



FRONTLINE AND HOURLY WAGE  
**WORKFORCE**

U.S. CHAMBER OF COMMERCE CENTER FOR WORKFORCE PREPARATION

## **Recruitment and Retention of the Frontline and Hourly Wage Worker: A Business Perspective**

### **Introduction**

Throughout the country—communities both small and large— are in the midst of economic change. While traditional industries such as manufacturing continue to decline in many geographic areas, others, namely health care, retail, and hospitality, are growing rapidly—and are projected to continue growing for the foreseeable future.<sup>1</sup> And while employment opportunities in these industries abound, these part-time and full-time hourly wage and frontline positions (e.g., medical assistants, food workers, cashiers) are staffed by employees whose family incomes fall within lower-income brackets. Among hourly (nonexempt) employees, 30% earn low wages (less than \$10.00 per hour in 2006), and 28% live in low-income families (below 200% of the federal poverty threshold).<sup>2</sup> With the right support, these workers will be productive, stable, and upwardly mobile, providing maximum benefit to employers.

### **The Problem: High Turnover Impacts Business**

To remain competitive and to increase productivity, businesses need high-achieving employees—including the hourly wage and frontline workforce. Employers whose hourly wage workers are experiencing difficulties navigating life due to the economic insecurity of their families see the spillover in the workplace. The result is lost days, declining work quality, an increase in the number of conflicts, and rapid turnover—all of which translate into tens or even hundreds of thousands of dollars lost, depending on company size.

Turnover is expensive business. When indirect costs are considered—lost productivity, lost sales, and loss of intellectual capital—the cost for any company is too great to ignore.<sup>3</sup>

In the hospitality industry, for instance, every worker who leaves his/her job costs the employer between \$3,000 and \$13,000. With turnover rates often more than 100%, these costs can be quite high. And for higher skilled workers in other industries, the costs are even greater: \$19,700 for a customer service representative and up to \$57,000 for middle managers in the retail industry. For specialty retailers, the average annual turnover is 90%, reducing the retail industry's total earnings by half.<sup>4</sup>

In the health care industry, the per patient cost is 35% greater in health care centers with high nurse turnover.<sup>5</sup>

In 2003, the U.S. Chamber's Center for Workforce Preparation (CWP) conducted a comprehensive employer survey to identify the most pressing challenges of finding and securing qualified workers. The data demonstrate that employers face multiple challenges:

- 50% report having a hard time or very hard time finding qualified job applicants.
- Securing qualified applicants is greatest for small businesses; nearly 60% of employers with 11 to 50 employees report having a hard time.
- "Recruiting and retaining employees" is identified as an extremely important factor, on par with "remaining competitive."

The survey results also indicate that even though businesses report that recruitment and retention of workers is critical, few are prepared to address the issue. Only 46% of the organizations surveyed conduct exit interviews, and 79% do not have any staff dedicated to recruitment, training, retention, or career-development responsibilities.

Additionally many hourly frontline jobs come with few employer-provided benefit programs.<sup>6</sup> In combination with the rapidly rising cost of housing, child care, health care, and transportation, hourly frontline workers are extremely vulnerable to daily life events that can threaten sustained employment. These challenges make it even less likely that hourly frontline workers will be able to take advantage of skill development and training programs—the most common predictors of job advancement and increased income.

These external challenges, coupled with employees who perceive their positions as adding little value to the company,<sup>7</sup> may result in workers who are willing to leave their job at a moment's notice.

## **Two Strategies to Increase Employee Retention**

Our nation's small business employers offer the majority of job opportunities for hourly frontline workers. Because of their smaller sizes, these smaller businesses often have limited human resource capabilities. Adopting the principles of an effective workplace or connecting employees to subsidized work support programs enhances workers' chances of succeeding, thus building a company's competitive edge. These strategies typically come at no cost to the employer, yet yield significant benefits. CWP research

has shown that many employers are not aware of these programs or how to get accurate information about them.

### *Developing Effective Workplaces*

There is a case to be made for employers who pay attention to engaging and supporting employees. A Sears study has linked employee satisfaction with customer retention. In conjunction with the University of Michigan Business School, the study found that if employee satisfaction were to improve, there would be a corresponding improvement in customer satisfaction. The study also found that quarterly revenue would then grow by about 1.6%.<sup>8</sup>

As a strategy to improve employee morale, creating an effective workplace culture has proven to be a sound business decision for employers regardless of size or industry sector. According to the findings of the 2002 National Study of the Changing Workforce (NSCW), a study conducted by the Families and Work Institute (FWI), the effective workplace is one in which employees experience both **supervisor and co-worker support, job autonomy, input into management decision making, opportunities for learning and personal enrichment, and flexible work options.**

In the effective workplace, employers and staff share responsibility for how work is completed. Management and employees in collaboration decide schedules, develop customer service protocols, and design solutions for efficient business operations. Data from the NSCW find that employers who adopt effective workplace principles will have employees who are more loyal, more productive, more engaged, and exhibit better mental health.<sup>9</sup> The NSCW data also indicate the following:

- Eighty-three percent of employees in effective workplaces express high levels of job engagement and commitment.
- In highly effective workplaces, 81% of employees express high levels of satisfaction with their jobs.
- Compared with those in less effective workplaces, twice as many employees (77%) in effective workplaces say that they are “not at all likely” to seek a new job with another employer within the next year.
- Fifty-seven percent of employees in effective workplaces exhibit very good mental health.

Employers are seeing the benefit of introducing flexibility as a work strategy. A key finding of the 2005 FWI National Study of Employers (NSE) is that of the employers who have adopted flexible work practices they do so because it is good for business.<sup>10</sup>

- Nearly 50% of employers use flexibility as a business strategy,
- 47% use flexibility to recruit new talent and retain current employees.
- 25% of employers maintain that flexible workplaces—flex start and end times, compressed work weeks, and telecommuting—enhance the productivity and commitment of employees.

Given the popularity of flexibility, it is important that employers learn and develop management techniques to support it.

### *Promoting Employee Use of Government-Sponsored Benefit Programs*

Numerous public programs have been established to support employees in low-income families, many of whom are comprised of hourly wage and frontline workers. These programs have become increasingly significant in ensuring stability and productivity.

Government-sponsored work supports are defined as state and federal programs that assist eligible workers by supplementing their wages and by helping them with work-related expenses. Moreover, most states continue to invest heavily in these supports and have succeeded in streamlining the application process.

Work supports as viable employer recruitment and retention strategies allow lower-skilled people to maintain employment and advance in their jobs. Some of these work supports include the following:

#### *Earned Income Tax Credit (EITC)*

The federal Earned Income Tax Credit (EITC) is a refundable tax credit for working people who earn low to moderate incomes. In 2005, eligible workers included those with more than one qualifying child and who had earned an income of up to \$35,263 (\$37,263 if married filing jointly). The Internal Revenue Service (IRS) administers the credit through the refund process, with a maximum credit of \$4,400. Research indicates that families often use the refund to pay for necessities, such as repairing vehicles needed for commuting to work and for transportation to obtain education or training.<sup>11</sup>

The federal EITC program is one of the largest economic development programs, administering more than \$30 million annually.<sup>12</sup> However, estimates show that 25% of those eligible do not claim the credit because they do not know about it or do not understand the filing procedures.<sup>13</sup> This translates into close to \$8 million going unclaimed each year.

### *Transportation and Housing*

Under the federal Section 8 program, the U.S. Department of Housing and Urban Development (HUD) allocates funds to local housing authorities, which then distribute housing vouchers to eligible low-income workers. These vouchers subsidize rent in decent and safe housing. The working family pays a percentage of its income toward rent and utilities, while the subsidy goes to the landlord to cover the rest.

Employer Assisted Housing (EAH) programs are an increasingly popular housing support program among employers interested in recruiting and retaining entry-level workers. EAH programs are typically grants, forgivable loans, or deferred or payable loans commonly used toward down payments or closing costs. An EAH benefit, which may also include simple home-buyer education, may be available to all employees or limited to specific segments. Most often, it requires the employee to commit to working for that employer for a period of time.

There are also several state and regional programs designed to provide necessary transportation assistance to eligible workers. Federally funded programs such as Access to Jobs, HOPE VI, and Empowerment Zone/Enterprise Communities provide eligible workers with transportation assistance.<sup>14</sup> In addition, federal and regional funding is available via Job Access and Reverse Commute programs that are intended to fill gaps where existing public transportation cannot always carry people from their homes to jobs.

### *Child Care Assistance*

The Child Care and Development Fund and the Temporary Assistance for Needy Families (TANF) block grants are the major sources of federal funding for child care assistance programs. Other federal support is available through Head Start, the Child Tax Credit, and the Social Services Block Grant. Further, every state

operates child care subsidy assistance programs by providing working families with vouchers to cover all or part of the cost of care from private providers.<sup>15</sup>

### *State Children's Health Insurance Program*

The State Children's Health Insurance Program (SCHIP) provides uninsured working families who do not qualify for Medicaid health insurance coverage for their children. In most states, uninsured children under the age of 19 whose families earn up to \$36,200 a year (for a family of four) are eligible. SCHIP pays for doctor visits, immunizations, hospitalizations, and emergency room visits.

### *Food Stamps*

The Food Stamp Program, administered by the U.S. Department of Agriculture and operated by the states, provides low-income working households with assistance in purchasing food and with nutritional education. The average monthly food stamp benefit is \$200. Helping employees meet their nutritional needs at home can result in higher productivity and fewer sick days for themselves and their families. It also helps them work toward self-sufficiency.<sup>16</sup>

### *Training*

Most federal funding for incumbent worker training is delivered to states which, in turn, allocate the money to their institutions of higher education, workforce investment boards, economic development agencies, one-stop career centers, and more. Types of training include the following:

- Workplace basic skills training
- On-the-job training
- Apprenticeship programs
- English as a Second Language course
- Wage reimbursements for incumbent worker training

To gain access to these types of training funds, businesses should contact their local one-stop career centers, state division of economic development, or local tech and community colleges for assistance in determining which of the many federal, state, and local programs would work best.

The business community, with its reach, local influence, and direct access to workers, has a legitimate role to play in increasing the participation of eligible workers in work support programs.

There is a natural tendency for workers to get their work and health-related information (e.g., taxes, loans, savings, health care, training programs) from their employers. While many employers are skeptical of government agencies and programs—as they are often viewed as inhibiting business objectives—employers play a pivotal role in helping their eligible workers gain access to public support services. Employers can effectively communicate what services are available and where employees can go not only to obtain more information but also to enroll. (e.g., one-stop career centers, community non profits, and faith based organizations or other)

Although employers are hesitant to get involved in their employees' personal lives they do recognize that all employees at one time or another may need some type of support services. Many employers are turning to comprehensive Employee Assistance Programs (EAPs) as a way of maintaining employees' health and wellness. EAPs, today, are quite sophisticated, offering such services as mental health resources, marriage and family counseling, elder care and child care resources, and financial planning.

Overall costs for EAPs may be prohibitive for smaller employers. And smaller businesses generally do not have the time or means to directly train the workforce to take advantage of federal, state, or local work support programs. Fortunately, there are community-based organizations and other service providers (e.g., community colleges, workforce investment boards, churches and faith-based organizations, local housing authorities, child care providers, and neighborhood associations) that directly provide these services, often at no cost to the employer or employee.

Employers collaborating with the appropriate community providers can leverage these services in much the same way as private employer-sponsored EAPs. Many community organizations can be the primary resource for workers interested in learning more about income tax returns, financial planning, and asset-building strategies.

### **Next Steps for Employers in Adopting Effective Workplace Principles**

- Approach effective workplace practices as management tools, not as worker accommodations.

- Provide opportunities for employees to give feedback on what is, and what is not, working in the workplace.
- Know what problems you hope to address by increasing workplace flexibility.
- Determine how flexible options will be implemented, negotiated, and reviewed and then pilot a program before fully implementing one.
- Help supervisors learn how to manage a flexible workplace.
- Encourage employees to support one another so that customers' needs are met.
- Acknowledge that flexibility doesn't work in all types of jobs for everyone.

### **Next Steps in Connecting Workers to Government-Sponsored Work Supports**

- Connect workers to one-stop career centers that offer employers and employees with a multitude of human resources programs (e.g., incumbent worker training, adult basic skills training, access to government worker support services, employment insurance) in one central location.
- Become advocates for employees by serving on local workforce investment boards and communicating business needs regarding hourly wage and frontline worker issues.
- Consider joining a consortium of other businesses by connecting with your local chamber of commerce. Small and medium-size businesses can turn to their local and regional chambers of commerce whose missions are to help employers "grow" their businesses. Chambers support employers by strengthening economic development efforts and in many chambers, providing direct business services. Chambers often develop partnerships with local government workforce and education programs, playing a key intermediary role on business members' behalf.

### **Conclusion**

As the American economy shifts toward more service-oriented industries, demand for hourly wage and frontline workers will continue to increase well into the 21st century.

Businesses in those sectors that choose to integrate government work supports and effective workplace principles are positioning themselves competitively as being the most attractive places to work. Establishing partnerships with government and community-based organizations that offer support services to employees will help minimize some of the most common impediments that hourly wage and frontline workers encounter. Creating effective workplaces in which learning opportunities and flexible schedules are core competencies of the organization will result in engaged and loyal employees who have the potential for personal economic growth and career advancement. Employers, in turn, will benefit from a more stable and productive workforce. With such bright prospects, how can business lose?

**The Center for Workforce Preparation (CWP) is a nonprofit affiliate of the U.S. Chamber of Commerce that focuses on workforce development and quality education issues. It develops workforce strategies for businesses, chambers of commerce, and communities to hire, train, retain, and advance skilled workers in the 21st century.**

**CWP's partnerships with local chambers, other workforce development organizations, and funders have been instrumental in defining and demonstrating the important role of local chambers in workforce development and education. Together, CWP and local chambers excel at reaching small and medium-size businesses, where the majority of job growth occurs.**

**Workforce development is about more than hiring and training the right workers. It is about identifying and addressing other critical factors such as transportation, health care, and child care that enable people to work and advance in their careers. CWP promotes lessons and promising practices from successful communities to encourage chambers and employers to build resources that support productive workplaces.**

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<sup>1</sup>According to the U.S. Department of Labor, Bureau of Labor Statistics. Employment in health care and social assistance will increase 30.3 percent as compared with a growth rate of 14.8 percent for all industry sectors between 2004 and 2014. < <http://www.bls.gov/iag/eduhealth.htm>> Retail trade employment will increase 11.0 percent

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between 2004 and 2014. <<http://www.bls.gov/iag/wholereetailtrade.htm>> In the hospitality industry, employment in the accommodation and food services industries is predicted to grow 17.7% between 2004 and 2014. <<http://www.bls.gov/iag/leisurehosp.htm>> 15 June 2006.

<sup>2</sup> James T. Bond, Ellen Galinsky, Lois Backon, “What Do We Know About the Low Wage Workforce?, ” Families and Work Institute: New York. Previously unpublished analyses from the 2002 National Study of the Changing Workforce ( July 2006 ).

<sup>3</sup> Center for Workforce Preparation, *Keeping Competitive*, September 2001.

<sup>4</sup> *Jobs with a Future: Regional Growth Strategies and Strong Career Ladders for the Hospitality Industry*, Silicon Valley Workforce Investment Network, July 2004. And TalentKeepers News Volume II, Issue 3, Summer 2003, page 1. <<http://www.talentkeepers.com>> 15 May 2005. (Auerhahn, Louise; Brownstein, Bob; Zimmerman, Sarah)

<sup>5</sup> TalentKeepers News Volume II, Issue 4, Winter 2004, page 8.< <http://www.talentkeepers.com> > 15 May 2005.

<sup>6</sup> James T. Bond, Ellen Galinsky, Lois Backon, “What Do We Know About the Low Wage Workforce?, ” Families and Work Institute: New York. Previously unpublished analyses from the 2002 National Study of the Changing Workforce ( July 2006 ): 6-7.

<sup>7</sup> David Shipler *The Working Poor Invisible in America* (New York: Alfred A. Knopf, 2004 ) 129-130 .

<sup>8</sup> Dana E.Friedman., “Workplace Flexibility: A Guide for Companies ” < [www.whenworkworks.org](http://www.whenworkworks.org) > ( 7 March 2006 ) .

<sup>9</sup> James T. Bond, Ellen Galinsky, and Jeffrey E. Hill. “When Work Works, A Status Report on Workplace Flexibility” April 2004. <[www.whenworkworks.org](http://www.whenworkworks.org)> (7 March 2006).

<sup>10</sup> James T Bond, Ellen Galinsky, Stacy S. Kim, Erin Brownfield, “2005 National Study of Employers Highlights of Findings” October 2005 < [www.whenworkworks.org](http://www.whenworkworks.org) > (7 March 2006).

<sup>11</sup> Robert Greenstein. “The Earned Income Tax Credit: Boosting Employment, Aiding the Working Poor,” 2005 Center on Budget and Policy Priorities.

<sup>12</sup> Many states have their own earned income tax credits similar to that of the federal program.

<sup>13</sup> Interview with Michael Wade, Management and Program Analyst, Internal Revenue Service, Workforce Development Leadership Course, U S Chamber of Commerce, 10 March 2005.

<sup>14</sup> Work Supports and Low-Wage Workers: The Promise of Employer Involvement, The Finance Project, 2005.

<sup>15</sup> Work Supports and Low-Wage Workers: The Promise of Employer Involvement, The Finance Project 2005.

<sup>16</sup> The Benefits of Increasing Food Stamp Program Participation in Your State, United States Department of Agriculture, Food and Nutritional Services, 2005.