Tapcheck

Improve Retention, Recruitment, and Employee Financial Wellness in the Fast-Food Restaurant Industry

Through On-Demand Pay

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Fast-food restaurants have struggled to retain employees over the last decade — reportedly, facing annual turnover rates exceeding 100%.[1] You don't need to search far to find out why. The positions come with low pay (the median is $11.18 per hour in the U.S.), few benefits, limited upward mobility, and high levels of risk.[2] They are typically seen as a "temporary solution" for the 3.9 million Americans who hold them.[2]

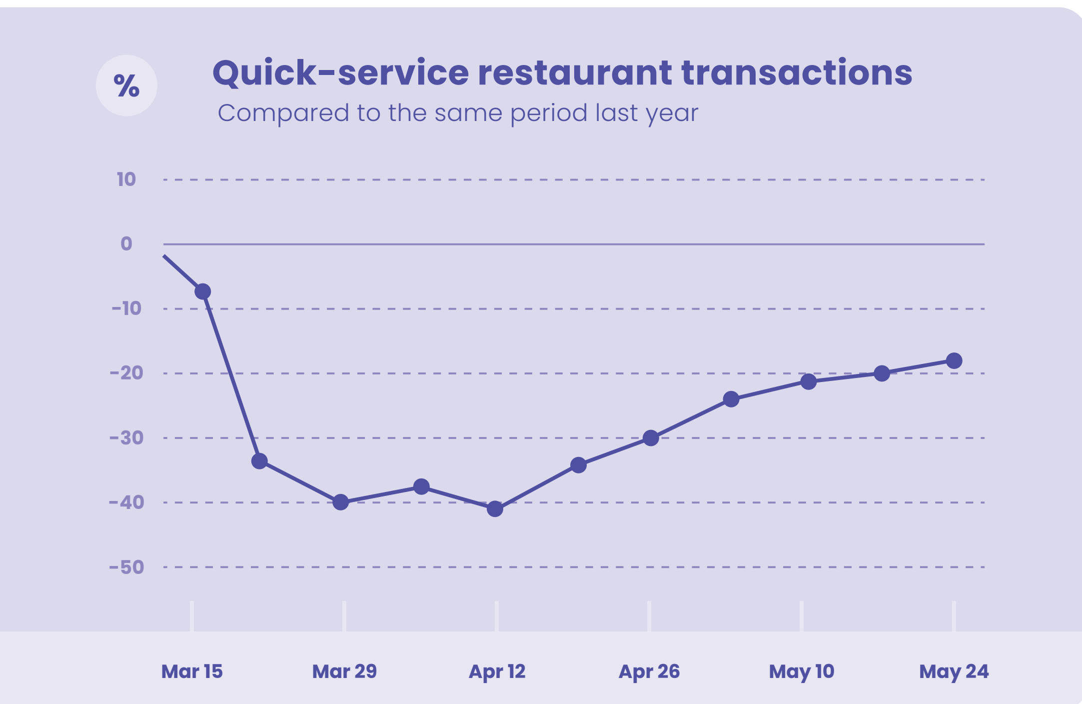
While turnover is expected by quick-service restaurant owners, levels are getting too high and too expensive. Further, the coronavirus pandemic has pushed many fast-food employees to the brink.

In this whitepaper, we'll look at the staffing crisis facing the fast-food industry and how an on-demand pay benefit can help fast-food companies improve retention, recruitment, and employee financial wellness in our current times and beyond.

High Turnover Plagues the Fast-Food Industry

As a fast-food restaurant owner, it is not uncommon to replace your entire staff in a year's time. In fact, that's become the norm. At CNBC's @Work Human Capital + Finance conference, Panera Bread CFO Michael Bufano shared that turnover in the restaurant industry was at 130%[3], up 35% from 2010.[3]

For many years, quick-service restaurants have taken steps to accept and adapt to high turnover rates. They've implemented technology to automate processes and simplified jobs (making them "turnover-proof") so that they require very little onboarding. Yet, despite those steps, replacing a fast-food employee still comes at a cost — approximately $2,000[3] — a cost that adds up, eating away at the bottom line, especially if you own multiple locations.



SOURCE: NPD Group's Crest Performance Alerts, which use geo-tracking data for 70 quick service, fast casual, midscale and casual dining chains.

"The (fast-food) industry has thrived on an HR model of turnover-proof jobs for many years because they could get away with it through a slack labor market or absorbing the cost of high turnover," says Rosemary Batt, chair of HR Studies and International & Comparative Labor at the Cornell School of Industrial Labor Relations. "But that model is being stretched."

[1] https://www.cnbc.com/2019/08/29/fast-food-restaurants-in-america-are-losing-100percent-of-workers-every-year.html

[2] https://www.bls.gov/oes/current/oes353023.htm

[3] https://www.qsrmagazine.com/outside-insights/understanding-and-supporting-restaurant-employees-during-covid-19

The Pandemic Spreads Fast-Food Workers Thin

Once the pandemic reached the U.S. in March of 2020, fast-food restaurants took a hit like every other business. However, fast food was one of the first industries to rebound thanks to drive-thrus that align with social distancing guidelines and low-cost meal options fitting the budgets of penny-pinching Americans.[4]

Fast-food employees were quickly deemed, essential workers, putting them at a higher level of risk without higher levels of compensation or benefits. Meanwhile, many Americans in other positions were required to work from home, or they were laid off with unemployment benefits. These circumstances left many fast-food workers even more dissatisfied with their positions.

According to Business Insider,[5] one fast-food worker said, "Our drive-thru goes non-stop, one car after the other. It is exhausting us and is making us weaker. We are working ten times harder for no reason. We are human too. Yes, it's nice to have a job when so many are losing theirs, but it isn't worth the risk."

Another said, "I would rather lose a paycheck or two than keep going out to the job and possibly bringing the coronavirus home to my daughter."

While the Families First Coronavirus Response Act was implemented, requiring all employers with 50 to 500 workers to provide 14 days of paid sick leave in cases related to the coronavirus, employees want more. This is apparent when looking at the rebound of employees quitting in the accommodation and food services industries. In September of 2019, 4.6% of the workforce quit.[6] While that number dropped to 3.9% in May of 2020, it had rebounded to 4.3% by September.

[4] https://www.cnbc.com/2020/06/02/3-charts-that-show-the-us-restaurant-industrys-coronavirus-recovery.html

[5] https://www.businessinsider.com/coronavirus-mcdonalds-taco-bell-workers-on-working-in-pandemic-2020-3

[6] https://www.bls.gov/news.release/pdf/jolts.pdf

Fast-Food Employees Want More From Employers

Although many fast-food restaurants are faring better than other types of restaurants and businesses, most are still seeing drops in year-over-year metrics like traffic and revenue, including McDonald's.[7] Despite takeout, app, delivery, and drive-thru efforts, fast-food restaurants often can't open their dining rooms and operate at full capacity. This leaves them unable or unwilling to offer pay raises, promotions, or additional hours to employees. However, they need employees in the kitchen and drive-thru window to keep operations going, and they want to keep them as long as possible.

The On-Demand Pay Solution for Fast-Food Restaurants

A solution for fast-food restaurant owners is an on-demand payment benefit for employees. Also known as early wage access (EWA), on-demand pay comes at no cost for employers while offering employees the option to access their wages before payday.

[7] https://www.marketplace.org/2020/08/05/fast-food-takeout-delivery-mcdonalds-chick-fil-a-doordash-grubhub-drive-thru/

How Does On-Demand Pay Work?

On-demand pay plugs into an employer's payroll system. Once an employee has worked and earned wages, they can request them on-demand instead of waiting for the fixed payroll schedule. For a small fee (between $3.50 to $4.95 per transfer at Tapcheck), employees can log into a mobile app, view their earnings, and transfer them to their bank account on demand.

How On-Demand Pay Helps Fast-Food Employees

In a time when many are living paycheck to paycheck, work is unstable, and money is tight, early wage access can help employees make ends meet.[8] This is often the case for U.S. fast-food employees who make a median wage of $23,250, or $1,937 per month.[9] There are times when they may need to pay a bill or buy groceries but run out of funds before payday. On-demand pay can fill that gap. Rather than opting for expensive, predatory payday loans or turning to friends or family members, employees can remain independent by accessing their own wages on their terms.

EWA Adoption Grows

Many employers are adopting on-demand pay. In 2019, workers reportedly accessed their paychecks early through workplace providers an estimated 37 million times, gaining access to more than $6 billion, almost double the amount in 2018, according to Aite Group.[10] The use of EWA also spiked during the early stages of the coronavirus pandemic, with providers reporting a 400% increase in the number of users requesting early paycheck access. Adopters include quick-service restaurants like McDonald's, Pizza Hut, Taco Bell, and Panera.[11]

[8] https://www.marketwatch.com/story/a-shocking-number-of-americans-are-living-paycheck-to-paycheck-2020-01-07

[9] https://www.bls.gov/oes/current/oes353023.htm

[10] https://aitegroup.com/employer-based-loans-and-early-pay-disruption-reaching-scale

[11] https://thetakeout.com/fast-food-workers-same-day-pay-apps-branch-instant-1834891419

[12] https://usa.visa.com/dam/VCOM/global/run-your-business/documents/visa-earned-wage-access-insights-report.pdf

Early Access Is Not an Advance or Loan

Early wage access gives employees access to the wages they have already earned. The wages are theirs and are sitting somewhere waiting to be paid. When they are accessed early, the amount will be adjusted in the next paycheck. For example, if a paycheck is $1,000 and $200 is accessed, the next paycheck would be $800 (additional fees may apply). Early wage access is not a "loan" or "advance" because it's not based on credit and no underwriting occurs. Users are not borrowing from a lender, as with a payday loan, but are simply accessing their own earned money early.

Financial Flexibility Employees Need and Want

Having on-demand access to wages is important and highly desirable, especially for hourly employees living paycheck to paycheck. In a survey by Visa, 95% of workers said they are interested in working for an employer that offers EWA, 89% would work longer for a company that provides the financial benefit, and 79% would be willing to switch employers for it.[12] Further, a survey by Aite Group found that 94% of hourly employees think accessing their pay before payday would be helpful, providing financial stability during unstable periods.

A Future With On-Demand Pay for All

Fast-food employees are more essential than ever right now, and restaurants can help to attract and keep more employees by offering them something other jobs don't. Give employees access to their wages on their terms, when they need them most. Early wage acces doesn't require any monetary investment from employers but can improve employee wellness while helping you attract and retain your workforce.

Tapcheck

Tapcheck offers an on-demand, early wage access financial benefit that helps fast-food businesses drive productivity, promote employee health, and create a positive company culture. Learn how Tapcheck can help your fast-food restaurant attract and retain employees.

Let’s talk Tapcheck!

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