Case Study
Public Storage – Attrition Study

HUMAN CAPITAL
MANAGEMENT INSTITUTE

Overview

About Public Storage

Public Storage built its first self-storage facility in 1972. Today it operates 2,700+ locations in the United States and Europe, totaling more than 142 million net rentable square feet of real estate. Its PS Business Parks interest adds another 28 million (approx.) rentable square feet of commercial and industrial space. Based on number of tenants, Public Storage is among the largest landlords in the global market.

Given its long and successful history, its customer focus, its leadership position in the self-storage industry and its membership in the S&P 500 and FT Global 500; Public Storage is a respected and trusted operator of self-storage facilities.
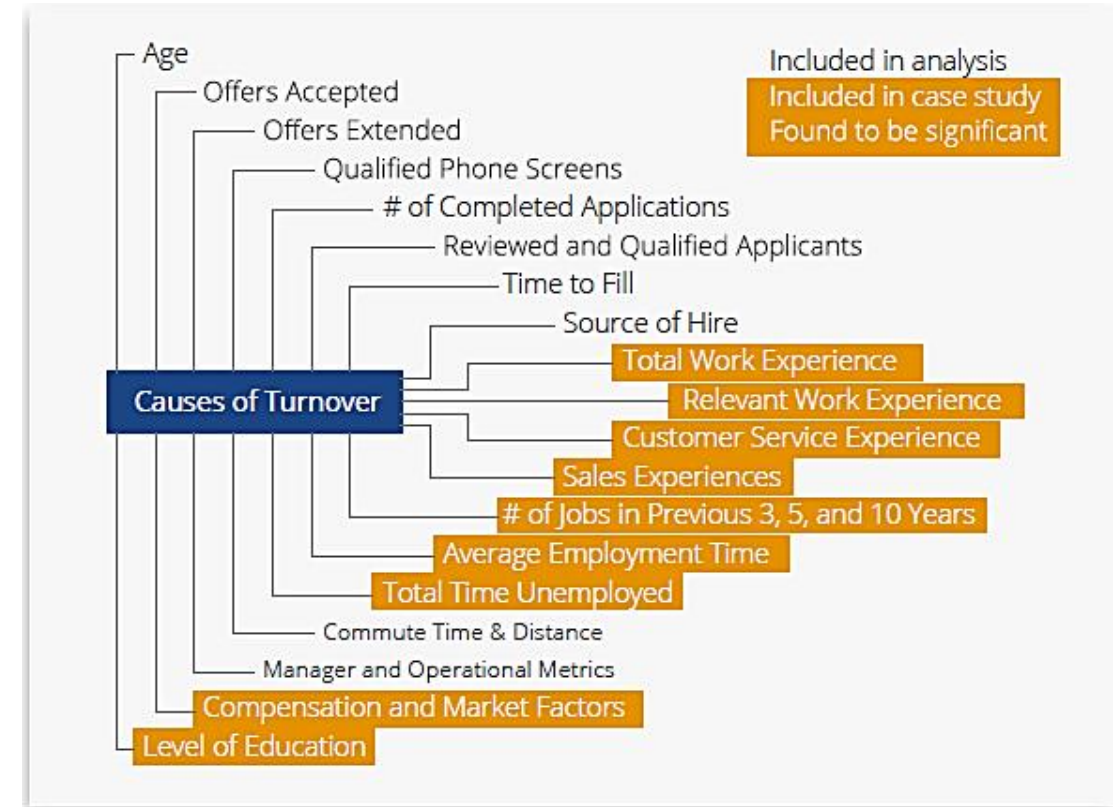
Overview

The Challenge

Public Storage saw a 28% increase in voluntary turnover for property managers from 2009 to 2016. This turnover increased costs as well as decreased performance for certain regions.

Questions:
- Are there potential "candidate traits" that predict better retention and tenure?
- Does the amount of employee compensation affect voluntary turnover?
- What is the optimal candidate profile for recruitment?

The approach consisted of two factors:
- Compare potential hire metrics to see which are most predictive of increased employee tenure
- Analyze industry standards and compare the low/high performing regions

The Outcome

More than 20 factors were studied as a part of the analysis. Those factors that were predictive of a successful hire, were used to create a "candidate profile." After analyzing pay rates for the Metropolitan Statistical Areas throughout various regions in which Public Storage operates, a slight increase in wages for property level managers was found to improve retention. **These changes resulted in a 10% reduction of voluntary turnover.**

ROI

The findings from the analysis resulted in decreased business HR and administrative costs, for a savings of over $290,000 in just 10 markets, with projected savings of **$15.0 to $20.0 million** across Public Storage in future years.**.**

Background

Unemployment Rates and Turnover: 2007-2016

In 2008 the Great Recession took a toll on the economy and increased the unemployment rate, by 2009 it was around 10%. Since 2009, the national unemployment rate has steadily declined. It was observed within the below timeframe that the overall turnover rate had an inverse relationship with the unemployment rate. That is, as unemployment increased, turnover decreased; and as unemployment decreased, turnover increased.

Turnover/Unemployment Relationship Since Analysis
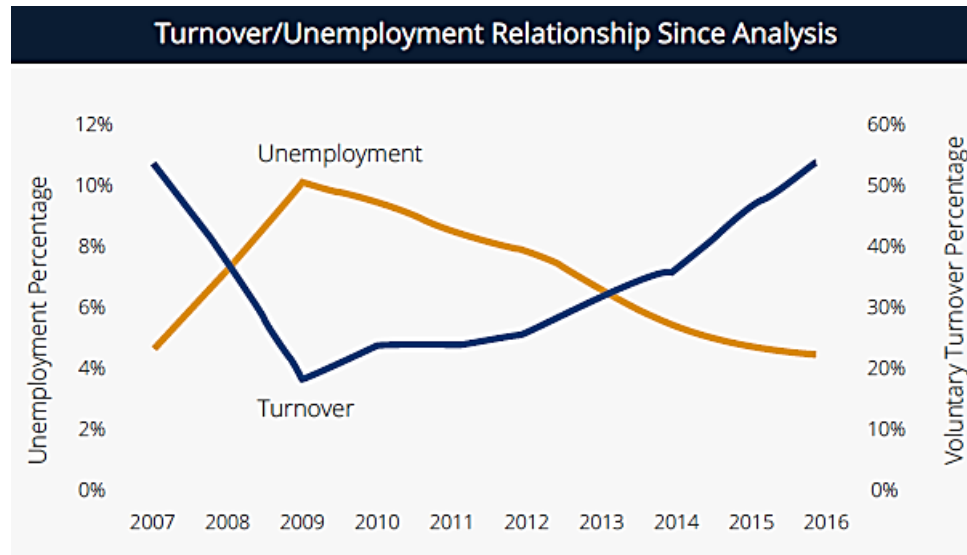
Summary

This analysis focuses on attrition and retention rates at Public Storage facilities across the US. The analysis modeled more than 20 internal and external factors. However, there remains the possibility that results and the overall turnover rate could change going forward, based on market conditions. The analysis addresses specific market and economic trends accordingly.

Current market trends showed:

- Unemployment peaking in 2009 and decreasing since.
- Turnover, correspondingly, was lowest at 2009 and has been increasing since.
- Unemployment and Public Storage turnover were found to be inversely correlated, as unemployment rate decreased turnover increased.
- Additionally, other internal factors that impacted turnover, within project scope (i.e. specific geo-location, market pay, local and national economic conditions) were identified and quantified.
- Turnover rate in Public Storage facilities was mirrored across peers and the retail industry.

Analysis

Turnover Drivers Analysed

After a thorough investigation of the many possible drivers of turnover, two key trends began to emerge. First, low candidate quality was related to high rates of new hire early termination. Second, regions with smaller gaps in compensation compared to the regional average have 47% lower rate of turnover.

Thus, the following areas warranted further analysis:

- Successful candidate profiles
- Compensation for property level employees

Candidate Profiles

The profile traits that were found to be the most predictive of a successful candidate were the candidate's level of education, work experience and amount of previous job movement. These criteria were compiled to create a candidate profile that would streamline the hiring process and orient it to produce more successful candidates, thereby decreasing turnover by an estimated 10 to 20 percentage points.

Employee Compensation

While comparing the top performing regions and the underperforming regions, it was determined that there was a significant difference in pay for property level employees. This difference was thought to be the cause of the increased turnover rates. Thus, a model was made to find the optimal pay increase to decrease turnover while keeping costs low and not offsetting each other.

Profile Trait	Correlation with Candidate Success
Education	✔
Experience	✔
Job Movement	✔
Time Unemployed	✘
Unemployment Time	✘
Sales Experience	✘
Customer Service Experience	✘

Results

Predicting and Modelling Turnover Drivers

As seen in the graph below, turnover dropped in 2008 due to the economic recession, when unemployment was at a high. Since then, turnover has steadily grown as unemployment has decreased.

However, since 2017 when the analysis was completed, unemployment has continued to decrease while turnover has now decreased. As a result, Public Storage changed its relationship between unemployment and turnover. As unemployment has continued to decline, peers and other industries such as retail continue to see increasing turnover rates, as Public Storage turnover rates have declined.

	2009 – 2016	2017 – 2018
Voluntary Turnover	28% 🔺	10% 🔻
Unemployment	6%	4%

Outcomes

After compensation for property level employees was changed and new candidate profiles created the following results have been seen:

- Voluntary turnover has gone down by 10% (2017-2018)
- Annual cost savings range of $290,000 - $455,000 in 10 markets, with project savings of $15.0 million to $20.0 million across Public Storage n future years.
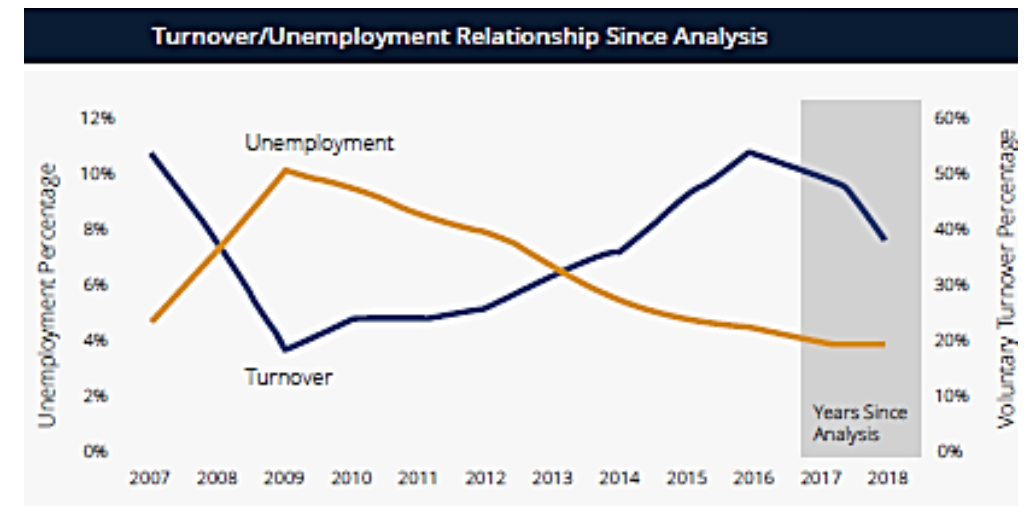
Data has been changed for confidentiality, but trends remain the same

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Thank You

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