



REPORT

Reducing Turnover in the Warehouse Industry

*Aligning Expectations
& Accelerating Your
Talent Pipeline*



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highmatch.com





About HighMatch

HighMatch offers *modern assessments* tailored to your organization's roles, competencies, and culture. Personalized by workplace psychologists, our solutions can be delivered at any stage of the hiring process, with support for every job level.

We provide highly relevant, data-driven insights that boost employee retention and engagement while streamlining your hiring process. Launched in 2004, HighMatch is trusted by leading enterprise organizations, including Keller Williams, Mercedes Benz, NVR, TSMC, and Comcast, to help solve their most pressing talent challenges.

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PURPOSE

This report will analyze the current hiring and retention challenges faced by the warehouse industry, providing actionable insights and strategic solutions to help operators attract, retain, and optimize their workforce for improved efficiency and long-term success.

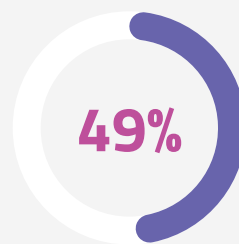
INTRODUCTION

The warehouse industry is facing a staffing challenge, with 1.7 million unfilled jobs, projected to rise to 2.1 million by 2030.¹ Turnover, driven by retirement and early exits, is also on the rise.^{1, 2}

As demand for warehouse jobs rises with the growth of online shopping, younger workers often have different priorities than their predecessors, which can clash with the job's realities. Taking the opportunity to update key hiring practices to address these gaps would increase overall retention.



saw **staffing becoming harder** in 2024 compared to 2023³



saw **no significant change** in 2024 compared to 2023³

Unprepared candidates often lead to high turnover, with **approximately 30% of new hires across industries leaving within the first 90 days.**⁴ This early turnover reduces staffing, disrupts inventory, and frustrates customers⁵ driving business losses in an increasingly competitive market. Efficiency and productivity are not the only losses to high early turnover: **replacing a salaried employee can cost up to six or nine months of their average salary,**⁶ causing profits to plummet as turnover piles up.

Some turnover is normal. However, warehouse operators must learn how to accelerate their talent pipeline. **High early turnover from misaligned expectations and job duties can be improved with strategic solutions that attract, retain, and optimize better talent.**

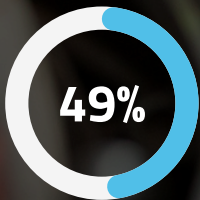


Current Hiring Challenges in the Warehouse Industry

Human and market pressures have aggravated the risk of turnover and its effects. These pressures compound the hiring challenges that warehouse operators are facing.

THE IMPACT OF RISING TURNOVER

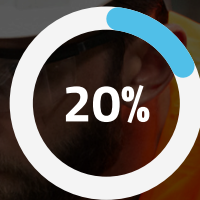
Turnover is a persistent challenge in the warehouse industry, with significant consequences for both productivity and profitability.



of warehouse employees turn over on average⁷



of large, intensive warehouses turnover annually⁷



of exiting employees leave within the first 45 days⁸



of exiting employees leave within the first 90 days.⁸

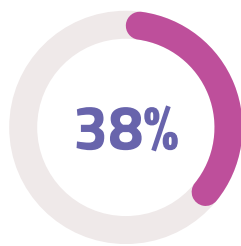
The financial impact of turnover is substantial, with **each lost employee costing up to \$18,600**, factoring in training, separation, and replacement costs. As a result, turnover directly undermines profitability, preventing operators from capitalizing on predicted industry growth.

Moreover, labor shortages exacerbate the issue, creating a vicious cycle where short-staffed operations rush to hire. This combination of turnover and staffing shortages weakens a company's ability to meet customer demand, leading to **employee burnout, increased turnover, and additional strain on warehouse operations.**

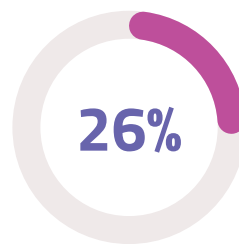


WORKFORCE CHALLENGES: RISING WAGES, TURNOVER, & SKILL GAPS

As Millennials and Gen Z increasingly dominate the workforce, they tend to favor white-collar roles due to their desire for better pay, benefits, growth opportunities, job security, and workplace fairness.⁹ Many feel neglected in labor-intensive sectors, a trend worsened by the industry's reliance on temporary staffing rather than investing in strong talent pipelines.⁵



of employees leave for **better pay or benefits elsewhere**¹⁰

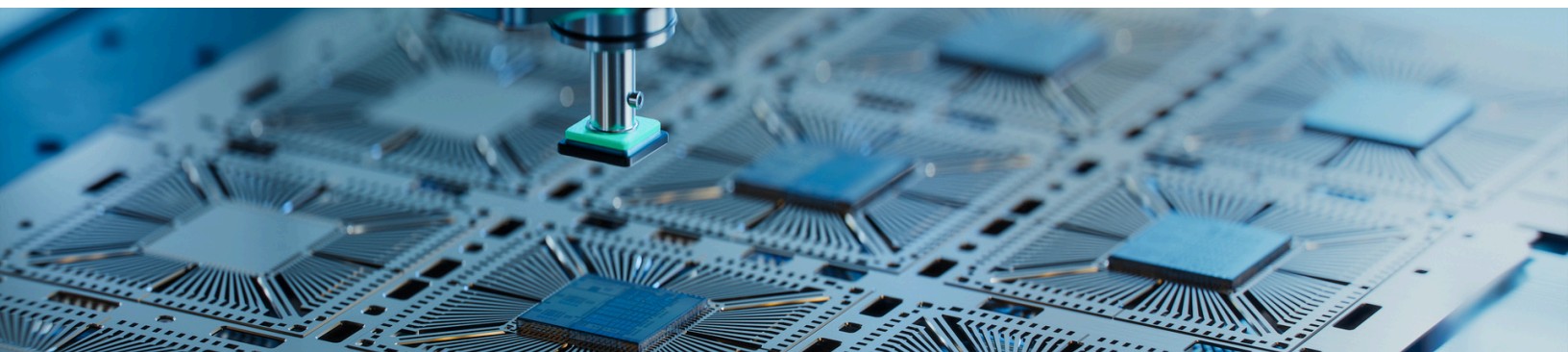


of employees leave due to the **competitive job market**¹⁰

This high turnover, coupled with staffing shortages, has **driven wages up by 10%**¹ pushing the **average hourly rate for entry-level jobs to \$17.62** as of May 2024.¹¹

At the same time, the workforce is aging, with Baby Boomers making up 25% of the workforce and Gen X comprising 33%¹² - organizations are losing valuable talent as these workers retire. Attracting skilled candidates has become more difficult as younger generations, steered toward white-collar jobs, often view manual labor less favorably.

Rising wage expectations have further elevated the cost of attracting talent, and **64% of supply chain operators still face a significant skills gap**, particularly in digital and technological competencies.¹³ As automation becomes essential for efficiency, this gap further complicates efforts to **align workforce capabilities with operational needs.**





Factors Contributing to Hiring & Retention Issues

On-the-job factors are also contributing to warehouse hiring and retention issues. These problems can make candidates see warehousing in a poor light, reducing your pipeline or increasing early turnover when new employees realize the job is not what they expected.

PHYSICAL DEMANDS & WORKPLACE CONDITIONS

Warehouse work involves long hours of repetitive manual labor, often in extreme temperatures. Candidates who are unprepared for these physical demands are more likely to underperform or leave the job early.

Additionally, outdated operating practices that fail to utilize automation lead to increased worker fatigue. This fatigue not only comes from the labor of lifting and hauling stock but also the time wasted walking through vast volumes of stored stock to locate specific items. Mismanagement contributes to employee overtime and dissatisfaction, increasing early turnover. Turnover doubles work for remaining employees, fueling a cycle of quitting.



of employees leave due to **increased workplace demands**¹⁰



of employees leave due to **feeling overworked**¹⁰



MISALIGNMENT OF EXPECTATIONS & INADEQUATE ONBOARDING

The low barriers to entry in warehousing make it easy for candidates to leave if job expectations don't align with the reality of their tasks, with **41% of employees leaving early because the job was not what they expected.**¹⁴

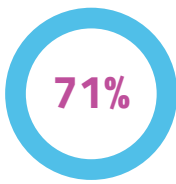
Inadequate training and onboarding only compounds this issue. New employees face a learning curve, especially in warehouses utilizing digital or automated systems. Rushing them into roles without sufficient preparation leads to frustration and underperformance.

Onboarding is also a critical time to integrate new hires into the company culture, around three-quarters of employees who leave early report doing so because the **company culture or leadership did not meet their expectations.**¹⁴

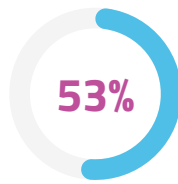
A strong, team-oriented culture that prioritizes safety and ergonomics is essential to retaining talent and reducing turnover.

LIMITED CAREER ADVANCEMENT OPPORTUNITIES

Treating employees as though they are destined to churn contributes to turnover because those employees feel stagnated and replaceable. Younger generations, who warehouse operators increasingly must turn to, highly value professional development.



Workers



Warehouse Managers

Currently, 71% of workers and 86% of warehouse managers show high motivation for professional development.¹⁵

Depriving employees of career and skill growth will cause them to seek that growth elsewhere.





IMPACT OF SEASONAL & TEMPORARY WORKFORCE NEEDS

Most employees see warehouse roles as stepping stones of skill development. Attracting these candidates requires **training and development opportunities** that effectively emphasize the broader applicability of the skills to be gained.²

Moreover, the acceleration of online shopping and holiday highs frequently make warehouse work a **seasonal** employment choice. Seasonal warehouse workforces **often require flexible hours and are temporary**—unless offered the right combination of benefits to transition into annual seasonal employees.

Impact of High Turnover on Warehouse Operations

High turnover drives costs up and business down by disrupting operations, demoralizing employees, and creating friction with customers.

FINANCIAL IMPLICATIONS OF TURNOVER

Turnover decreases profits and increases operational costs. Turnover overburdens employees, requiring more overtime pay and bonuses to incentivize them to remain.¹

Employees lost to turnover drive large annual costs. A November 2023 survey found that the **average annual productivity loss and hiring costs for companies was \$36,295**, and **over 20% of respondents saw costs climb to over \$100,000 a year.**¹⁵ Unchecked turnover means unchecked losses.

OPERATIONAL DISRUPTIONS & PRODUCTIVITY LOSSES

Loss of employees equates to lost knowledge and skilled labor because of the time and costs to source, onboard, and train new talent. **Short staffing has lengthened order fulfillment times by up to 60%.**¹ Managing stock and navigating logistical challenges becomes more stressful, increasing the chance for errors or further turnover due to employees becoming overworked.



EFFECTS ON EMPLOYEE MORALE & WORKPLACE CULTURE

Warehousing thrives on team-oriented culture. The more employees lost, the less interconnected and motivated remaining employees become. If the workplace culture only focuses on the reduced output and fails to consider the human factor, **employee morale will further degrade, increasing turnover.**

A worst-case scenario could potentially be turnover of over 100% annually,⁷ skyrocketing the costs and destroying workplace cultural cohesion.



CUSTOMER SATISFACTION & SERVICE DELIVERY IMPACTS

The boom of online shopping and the long-term effects of the pandemic and other global issues on supplies translates to increased pressure on warehouse customers to supply consumers. Therefore, customers put greater demands on the supply chain.

Almost **40% of companies are experiencing labor shortages** that drive disruptions to their supply chains.¹ **High turnover costs, lost productivity, and low employee morale guarantee poor output—or even lost business.**



Strategic Solutions to Improve Hiring & Retention

IMPROVED HIRING PRACTICES

To tackle the *current hiring challenges*, warehouse operators must adapt their hiring practices to accelerate their talent pipeline using five significant steps:

- 1 Enhance job descriptions and recruitment strategies.** Utilize resources like **Glassdoor.com** and **exit surveys** to understand your organization's strengths and weaknesses so you can accurately, transparently describe jobs and company culture. Offer flexible scheduling, good pay, and modern benefits to attract the current workforce.
- 2 Leverage technology for talent acquisition and retention.** Analyze candidates with **pre-employment screening assessments** to streamline your talent pipeline, matching their skills and competencies against your criteria. Demonstrate role requirements with **realistic job previews** to showcase job realities or **situational judgment tests** to gauge a candidate's problem-solving competencies and fit.
- 3 Implement comprehensive onboarding and training programs.** Focus your training on replicating what makes current employees rockstars. Providing thorough steps for up-skilling and re-skilling new employees through **skill demonstrations** and **on-the-job training** tailors employees to your needs. Emphasize **workplace safety and ergonomics** to minimize incidents and maximize new employees' confidence.
- 4 Promote employee engagement and workplace culture.** Managers and workers must have strong trust in each other and be competent in communication and dispute resolution. **Cultivate a company culture that prioritizes safety and values employees.** Listen to employee concerns and act to remedy them effectively.
- 5 Develop career pathways and advancement opportunities.** Offering **workshops** and **professional development opportunities** gives you a pipeline for talent promotion, helps you up-skill employees in new automation and technology implementation, and attracts temporary but valuable talent who might otherwise have not applied. Developing a **continuum of improvement** will accelerate your talent and your retention of it.



EFFECTIVELY UTILIZING TOOLS

Long-term solutions to industry turnover and the hiring challenges that contribute to it require well-developed tools to work as a team with the above practices.

The three most valuable tools to you are custom skills assessments, early screening questionnaires, and realistic job previews.



Custom Skills Assessments help you more efficiently source talent by narrowing your pipeline to the most valuable candidates by comparing candidates' skills and competencies to your needs. *This funnel ensures only the most worthwhile candidates are passed on to your hiring team.*



Early Screening Questionnaires help you evaluate a candidate's personality, teamwork skills, problem-solving approach, and other competencies. *Such questionnaires better prepare you for meaningful, in-depth, individualized interviews.*



Realistic Job Previews ensure that candidates fully, transparently understand a job's requirements. These previews often take the form of videos that demonstrate daily tasks, the work environment, necessary skills and competencies, and common situations that employees will be expected to handle.





How HighMatch Can Help

HighMatch has over 15 years of experience helping warehouse and transportation companies...

- streamline their hiring process
- improve candidate quality
- reduce turnover

Unlike other vendors, we tailor our products to *your* chosen language and competencies, not ours. Our **personalized assessments** use modular and custom-built components in coordination with the expert guidance of our I/O Psychologists.

By choosing HighMatch, you choose a modernized, strategic partnership committed to improving the experiences of candidates and hiring teams.

Customizing skill assessments gives you a unique data algorithm.

Tools like **HighMatch Assess** help you match candidates with your preferred language, skills, competencies, and criteria. This lets you more effectively evaluate and streamline your talent pipeline early in the hiring process, saving you significant time and effort. Additional assessments can score candidates against the competencies, team approaches, and personality traits that best match your work environment, efficiently adding a more in-depth dimension to your recruitment.

Early screening is quicker understanding. Tools like **HighMatch Screen** let you streamline your talent pipeline according to both your organization's needs and what skills and competencies make your current talent effective. A screen of particular use for the warehouse environment is **minimum qualification screening**. This provides candidates with the basic job tasks, hours, pay, and other relevant details. The candidate is given the option to self-select out of the hiring process if they feel it is not a good fit. **Utilizing such tools enhances the hiring process for you and your candidates by using transparency-focused streamlining to more efficiently match you to worthwhile prospects.**

Realistic job previews reduce misalignment. Tools like **HighMatch's Job Preview** capability offers transparency and accuracy at an interactable level for candidates by offering an *in-depth demonstration of a position's daily challenges, tasks, and environment*. These tools bridge the gap between a candidate's expectations and yours, reducing misalignment and increasing the likelihood of acquiring skilled talent.



CASE STUDY

The fast-paced, labor-intensive warehouse industry faces unique challenges. *HighMatch has a proven record of helping distributors alleviate turnover.*

A large food distributor with 67 depots across 32 states hired 1200 employees a year—**70% turned over**, most within 30 days. In three years, that turnover cost over **\$4 million** in payroll.

HighMatch helped the hiring team innovate their process into four efficient steps to reduce candidate misalignment.

- Candidates underwent a **minimum qualification survey** before viewing a realistic job preview to ensure they understood the position.
- Then, they took a **behavioral assessment** that identified whether they had the key traits for the position. Only those who passed all prior steps were interviewed.

Within a month, the company saw a 72% reduction in early turnover and projected savings of \$332K for Year 1.

Conclusion

The warehouse industry faces ongoing staffing pressures due to high early turnover arising from misalignment of candidate expectations and job requirements. This crisis is compounded by the industry's fast-paced, manual labor environment. For warehouse operators to improve their long-term retention rates, they must adapt their hiring process to leverage modernized hiring practices utilizing the most efficient tools.


Uncontrolled turnover creates significant annual costs for companies, both financially and in terms of labor churn. When turnover goes unchecked, it wrecks employee morale through an uptick in overwork and burnout. In the warehouse industry, this results in significant employee turnover, particularly within the first 90 days. *Implementing proven solutions can reduce costs, improve margins, and allow reinvestment in employee development and company growth.*

Utilizing consistent, customized, and transparent hiring practices and tools like realistic job previews and pre-employment screening will save significant time and money.

By streamlining your talent pipeline to the best fit candidates, you accelerate your team growth and can combat the looming risk of unfilled positions. Realistic job previews in particular avert the high risk of misalignment of candidate skills and expectations. When your candidates know what you are asking them, you know what you are getting in talent.

CONNECT WITH US:

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RESOURCES

¹ <https://www.laceupsolutions.com/warehouse-labor-shortages-how-wms-help-addressing-workforce-challenges/>

² <https://datadocks.com/posts/how-to-reduce-warehouse-turnover>

³ <https://www.instawork.com/blog/2024-state-of-warehouse-labor-report-a-beacon-of-stability-and-growth>

⁴ <https://pages.jobvite.com/rs/659-JST-226/images/2022-12-2022JobSeekerNationReport.pdf?version=0>

⁵ <https://www.bls.gov/cps/cpsaat18b.html>

⁶ <https://mnwi.usi.com/Resources/Resource-Library/Resource-Library-Article/ArtMID/666/ArticleID/782/Cost-of-employee-turnover#:~:text=The%20Society%20for%20Human%20Resource.in%20recruiting%20and%20training%20costs>

⁷ <https://kpisolutions.com/resources/warehouse-turnover-hurts-more-than-you-think/>

⁸ <https://www.tza.com/tackle-warehouse-employee-turnover-in-the-few-weeks-of-employment/>

⁹ <https://www.sdexec.com/warehousing/article/22525318/comdata-warehouses-want-to-know-how-can-we-find-more-workers>

¹⁰ <https://www.instawork.com/download/state-of-warehouse-labor>

¹¹ <https://www.payactiv.com/blog/industry-report-2024-employee-turnover-and-retention-rate-trends/>

¹² <https://imagine.jhu.edu/blog/2022/11/17/the-changing-generational-values>

¹³ <https://www.forbes.com/sites/ryanraig/2024/02/08/the-supply-chain-of-supply-chain-talent-is-broken>

¹⁴ <https://peopleelement.com/blog/how-to-keep-employees-from-leaving-in-the-first-90-days/>

¹⁵ <https://www.prnewswire.com/news-releases/top-retention-strategies-for-warehousing-and-logistics-workers-revealed-in-new-survey-302063060.html>

¹⁶ <https://www.hrdive.com/news/employers-expect-employee-turnover-2024/709154/>



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