

# Hiring for Peak: 10 Ways to Improve a Seasonal Labor Strategy





Companies often turn to temporary workers to enable the business to adjust quickly to fluctuations in workload. But good help is hard to find—especially during peak season. A shrinking labor pool has made finding quality seasonal labor more challenging. One company recently hired more than 200 temporary workers to help them through the peak holiday season only to have 75 of them not show up for work on the first day. And the additional burden of managing a workforce that doubles in size for 6 to 10 weeks at a time can take a toll on productivity and profitability.

In addition to the intrinsic flexibility of a temporary labor force, companies often focus on the cost savings associated with reduced administrative and tax burden and fewer full-time employee benefits that use of temporary workers allows, but fail to see the total cost of seasonal labor. That cost should include things like agency fees, hiring and training costs, lower productivity and overall quality reduction. Still, hiring seasonal labor is necessary in some instances. It can be a cost-efficient way to recruit and test the abilities of new workers before signing them on full-time and a way to ensure you are always employing the top performers in your market. So what is your best strategy for hiring for peak?

Here are 10 things to consider when hiring seasonal workers:

### **1. Use temps very selectively outside of peak seasons.**

Companies often don't start their peak hiring with a solid base of full-time regular associates. Many already have a mix of full-time and temporary associates working in the DC going into peak. When you use temps throughout the year, it can skew the balance of associates. You might end up with more inexperienced and untrained temps than knowledgeable full-timers at a time when accurate order completion and deadlines are critical. Ideally, throughout most of the year, you want to have mostly permanent associates on staff and balance the number of temporary workers you bring on during peaks. If most of your workforce already has the knowledge and experience of your operations when peak hits, that will give you better control over orders going out the door during your most critical selling season. The key to making this happen is understanding how many people you need throughout the year by looking at your order volume and understanding



your peaks and valleys. If you staff to the average volume, you'll have too many people when your volume dips. But if you build your full-time staffing model based on your lowest volume, you'll have an excessive number of temps both year round and especially at peak. When you fully understand your volume troughs, you can use those times to offer time-off, flexible scheduling or use the extra hands to do inventory, cycle count or other special projects that make the operation run more efficiently.

## **2. Offer some overtime to your best performing workers during peak.**

It seems counterintuitive to pay overtime rates when you can hire temps, often at lower rates than your permanent employees. But it can be considered a benefit to some of your best performing full-time associates who want to work to supplement their income around the holidays. They may even view it as a negative when you take that option away from them in favor of hiring someone with less experience and longevity with the company. That is not to say you should offer overtime to just anyone. If you are measuring performance in any way, you already know who your best workers are and you can be strategic about offering them the opportunities for overtime work as a way to minimize the number of temporary workers you need. The additional cost of overtime can be offset by the training cost and initial lower productivity of temp labor.

## **3. Leverage seasonal hiring to improve overall workforce quality.**

A healthy workforce is one that evolves over time to hire the best performers the market has to offer and weed out the lower performing associates. You should have a conversion plan for the end of the season that enables you to hire a certain number of high-performing temps into regular full-time positions after the season. Temp workers who are well-trained and motivated will sometimes outperform long-time associates because they are looking for full-time work and want to get hired on. If they are doing well, consider keeping them on.

## **4. Consider hiring from alternative talent populations – those with limited disabilities, retirees, veterans, high school and college students and others who can flex to meet peak needs.**

These populations often have less churn than traditional laborers. And they sometimes have the ability to flex hours up to help meet some of the peak demand. They can be excellent and dedicated assets that you use to complement



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Joe Broschak, Assistant Professor of Organizational Behavior at the University of Illinois at Urbana-Champaign, shared these findings about a recent study of temporary workers:

**“On average, these temporary workers displayed better performance relative to goals compared to their full-time counterparts.”**

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the seasonal labor needs. In some cases, there are also subsidies and tax benefits available for companies that hire from these populations.

Many companies are finding that retirees make great full or part-time workers. Retirees bring years of valuable work and life experience, and they often appreciate flexible schedules that allow them to enjoy their retirement while still pulling in some extra money. And as the Boomer generation continues to reach retirement age, this labor force is rapidly growing.

One company in Indiana hires high school students (age 16 and above) during peak season. They find the 30% employee discount provides as much of an incentive as the hourly rate. WERC recently announced a veterans hiring program. And Home Depot and others are leading the way in hiring veterans whose work ethic and experience far exceeds their education levels.

Much has been written about Walgreen's disability inclusion program. And Alex and Ani's labor force is comprised of 10% disabled workers and growing. This population often performs in the top of the group. Just keep in mind that cross-training may not work as well for some specific populations (retired or disabled).

### **5. Look for innovative ways to use seasonal workers.**

The surge in volume associated with peak affords you the opportunity re-think some of your processes and use seasonal workers in innovative ways that speed up labor intensive processes. Peak typically sees additional volume in processes like gift wrap and kitting. Can seasonal workers be used to build gift boxes or kits during peak to take workload off the trained operators who typically perform these tasks? Can they do prep work that streamlines tasks and creates process short-cuts so that primary operators can focus on the most critical tasks? Pre-build carts with totes, move totes to the conveyor for the picker, remove polybags, and pre-insert literature are just some of the creative ways you can use temp labor to take non-value-add steps out of the process to expedite orders during peak. It may add touches, but there could be value in the extra touch if it speeds up the process.

### **6. Use top performers to train seasonal workers.**

Make sure you have a good training plan for seasonal workers. Be sure to update SOPs and dedicate trainers to help orient people to the entire DC. This is where you should

use your top performers because they have demonstrated that they are accurate, productive, and perform the processes according to the best methods and procedures. Don't make it the supervisors' job to do training. They often don't know the operation as well as someone doing it every day and they have other responsibilities. When you bring in a group of temps, don't place them all in the same area of the operation. Mix them in with regular associates in a number of areas across the DC so you can leverage the knowledge of your year-round associates to ensure there is someone to answer their questions as they learn the operation.

### **7. Measure your temps the same way you do your permanent associates.**

Often companies don't want to enter a temp worker into the system as a regular employee. It may be more difficult or take more time to create a separate login for each temp, especially if some of them will only work a day or two before leaving. But if all your temps are forced to use a general temp login, then you can't measure their productivity accurately to see which ones can be given more responsibility or which ones are worth keeping on after the season. A good Labor Management program makes it easier to measure performance, but all you really need is a good set of metrics in place and the willingness to measure temp workers the same way you do permanent employees. You can't hold people accountable to standard without a way to accurately measure their work content. This involves looking at multiple variables as opposed to a single metric that may not accurately measure work content. For example, it's not just about how many items were picked per hour, but where the items picked are located. This takes into consideration the travel required. Did the worker pick 100 pieces from one location versus pick 50 pieces from 10 locations that are spread out across the DC? Tracking multiple-variable work content is key to measuring true performance.

### **8. Be the employer of choice – even for seasonal workers.**

Some markets either have a limited labor pool or a lot of companies competing for the same talent. Temp workers will often go where they can get the slightest of higher wages, better perks and best working conditions. You have to look at the competitive landscape and decide what you can offer to set yourself apart as the employer of choice for your market so that you attract the highest quality



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talent available. Keep in mind that seasonal workers are often treated differently than permanent associates even though they may be working just as hard. It goes a long way for you to treat them similarly to your permanent associates in a number of ways. Do you ask temps to wear a bright colored vest/shirt or uniform while your year-round associates get to wear their own street clothes? Do you try to give them meaningful work that they can take pride in or do you relegate them to only the most menial of tasks like emptying trash and hauling away corrugate? It's not wise to allow someone unfamiliar with your operations to execute the most complex tasks before they have some training and experience under their belt, but you can balance the workload so that they have a mix of clean-up work and simple tasks that enable them to contribute something to the operation. Seasonal workers are the people who will help you get through peak. They can make or break your company over this critical time period. It pays to give them the benefit of good training and treat them with respect for this reason. Otherwise, if they don't like the work or working for you they may leave after a shift or two and you will have wasted time and resources in bringing them in.

### **9. Bring temps in earlier than you need them.**

Productivity goes down if you hire temps too late. If peak orders ramp up next week and you plan to start bringing in temps at that time, it's too late. Then your best people are doing training during the most critical time when you need their productivity. Or worse, you don't have time to train the temps properly and you pay for it on the other end when they make costly mistakes. Plan to bring temps in 2 to 3 weeks before peak hits so they can be fully trained and productive before peak begins. An associate is costing the business money until they are at 80% of their performance goal. If the goal is 100 units per hour, but they are only working at 50 units per hour, they are costing you more money than they are making you. The training curve for many operations may be as long as 2 to 4 weeks before they are fully productive. Plus, early hiring allows you to weed through those hires that may not be a good fit for one reason or another before you get into the full peak workload. In areas where the population or labor pool is limited, you may have to hire earlier and for a longer time period to find the people you need. For the holiday peak, many companies wait until November to place their first temps in the DC, but you may want to start the process in October or even September.

## 10. Weigh the full cost of seasonal workers against hiring year-round associates.

Even when temps are less costly on an hourly basis, they are also initially less productive, and sometimes end up costing more than year-round associates. It will take training and time for new temp workers to work up to the productivity levels you need. You may pay a temp a lower hourly rate than your full-time associate with benefits, but there is the additional cost of the agency fee. There is the cost of training and additional opportunity cost when temp workers choose to leave unexpectedly. Long-term associates are often better vetted through the recruitment process, and the employment benefits and perks give them a vested interest in the operations.



### Peak Labor Impacts Design of Facilities

When the surge in peak labor is significant enough, it can have impacts to the design of the facilities themselves. Companies often look to higher levels of automation to reduce their dependency on labor. Certainly, temp labor availability, quality, cost and risk needs to be factored into the business case for automation. But where high levels of automation are not justified, there are still ways to design the operation so that the DC is prepared to handle the seasonal influx of temp workers and get them up to speed quickly.

One leading specialty retailer typically experiences an 8X increase in volume during the peak season, but they've designed their facility and processes to handle the surge. They were able to get their temp workforce operating in the 80-90% productivity range with only 30 minutes of training, using a temp-friendly Put-to-Light (PTL) system in their eCommerce operation. The process and the equipment simplified a complex task and was easy enough to learn that temps quickly picked up the training and were productive faster as a result. And this specialty retailer can rely heavily on temp labor during peak because they factored it into their operations design and made provisions to minimize the impact to productivity and reduce their risk.



## SUMMARY

eCommerce growth will continue to drive uncertainty in distribution environments. Hiring seasonal workers is just one of the ways companies can remain flexible enough to adjust to workload fluctuations relatively quickly. But there are ways to use temporary labor that ensure you maximize the productivity and maintain quality in your operation. And your peak hiring strategy can help ensure that you maintain a strong pool of talent year round.

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