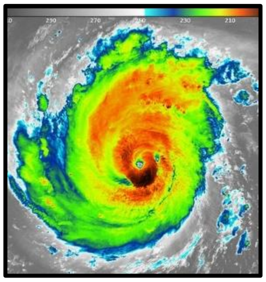
Hot Topics Briefing: Overcoming Labor Shortages by Attracting the "On-demand" Workforce

A "Workforce Hurricane" Looms

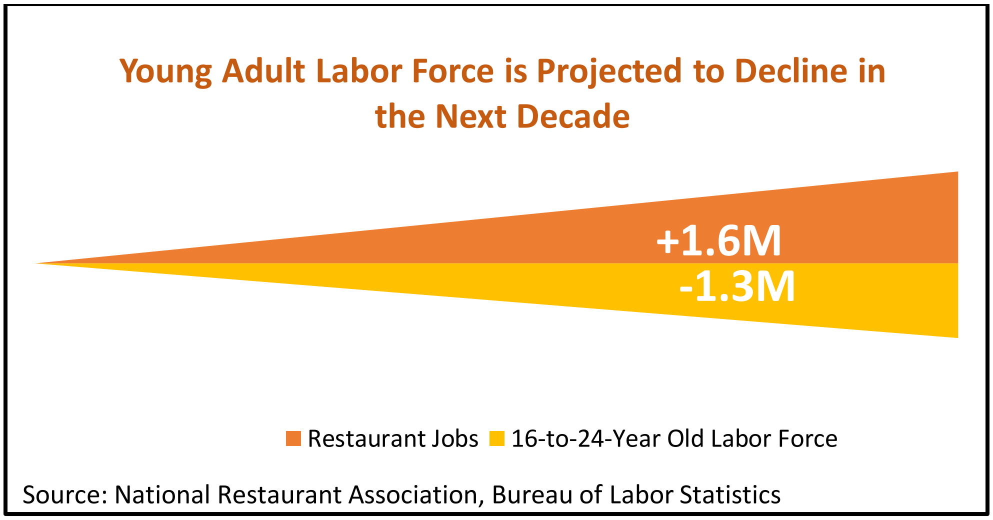
Labor shortages in the foodservice industry have reached record highs (US Bureau of Labor Statistics) and are likely to be increasingly challenging, even in a calmer US economic environment. As US unemployment rates hover near historic lows (US Bureau of Labor Statistics), the food service industry sits near the center of a Category 5 "workforce hurricane". Those who prepare now have the best opportunity to avoid major impacts to their business.



As birth rates decline in the US, the young adult labor force – a key component of the food service industry workforce – is projected to decrease by 1.3 million persons over the next decade (Belluz). At the same time, foodservice industry jobs are projected to increase by 1.6 million (US Bureau of Labor Statistics). If this isn't enough of a challenge on its own, employer competition for this declining workforce component is increasing rapidly.

Nearly 100M Americans have "opted out" of the workforce (US Bureau of Labor Statistics). As these citizens are not actively seeking employment, the US Labor Department excludes them from unemployment statistics. Many of these people may never return to the workforce due to age or health related issues. However, estimates show that 10-15% of this group, under the right set of circumstances, would seek at least part time employment (Gillespie).

Due to their extended operating hours and work hour flexibility, food service and retail stores have historically provided one of the few viable workplace options for both the youth labor force and for adults seeking part time or second jobs. However, with the continued strong growth of companies such as Uber, Lyft and Amazon, workplace options with similar work hour flexibility have increased significantly for these labor segments. Foodservice industry employers across the supply chain – from manufacturers, to distributors to restaurant operators – are destined to see increasing challenges in both the cost and availability of labor from the combination of diminishing labor supply, increased workforce demand and more flexible working opportunities.



Drivers of an Employment Paradigm Shift

Millennials & Generation Z are arriving in the workforce with a different set of cultural values than generations of the past. Personal goals are more life-value driven and less financially focused than past generations resulting in a work/life balance scale that is tipped more towards the life component. History shows that each generation arrives at the workforce with a different mix of defining cultural dynamics. Employers must continually adapt in order to remain an attractive employment option. Three particularly interesting and impactful cultural dynamic differences that identify the Gen Z workforce are:

a. A reliance on all thing's technology
b. A desire to more fully "self-control" the work/life balance scale
c. A changing loyalty dynamic focused more on self vs. company

Collectively, the dynamics of the "workforce hurricane" and changing cultural norms are producing a rapidly evolving and radically different labor environment, with a paradigm shift in how employees and employers view each other. Successful foodservice industry employers will fully embrace the mindset that WORKERS, not employers, hold the leverage to choose what they work at, and when and where they work.

Evolving technology is the primary force of energy fueling this "workforce hurricane"

When Uber first launched its transportation software platform in the USA in 2011, American workers' eyes opened at the simplicity of "getting the job" and the breadth of capability and flexibility the Uber technology platform provided. The platform launched the "on-demand", aka the "gig" workforce concept. Not surprisingly, Gen Z's love for technology and desire for work flexibility made them primary target of Uber and other on-demand enabled employers. The food service industry is now suddenly faced with a new competitor for labor. Through the features of a rich technology interface, workers are offered the option of greater work hour flexibility and attractive pay than they may previously have found in the foodservice segment. On-demand workforce options continue to grow with the likes of Lyft, Door Dash, Distpatch.com, Amazon and others, including on-demand workplace marketplaces such as www.wonolo.com. These marketplaces provide a technology backbone for on-demand workers to seek gigs and for employers to attract non-traditional workers.

Supply chain professionals in the food service industry should consider – the workforce of the future is likely to be mostly made up of "on-demand" 1099 workers.

According to a recent Contingent Workforce study conducted by Ernst and Young, gig workers report that flexibility, variety of work, self-control of when/where they work, along with the ability to work from home are the key benefits they enjoy from on-demand work. Eighty percent of on-demand workers involved in the EY study indicated that a mix of on-demand job assignments is now their full-time source of income. Only 20% indicated they would rather have a traditional full-time position.

Preparing for the Future

The need to attract, train, manage and pay an on-demand workforce drives the need for traditional food service industry employers to strategically prepare for the many changing characteristics that will permeate their supply chains. Executive leadership teams should consider the following recommendations:

1. Embrace the idea that the traditional 8-hour workday is likely to succumb to the on-demand trend and that employers will increasingly need to offer work in flexible 1 to 4-hour time segments.
2. Invest in workforce management software solutions that present the employer and the work in a manner that attracts the on-demand workforce. The software should also provide the technology necessary for worker enrollment, pre-qualification and background checks, and daily payments amongst other features.
3. Plan on wage rates rising and evolving into a real-time commodity. The growing base of on-demand work marketplaces will enable workers to benefit from supply and demand-based wage economics, resulting in highly variable hourly wage rates: hour by hour, minute by minute. This will become an increasingly challenging factor for foodservice operators in low volume hours of the day where tipped workers may choose other higher earning options, or just opt not to work at all.
4. Prepare to offer training and onboarding continuously, in real-time and delivered through automated systems. Simplify processes so that workers can learn new requirements and positions quickly and then certify their competency to perform the work at the quality and productivity levels required by the foodservice industry employer.
5. Offer real time worker performance assessment, not dissimilar to what employers are already experiencing with the likes of online ratings and reviews from sources such as Google Reviews. Managing the online reputation for both the employer and the on-demand worker will move to whole new level of importance and value for both parties.
6. Provide some mix of traditional benefits (health care insurance, child care, education reimbursement, leadership training, retirement, et al.) as a competitive differentiator to attract 1099 on-demand workers.
7. Support immigration reform. Employers should work closely with their legislative representatives to encourage development and adoption of acceptable and business practical immigration law reform. Given the US's less than replacement level rate of birth, the need for low to modest skilled labor resources to support our economic growth must include an element of immigrated workers.

The on-demand workforce, driven by changing cultural norms and continuing advancements in technology, is here to stay and the foodservice providers can benefit or suffer, depending on their willingness to embrace required changes. Businesses that ignore the changes, or who take a wait and see approach, could well meet a cloudy and uncertain future. The time to prepare is now!

Mark C. Layton, M.S. Supply Chain Management developed this report. Mr. Layton’s bio can be found at: https://7sevenadvisors.com/mark-layton/mark-layton/. He can be reached at MARK.LAYTON@tcu.edu, Texas Christian University, Neeley School of Business.

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