

Are bonuses the key to hourly staff retention?

The June unemployment rate was 3.7%, just a tick above the 50-year low achieved earlier this year. For 15 straight months, the number of job openings—around 7.3 million—has exceeded the number of Americans actively seeking work.

No wonder you're having trouble finding hourly staff to fill open positions.

No wonder you have a sneaking suspicion that some of your employees may be looking for new jobs elsewhere.

It's going to take some creativity to win today's recruitment and retention battles.

Some employers have decided that significant investments in bonus plans are worth a try. They're making even low-level retail and restaurant staff eligible—even part-timers.

Example: Fast-casual eatery Chipotle has started a new bonus program for hourly employees that can add up to a month's worth of extra pay over a full year.

According to a Chipotle statement announcing the plan, bonuses will be paid quarterly if crew teams meet revenue and other goals. The bonus is then one week's pay, calculated using the worker's average weekly pay that quarter. The plan is available for all employees, including part-time workers.

If you think a bonus program might help recruit or retain hourly staff in your organization, get help designing and implementing it. There are wage-and-hour implications.

You may have to adjust overtime payments under some circumstances, as bonuses may affect the regular rate of pay on which overtime is based.

A recent Department of Labor opinion letter highlights some of the potential pitfalls. If a bonus is nondiscretionary (as in the case of Chipotle's plan, since it's paid based on meeting a series of stated goals), then it counts as part of the regular rate of pay for overtime purposes. According to the opinion letter, "the employer must retrospectively recalculate the regular rate for each workweek in the bonus period and pay the additional overtime compensation due on the bonus."

Note: Other employers are trying different approaches to lure and keep front-line staff. For example, the Shake Shack burger chain is trying a four-day workweek.

Snapshot: What do bonuses reward?

Most employers offer some form of compensation above and beyond salary or normal hourly pay.

Service anniversary awards: 63%

Employee referral bonuses: 52%

Spot bonuses: 51%

Noncash performance awards: 46%

Incentive bonuses: 32%

Sign-on bonuses: 26%

Source: SHRM Employee Benefits 2019 survey