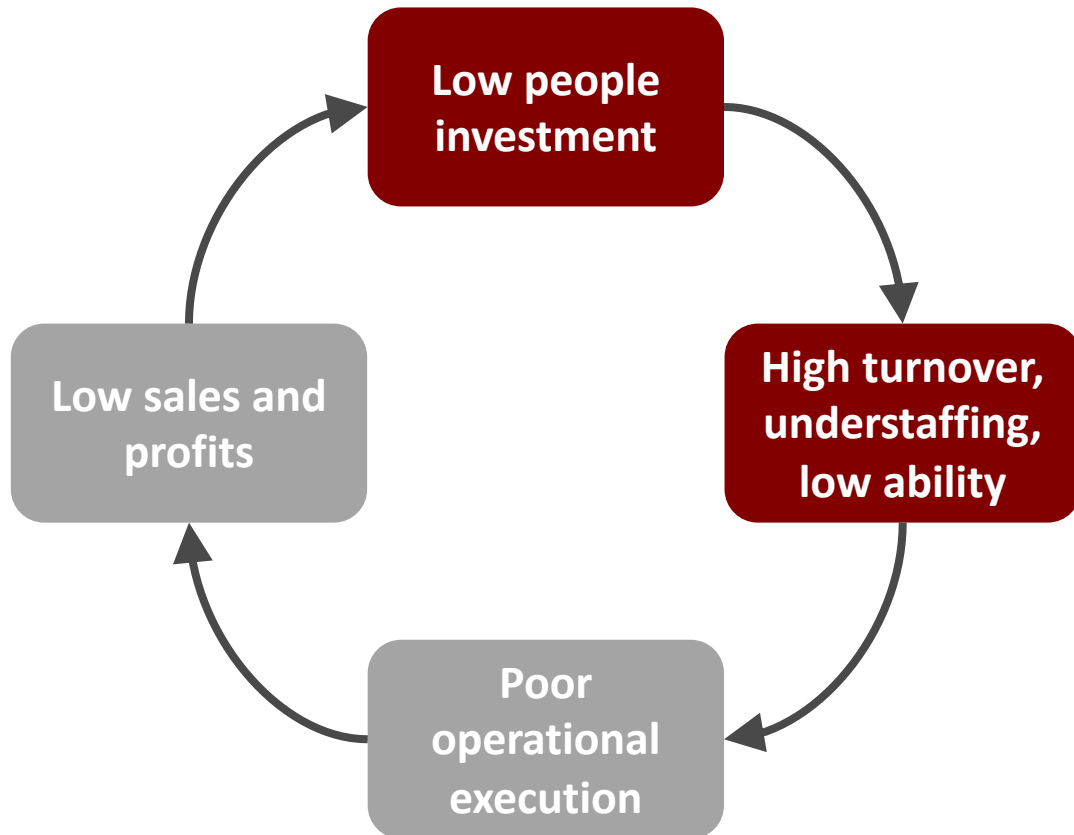
**PAY & BENEFITS**  
Fair for the work and  
compared to others, meets  
needs

**SCHEDULES**  
Stable and predictable  
schedules, adequate hours

**CAREER PATH**  
Clear and fair advancement  
to higher pay

**SECURITY & SAFETY**  
Keep job if perform well,  
safe conditions

# Make big (often upstream) changes to reverse the vicious cycle as early as possible



**Reduce workload & variability** to improve staffing and turnover

**Increase store team ability** by meeting basic needs (pay and hours) and expectations to improve attendance, turnover and ability

# Invest in pay as early as possible and as much as possible

Pay is not everything.. But its absence guarantees poor execution

Can't reduce turnover without higher pay

Can't have employees who can focus on the job without higher pay (vicious cycle of poverty)

Many underestimate the importance of pay

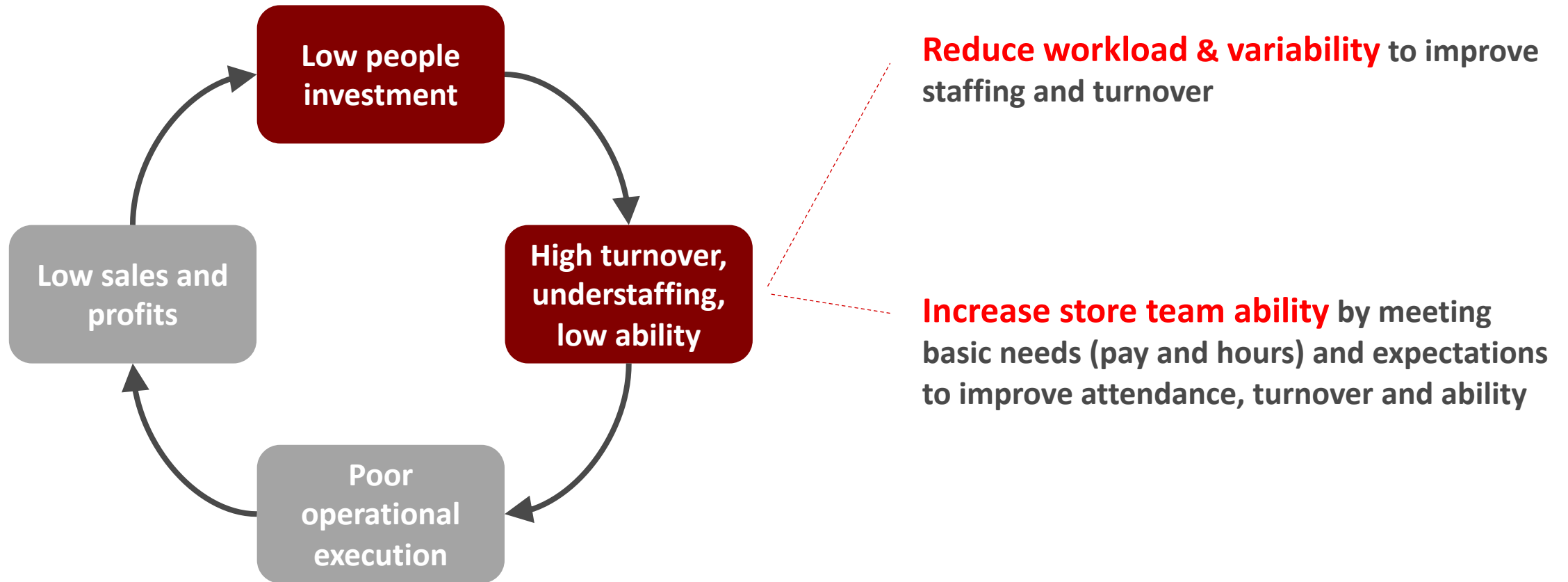
*"I just don't understand, I care so much about our employees and we do so much to show our appreciation, but they still keep leaving."*

– CEO of healthcare services company

"Our engagement scores are great! Why are people still leaving?"

<10% hourly workers participated in medical plans:  
"Maybe they just don't value this benefit!"

# These changes aren't as hard or as risky as one may think



# These steps require a new decision-making process that addresses common barriers to system change

## Common Barriers for GJS Implementation

- **Siloed decision making** that only considers one part of the system
- **Discomfort making decisions** with imperfect information

## A New Decision-Making Process

- **Engages cross-functional leaders** in the process of addressing store execution and service
- **Applies a systems-lens** to understand the impact of change on customers, employees, and profitability



**Increases organizational willingness to make change, even with imperfect information**

**The Good Jobs Institute is here to guide you through this new process**

## 3 parting thoughts

- 1 It takes courage to start**
- 2 This is a journey that takes time and requires bringing people together differently**
- 3 When you get this right, the competitive advantage is difficult to imitate**