



STARBUCKS®

**EMPLOYEE ENGAGEMENT
AND
TURNOVER RATE**



Business Scenario



Starbucks, one of the world's largest coffeehouse chains, faced **high employee turnover** and **low engagement** due to demanding jobs, career stagnation, and limited growth opportunities.

Human Resource strives to re-align **compensation, benefits, leadership, and development programs** to retain employees and improve satisfaction.



Situation

- Demanding work environment (fast-paced, high-pressure, high-turnover)
- Relatively low wages compared to increasing living costs
- Limited long-term career progression for frontline workers
- Gig work nature of work

Outcome

- **High Employee Turnover** - 65% annual turnover rate for baristas, 25% for store managers.
- **Low Employee Engagement** - Dissatisfied, overworked and underpaid employees feeling stagnant.
- **Financial & Operational Impact** - Bottom line taking a hit due to recruitment and L&D costs, top line taking a hit due to new untrained employees.



Why is Employee Turnover Rate Important

- **Cost Implications:**
 - Recruitment and Hiring Costs
 - Training and Development Costs
- **Impact on Productivity and Performance:**
 - Loss of institutional knowledge
 - Disruptions in team collaboration
- **Inconsistency in quality of service**
- **Indicators of poor HR parameters:**
 - Low job satisfaction
 - Employee Burnout
 - Ineffective leadership
 - Lack of growth opportunities



Starbucks' Current HR Challenges (2024)



Union Disputes & Strikes

Focusing on inclusive hiring, mentorship, and equitable pay.



Wage Concerns

Starbucks claims union pay demands are "not sustainable", sparking negotiations.



Employee Satisfaction

Despite improvements, baristas express continued frustration with workplace conditions.



Starbucks' Current HR Strategies (2024)



“Belonging” Initiative

Focusing on inclusive hiring, mentorship, and equitable pay.



The latest change for Starbucks under its new CEO: Baristas can get triple the amount of paid parental leave.

Expanded Parental Leave

Increased to 18 weeks for birth-mothers and 12 weeks for partners, adoptive, and foster parents (U.S. store employees).



Improved Benefits

Aligning store employee benefits with corporate staff to enhance job satisfaction.



Management Change - A NEW DIRECTION

New CEO Announcement: Brian Niccol, the former CEO of Chipotle, has recently taken on the role of CEO at Starbucks.

Vision: early in his tenure, Niccol has emphasized the importance of **support for baristas** and **operational efficiency**, extending his focus beyond mere wage concerns. He has outlined his commitment to the following initiatives:

- **Staffing Improvements:** increase staffing levels to effectively manage workloads and enhance the quality of service.
- **Operational Simplification:** identify and resolve bottlenecks in online ordering while streamlining processes to alleviate burdens on baristas and reduce delays.
- **Access Policy:** implement access restrictions to prioritize service for paying customers, thereby improving overall store efficiency.



Starbucks

vs.

Costa Coffee



<u>ASPECT</u>	<u>STARBUCKS</u>	<u>COSTA COFFEE</u>
MARKET PRESENCE	38,000+ stores in 80+ countries	Dominant in the UK, 2,700+ stores
EMPLOYEE BENEFITS	Healthcare, stock options, tuition support	Limited benefits, varies by location
CAREER GROWTH	Strong training & promotion pathways	Training available but fewer global opportunities
RETENTION EFFORTS	Stock incentives & work-life balance programs	Basic retention strategies (training-focused)
EMPLOYEE SATISFACTION	Mixed-strong benefits but union disputes	Generally stable, but lacks career growth
WORK CULTURE	Brand driven, customer-centric, inclusive	Traditional UK café experience, service-oriented
DIGITAL INNOVATION	AI-driven mobile app, Starbucks Rewards	Catching up with Costa Club Rewards
CHALLENGES	Labor costs, union tensions, evolving work culture	Global expansion, better HR policies needed



HR STRATEGY GRID FOR STARBUCKS

HR PRIORITIES	HR INTERVENTIONS	METRICS FOR SUCCESS
<u>COMPENSATION & BENEFITS</u>	- Increase hourly wages to remain competitive in industry. - Expand performance-based bonuses and stock options - Strengthen tuition reimbursement and financial aid programs. - Improve healthcare benefits for part-time and full-time employees.	- Employee Turnover Rate Reduction: Track monthly voluntary turnover rates. - Internal Promotion Rate: % of baristas promoted to leadership roles. - Employee Benefits Satisfaction: Survey employee satisfaction with compensation & benefits.
<u>COMPANY CULTURE & LEADERSHIP</u>	- Expand Starbucks Leadership Experience (SLE) for store managers. - Expand Diversity, Equity & Inclusion (DEI) programs. - Provide store-level autonomy to customize work culture. - Strengthen employee-led engagement initiatives.	- Leadership Training Completion Rate: % of store managers who complete leadership training. - DEI Representation in Leadership: % increase in leadership roles filled by diverse candidates. - Employee Engagement & Culture Score: Track employee engagement via annual surveys.
<u>CAREER GROWTH & DEVELOPMENT</u>	- Expand flexible scheduling policies. - Strengthen job rotation programs to prevent burnout - Offer clear career progression pathways with estimated timelines. - Improve exit interviews to analyze reasons for turnover.	- Voluntary Turnover Rate: Track voluntary turnover per store and region. - Job Satisfaction Index: Employee satisfaction ratings on job content and workplace environment. - Retention Post-Promotion: % of promoted employees staying for 2+ years.



Theoretical Underpinnings



Herzberg's Two-Factor Theory

The company addresses both **Hygiene** factors (fair pay, job security) and **Motivators** (growth, recognition).

Impact: Reduces dissatisfaction while fostering long-term engagement



Social Exchange Theory

Employees are more loyal when the company invests in their well-being and development.

Impact: Higher retention and stronger employee commitment



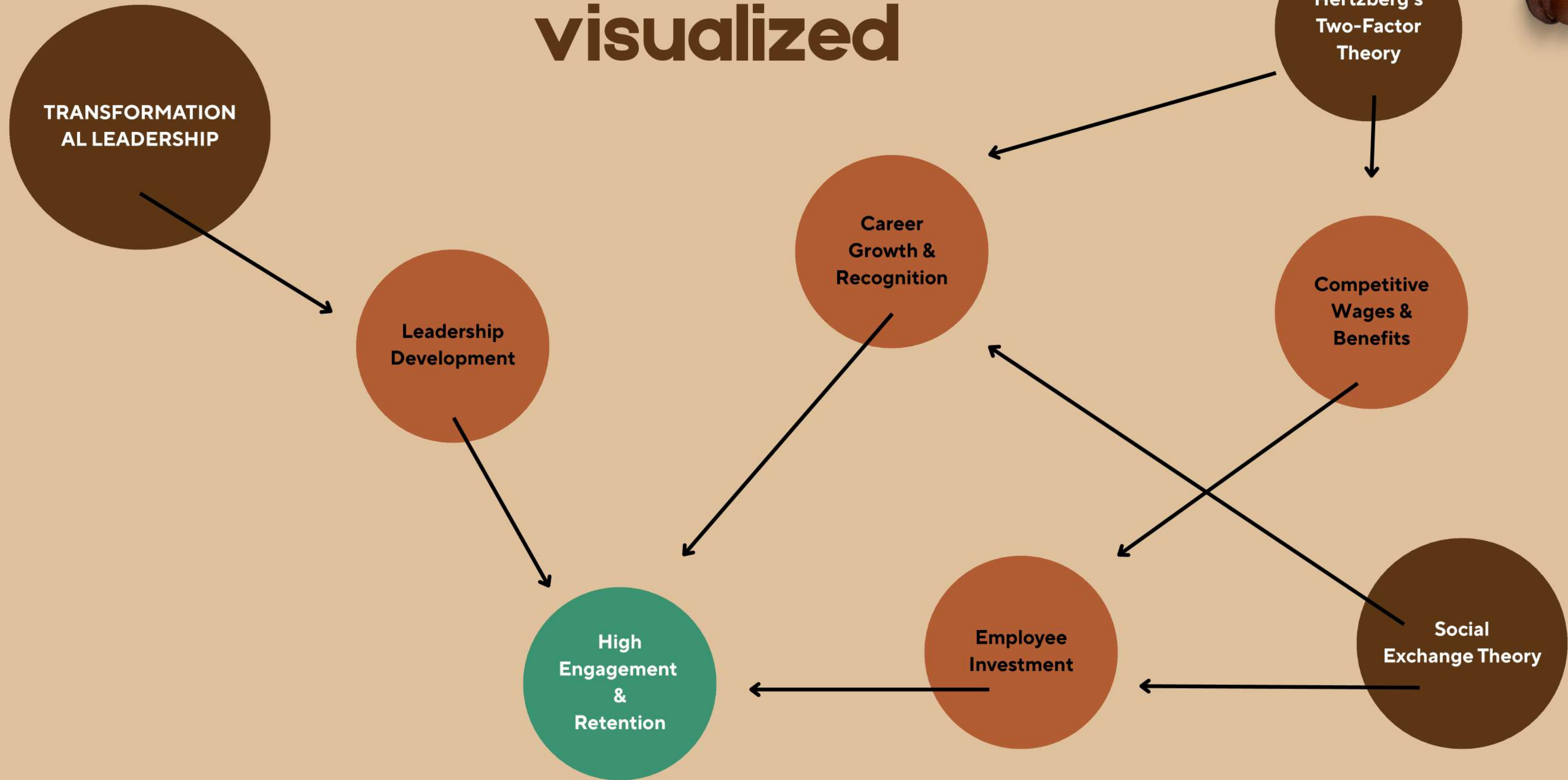
Transformational Leadership

Starbucks fosters a culture of leadership development, inspiring employees to be engaged and motivate.

Impact: Enhances employee engagement, innovation, and performance.



Theoretical Underpinnings visualized



Strategies to enhance retention & Job Satisfaction

01



CAREER
GROWTH AND
PROMOTION
PATHS

02



WORK LIFE
BALANCE
AND WELL
PROGRAMS

03



COMPETITIVE
COMPENSATIO
N & INCENTIVES

04



ENGAGEMENT-
DRIVEN
RECOGNITION
CULTURE



THANK YOU

