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Panera losing nearly all workers in fast-food turnover crisis

Eric Rosenbaum 23 hrs ago

If you think it sounds like a mathematical impossibility for a company to lose more than 100% of its workers every year, you've never worked in the fast-food industry. At fast-food restaurants, losing 100% of employees — and then losing still more of the employees hired to replace those workers — is a common, and worsening, labor problem.

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The case of Panera Bread shows just how deep the employee turnover issue is for restaurant companies. Panera loses close to 100% of workers every year, and by fast-food industry standards that's considered good.

"In the restaurant industry, turnover is 130%, turning over more than a full workforce every year," said Panera bread CFO Michael Bufano at CNBC's @Work Human Capital + Finance conference earlier in August. "We are a little under 100%, but still a huge number."

The official Bureau of Labor Statistics turnover rate for the restaurant sector was 81.9% for the 2015–2017 period, but industry estimates are much higher, reaching 150%, and the problem has gotten worse in recent years. "It's definitely been going up," said Rosemary Batt, chair of HR Studies and International & Comparative Labor at the Cornell School of Industrial Labor Relations.

Batt said decades of fast-food industry efforts to standardize and "routinize" jobs — take the skill out of them — has been intended to create turnover-proof jobs. "If you lose someone, it is not a real cost, because they are so easily replaceable. ... The industry has thrived on this HR model of turnover-proof jobs for many years, because they could get away with it," she said, through a slack labor market or absorbing the cost of high turnover. But that model is being stretched.

"Now turnover is absolutely excessive, and some chains are beginning to put numbers on the cost of turnover. I know some chains that are focused on it," Batt said. "Because turnover is getting so serious and because chains have the ability to do the HR analytics, they can begin to cost out turnover and say, 'This is not a cost we have taken seriously, because historically we were counting on high turnover model as acceptable.'"

Related video: Panera CEO on the company's new breakfast strategy

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