

Engage Business Tele-Learning Series – November 17, 2005
Call #2 - Case Study: Model Programs for Hourly and Low Wage Workers
Summary of Conversation with Jennifer Swanberg

Jennifer, the report begins with a short story of “Bob and Bill”. Both experience a flat tire en route to work. Both are hard workers. Both have stable home lives. Bob gets the tire fixed with his credit card and continues on with his life. Yet, for Bill – a lower wage employee – the incident has a notable impact on his finances, requires him to exert an extraordinary amount of personal time to compensate for the loss of the car and undermines his chances of a promotion of work.

It’s a great anecdote to demonstrate how the difference between low wage and high wage employees goes well beyond the simple dollar amounts on their pay stub. Jennifer, what is the story behind this anecdote?

- *In the ongoing discussion of how to attract and retain employees in today’s competitive – increasingly global – economic environment, the conversation often focuses on white, middle class, higher-paid, technical and professional employees who are perceived to be at the “core” of the business.*
- *Yet, lower-wage and hourly workers – often referred to as the “invisible workforce” are also valuable. They often are the ones with direct contact with customers and products, are the “face” of the company, and play a large role in determining product quality and customer relations. In short, they are the key to the success of almost every business.*
- *Not only are hourly, low wage workers valuable, they often struggle more intensely with issues of work-life balance. With this report, we wanted to grab peoples’ attention and help them understand that something as simple as a flat tire can ultimately impair someone’s capacity to get to work.*

Jennifer, many employers may not feel great about the invisible workforce “losing the game”, but at the same time may feel the business case for doing anything to address these work-life balance issues is weak. You found that there often is a “business case”. Can you describe it?

- *Some studies project that hourly, low-pay positions will grow until 2008, making up 43% of all new jobs in the United States. Most of these are within the service sector.*
- *Demographic changes in the workforce mean that traditional sources of qualified personnel are less likely to provide an adequate number of skilled entry-level workers.*
- *If companies are relying on their hourly workers to provide services to their customers and they want their customers to keep coming back, purchase goods, etc., they have to invest in their employees to improve the market share. It becomes a business issue in that a lot of these positions are customer service related, these workers are the face of the company and peoples’ first impression is from customer service. If you don’t pay or take care of your*

employees, they're more likely to leave, so it's a matter of retention, but also your customers may not come back.

- *Innovative workplace programs and policies that help employees achieve a better work-life balance are one way to do that*

What specific benefits can a company expect with effective work-life programs?

- *We found four benefits of such programs:*
 - *Attraction: In a competitive environment, having good work place policies & practices can make it easier to recruit employees. It has become easier for Wachovia Corporation, for example, to fill entry level positions since they began their flexible work options programs.*
 - *Retention: Attracting employees is one thing, keeping them is another. In a survey of Bank of America employees, employees who used the Child Care program were twice as likely to stay with the company as parents who did not use the program.*
 - *Productivity: More satisfied, less stressed employees means more competent employees who not only excel in their current positions but may also apply for other job opportunities within the organization. They then offer improved customer service, leading to greater customer loyalty and more "word-of-mouth" customers.*
 - *Reduced Absenteeism: Good programs can help employees to better balance home and work life. For example, programs that help workers hire quality childcare or that assist them with emergency loans result in employees in the workplace for a greater number of days and better able to focus on their jobs.*
- *Developing model programs for hourly/low wage workers to help with work-life conflicts is a win-win: a win for employees and a win for employers.*

This issue is compelling enough to motivate some organizations to explore in more detail what companies might do about this. Who commissioned it and who is the intended audience?

Two partners were involved: The Boston College Center for Work & Family and one of its key partners and supporters, Corporate Voices for Working Families.

- *The Center is a research think tank that seeks to deal with the organizational mismatch between work & family. The Center's vision is that companies and communities rely on each other – and can work together - to ensure mutual prosperity and the well being of employees and families.*

- *Corporate Voices for Working Families is a non-partisan, non-profit corporate membership organization created to bring the private sector voice into the public dialogue on issues affecting working families. Collectively their 36 partner companies employ more than 2.5 million individuals throughout all fifty states, with annual net revenues of \$750 billion. Over "70%" of their partner companies are listed in Fortune 500, and all share leadership positions in developing family support policies for their own workforces. This experience is the primary asset Corporate Voices brings to the ongoing dialogue with policy makers and other stakeholders.*

The intention of the report is to show some of these larger companies that there are ways to create policies & practices to support hourly workers. Also, the timing was right. That's why the report commissioned - it started out trying to understand where we should start.

Many people on the line are probably thinking that these programs are supportive, but don't really get at the root cause – poor wages – and wonder why we simply don't push for employers to pay better wages?

- *First, it is important to note that this report is not meant to argue that employers should not consider raising wages and simply focus on a variety of innovative workplace practices. Wage increases may be appropriate and possible in many cases. We were simply seeking to identify programs that improve work-life balance.*
- *Next, some believe it's the larger government responsibility to provide incentives or provide mandates for companies to change wages. I'll give you an example – Levi's, a family owned business, had their plants in the US, where their jeans got to be so expensive that as a point of survival they had to join the rest of the companies that had gone overseas. That was big issue for them, as the owner of Levis felt so strongly that he didn't want to relocate the plant. As a consequence, he created a variety of different initiatives overseas to help overseas workers.*
- *Finally, beyond the question of whether improved wages and benefits are ultimately the right solution, we know that many companies may find it easier to start with better in-house programs and policies and build on that over time.*

Your research team ended up highlighting fifteen programs organized into five different types of programs and policies:

- Dependant Care
- Employee Development
- Financial Assistance
- Financial Incentives
- Scheduling/Leaves

You did a very good job describing the case studies in the report. We strongly encourage people to read through them. The tables in pages 13-16 are particularly helpful. Can you give our listeners a taste of what's in the report by describing each program/policy option and highlight an illustrative case study?

a) Scheduling/Leaves

- *Time is at even more of a premium for lower wage employees than other workers. Many work overtime or at more than one job as a way to increase their income and make ends meet. It also can often result in a substantial amount of stress that might lead to personal problems (e.g. illness, absenteeism, etc.). Working women often experience extra stress given that ¼ of them work non-traditional schedules – such as evenings or weekends – and still have to manage a disproportionate amount of household and family duties.*
- *One of the most effective ways that companies can increase the flexibility in their employees' hours is by having managers and supervisors who are understanding and sympathetic to an employee's work/life conflicts.*
- *Companies can increase the flexibility in their employees' hours by creating alternative work schedules – including tele-commuting, compressed work weeks, limits on overtimes, flex-time, shift swaps, condense working hours into fewer days and working more hours per day, and the creation of part time work opportunities.*

In the Kraft Food case study:

- *Kraft took a “pulse” of their employees and found that their shift workers were the least happy. Found that there was a correlation between their dissatisfaction and the rigidity of their job hours, shifts, etc. Kraft hourly employees could not go to events such as a children's play without taking a whole sick day off.*
- *Kraft challenged each manufacturing plant to come up with flexible work plans, designed in partnership with the plant workers. Each plant had to have a draft plan completed within six months.*
- *The plans that emerged were both practical and innovative. Five or six flexible work arrangements formed the “fast adapt” program. Examples include:*
 - *Shift swapping: allows employees to swap shifts for a day*
 - *Single-day vacations: previously, Kraft employees could take no less than one week of vacation at any one time*
 - *Employment of relatives: allows family members to work in the same Kraft department. This was particularly important for small communities where Kraft was often the primary employer.*
 - *Tuition reimbursement for internet classes: many employees wanted to further their education. With week-to-week shift changes, employees could not enroll in classes. Kraft offered reimbursement for internet classes as an alternative.*

b) Dependant Care

- *The most common types of dependant care required by employees are childcare and elder care. Both have enormous financial and emotional costs for lower wage workers, particularly those that hold jobs that do not offer benefits and require them to work non-traditional schedules. Work/family conflicts surrounding dependant care can be especially problematic for female employees who comprise a substantial portion of those working non-standard hours.*

In the example of Bank of America & Marriott:

- *These organizations found alternative ways to offer child care to their employees. Bank of America's Child Care Plus program reimburses employees a portion of the child care cost. The parent pays the child care provider and then submits a form for reimbursement that ranges between \$80 and \$150/month/child, depending on the age of the children and type of child care.*
- *These companies were able to increase the quality of care offered to children. In order to receive the reimbursement, the employee must prove that the child care center is of a certain "quality".*

c) Employee Development

- *Employee development programs can include a wide variety of initiatives, focusing both on the development of employees' work skills and the provision of social support. The social and personal pressures experienced by lower wage employees at work and beyond are magnified by the lack of financial resources to pay for formal supports.*
- *Two major employment development programs are Employment Assistance Programs (EAPs) and on the job training. EAPs are worksite based programs to assist in the identification and resolution of productivity problems associated with employees impaired by personal concerns, including health, marital, family, financial, alcohol, drug, legal, emotional stress, etc.. EAPs are typically provided through a third party vendor that specializes in providing personal and confidential services to employees.*
- *Job training takes two forms: in-house, on the job training, or, training outside the organization, such as a college or night schools. They might focus on specific work skills – such as operating a certain type of machinery – or basic skills such as literacy or language skills.*

Harvard University "Bridge to Learning and Literacy" example:

- *Many employees did not have English as a first language. Harvard initiated a program to assist their employees in improving their skills. All the classes run 2hours/week over a 16 week semester and cover topics such as:*

- *ESL*
- *Integrated Skills*
- *General Education Development*
- *Citizenship – “how to”*
- *Personal Finance*
- *Stress Reduction*
- *Harvard found that employees who took these courses were more committed and motivated. They found that their investment in this program yielded a great return.*

d) *Financial Assistance*

- *The financial constraints facing lower wage employees can be potentially overwhelming. For example, the costs of beginning a new job – arranging transportation, finding adequate clothing, and other work-related costs – can be problematic for lower wage workers who usually have less significant savings or cash flow to compensate for expenses or to create emergency funds to help weather unforeseen emergencies (e.g. loss of car, floods that damage their homes, etc.). They may even have difficulty obtaining credit.*
- *One solution for unforeseen difficulties for lower wage employees is for organizations to provide emergency loans or short term grants to employees, or, information on financial assistance that they might secure from public sources.*

Levi Strauss as an example:

- *Employees at Levi Strauss can now access funding for “just in time needs”. One employee could not afford to fly to his father’s funeral. He applied for, and was given a grant to purchase a plane ticket.*

e) *Financial Incentives*

- *Like all employees, some lower wage employees use work as a way to escape from more burdensome family issues. However, due to lower wages and the additional strain placed on these workers in balancing work and family, they may at times find it difficult to motivate themselves to come to work. In an effort to provide additional motivation, some organizations offer cash incentives to hourly workers for exceptional on-the-job performance. These programs allow employees to increase their income and provide the incentive to stay employed, at least in the short term.*

In the example of Home Depot:

- *Home Depot implemented an incentive program for employees. The program works on accumulating funds. Employees can share funds and get a bonus up to \$165.00/year. This is a significant amount for many employees.*

Thanks for this summary of programs, Jennifer. It really whets a person's appetite and encourages those who have not read the entire report to do so. The study also identified a number of simple patterns or conclusions about model programs and policies. Can you share a few highlights?

- *All companies started their programs or policies with a business case in mind: attract and retain good employees, improve productivity, reduce absenteeism.*
- *Programs need to be designed carefully with employees' needs and priorities in mind. For example, Marriott Hotels learned in the 1990s that they could build a child care center, but unless you know that your employees will use it, it could be a costly mistake.*
- *The majority of companies experience some start up problems. The most common include front line managers being reluctant to try something new or untested, inadequate resources to pay for the program through conventional budget lines, and poor communication with employees and management team.*
- *Many programs have changed over time in response to what they have learned and the changing needs of their employees.*
- *The culture of the organization is as important as the programs itself. For example, a company could have all these programs, but if employees perceive they'll be thought of differently because they access them, then they won't use them, making the programs meaningless. The programs should be seen as expressions of a company that is interested in improving the work-life balance of their employees.*

Jennifer, lets get back to the question about whether this is all worth it from the employers' perspective - whether the benefits that a company might enjoy in fact are greater than the costs of these programs. In the report, you asked Employers to share their own ROI analysis. What do you find?

- *As noted earlier, the precise business case for a program and service must be determined on a case-by-case basis.*
- *Many believe there is a positive ROI, but it's not easy to come up with a calculation. Companies surveyed often had information on the costs of the program, but not everyone had data on the value of the benefits (e.g. did the program help reduce absentee days and if so, what was the economic value of that).*
- *One of the ways collaboration might help a company understand the potential benefits of developing a program is to deal with a staffing issue. For example, in the US service sector, there is staff turnover of 100-200% and in some industries that works out to about 2-3x yearly salary to replace a person. Simply providing that kind of information can help an organization understand the case for considering a range of policies.*

Beyond learnings, your research team also compiled a list of recommendations for companies interested in developing model programs and policies of their own? What are some of the recommendations?

- *Start with pilot programs to help the company “get its feet wet”.*
- *Use creative funding to “jump-start” the program (e.g. set up a foundation).*
- *Use multiple communication channels to “get the word out” on the rationale of the program and how to implement a new program.*
- *Develop monitoring and evaluation systems to track program utilization, secure feedback from employees, benchmarking against other organizations, and possibly explore Return on Investment.*

Question Period

Question: The biggest business in Niagara is the casino. This organization is working with the casino to provide employee transportation. Are there any examples of medium sized (50-100 employees) business that have taken steps similar to the initiatives you described in large plants?

The primary focus of our research was large businesses. However creative medium-sized firms can:

- 1) *Partner with the community: in Lexington, most businesses could not provide child care subsidies. The city created a community child care center that was affordable to all workers because of a sliding scale.*
- 2) *Small and medium-sized firms tend to be more family-friendly. They often create more flexible arrangements because it is “what works”.*
 - *Lowville is a community of approximately 500,000 people. The community has primarily small and medium-sized companies. They came together and implemented a “family-friendly practice” sticker program. Family-friendly businesses would receive a sticker and the organizers used this program to raise awareness about good business practice.*

Question: Jennifer, you’ve been speaking mostly about American businesses being engaged. Are these types of initiatives are being taken up by Canadian businesses? Are there Canadian-specific examples?

- *The companies I described may seem eager based on the stories I’ve shared but I wouldn’t want to paint too “rosy” a picture. There are barriers, cost being a primary concern.*
- *It is best to get data that shows the financial ROI of the incentive programs and show the “win-win” outcomes.*
- *There is a fundamental mismatch between the needs of working families and the needs of businesses. Businesses need to think “outside the box” and recognize this mismatch.*

Question: Do you see the rationale for targeting public sector employers such as hospitals, universities, and governments? Are the same issues at play?

It is important that public officials understand the value of flexibility.

Question: Is there evidence that after productivity increases due to improved employee-centered programs, wages then increase?

I don't know and I haven't read anything about this.

Question: I wonder about the promise of a culture shift. This shift may emerge and graduate into better wage scales.

Jennifer referred to Wal-Mart and Costco. Senior management at Costco has deliberately tried to make good jobs. The owner is committed to this goal and the business stopped advertising to make this a reality.

Question: How many of your examples involved businesses actively seeking the input of their employees, and how many involved “top-down” solutions?

- *All of the examples involved employee input. Each solution emerged because of someone being perceptive to the needs of employees. For example, Marriott employees couldn't rise because they were not fluent in English so Marriott instituted an ESL program.*
- *Most organizations are creative and intuitive. Some companies may have engaged employees after failed first attempts at resolving problems from the “top”.*