

## HOW CAN EMPLOYERS INCREASE THE PRODUCTIVITY AND RETENTION OF ENTRY-LEVEL, HOURLY EMPLOYEES?

James T. Bond and Ellen Galinsky  
Families and Work Institute  
November 2006

---

*Supporting Entry-Level, Hourly Employees* is a project of the Families and Work Institute (FWI) and the Institute for a Competitive Workforce (ICW), an affiliate of the U.S. Chamber of Commerce, funded by the Ford Foundation. The initiative addresses the workforce challenges that employers face in recruiting, engaging, developing, and retaining entry-level and hourly employees, particularly those from low-income households. In an effort to find solutions that work for both employers and employees, special attention is given to identifying characteristics of jobs and workplaces that help employers meet their goals of stabilizing their workforce while also promoting the well-being of low-wage and low-income employees and their families.

The research findings presented here are drawn from the 2002 National Study of the Changing Workforce (NSCW) conducted by Families and Work Institute. The NSCW interviews representative national samples of the U.S. workforce every five years. Data were collected between October 2002 and June 2003. The total 2002-03 NSCW sample includes 3,504 workers 18 and older in the U.S. economy—2,810 wage and salaried employees who work for someone else, 472 independent self-employed workers who do not employ anyone else, and 222 small business owners who employ at least one person. This report looks only at wage and salaried workers 18 and older who are employed by someone else. It is the second in a series of reports examining the low-wage workforce.

---

### Introduction: Definitions

We define low-wage employees as those whose earnings fall in the bottom 25% of the earnings distribution, which is less than \$9.73 per hour in 2005 dollars. We define low-income families as those whose total annual income from all sources falls below 200% of (2 times) the federal poverty threshold—\$39,612 for a two-parent family with two dependent children in 2005.<sup>1</sup>

Some 12-13 million employees met both the low-wage and low-income criteria in 2002-2003 when the survey was conducted. In communities with higher costs of living, one could reasonably argue that the low-wage and low-income cut-offs should be significantly higher. Nonetheless, the definition used here seems appropriate when examining a random and representative sample of all wage and salaried employees in the United States. A family of four relying on earnings from a single low-wage job—up to \$4.57 more per hour than the current federal minimum wage of \$5.15 by the definition of “low-wage” used in this study—would fall well below the federal poverty threshold of \$19,806 in 2005. Even a full-time, full-year low-wage job by this definition would pay less than \$18,000 per year and less than \$16,500 after payroll taxes.<sup>2</sup>

Households with annual family incomes below 200% of the federal poverty threshold certainly qualify as low income or “near-poor.” For example, they are eligible for means-tested governmental benefits such as the federal Earned Income Tax Credit (EITC) that specifically targets low-income families. Household incomes below 200% of the federal poverty threshold fall (approximately) in the bottom 25% (bottom quartile) of the family-size adjusted annual income distribution—below \$39,612 for a two-parent family with two dependent children in 2005.

Low-wage employees who live in low-income households are most vulnerable to life events that threaten sustained employment, financial security, health, and general well-being. It is these low-wage employees living in low-income households who are the focus of this report and other reports in the series. Report 1 is *What Do We Know About Entry-Level, Hourly Employees?* and Report 3 is *What Workplace Flexibility Is Available to Entry-Level, Hourly Employees?*

Over half (54%) of low-wage employees live in low-income households. Although most low-wage employees living in middle-class families in the income brackets at or above 200% of the federal poverty threshold are not flush with disposable income, they definitely have more resources than low-income families, including not only greater family income, but also more generous fringe benefits from their employers. It is important to note, however, that low-wage employees living in middle-income families at or above 200% of the federal poverty level can easily slip into low-income status as a result of life events, such as divorce, ill health, or job loss.

## The Effective Workplace

There is no question that the workforce is changing in dramatic ways, including:

- It is more ethnically diverse.
- It is aging.
- Women are in the workforce in almost equal numbers as men.
- Women have achieved higher educational levels than men.
- Younger employees are more family-centric.
- Men are more involved in the care of their children than men in the past.
- Significant numbers of both men and women are providing elder care.

Likewise, the workplace has changed:

- The economy is global and 24/7.
- Work hours have increased.
- Jobs have become more demanding and hectic.
- Technology—voicemail, cellphones, BlackBerries, etc.—is blurring the lines between when people are at work and when they are not.
- The job for life has been replaced with growing job mobility and job insecurity.

Today in the U.S. among all employees:

- 39% of employees are not fully engaged in their jobs;
- 54% are less than fully satisfied with their jobs; and
- 39% are somewhat or very likely to make a concerted effort to find a new job with another employer in the coming year.

We are transitioning:

- from a manufacturing-based economy to a knowledge-based and service economy with a greater gap between more skilled and less skilled jobs; and

- from the workforce and workplace of the 20th century to the workforce and workplace of the 21st century.

Like all change, this transition isn't always smooth and there is often a mismatch between assumption and reality. In the wake of this change, employers are looking to find new ways to make work "work." Thus, there has been a movement toward creating an effective workplace.

The effective workplace:

- **works for employers** because it helps employees to be more engaged, committed, and satisfied with their jobs—in order to achieve bottom-line results for their employers; and
- **works for employees** because it helps them be more effective at work and achieve a better quality of life off the job.

The drivers of employee effectiveness—most of which comprise multiple indicators—are defined at the end of this report in numbered endnotes.

Some of these drivers provide more **responsibility** to employees and require more **accountability** from them:

- **more job autonomy;**<sup>3</sup>
- **more involvement in management decision making;**<sup>4</sup> and a
- **more flexible workplace.**<sup>5</sup>

Other drivers provide more **support** to employees:

- **more learning opportunities on the job;**<sup>6</sup>
- **employer-provided education/training programs to enhance job skills;**<sup>7</sup>
- **more supervisor support for job success;**<sup>8</sup>
- **more co-worker team support for job success;**<sup>9</sup>
- **more trust in managers;**<sup>10</sup>
- **more fringe benefits;**<sup>11</sup>
- **more supervisor support to manage work, personal, and family life;**<sup>12</sup>
- **more co-worker support to manage work, personal and family life;**<sup>13</sup> and a
- **work-life culture that is more supportive of personal and family life.**<sup>14</sup>

### Effective Workplaces Put People First

Efforts to create more effective workplaces recognize that people are the employer's greatest asset, that people make the critical difference between profit and loss, between doing just okay and business success. Such efforts move beyond the hackneyed rhetoric of "people first" to actually put these ideas into practice.

What is particularly striking in people-first initiatives is that many only consider one aspect of their people—the work side. They neglect the fact that employees are whole people, with lives outside of work. In this report, we introduce additional aspects of effective workplaces and demonstrate their relationships to business outcomes, addressing the question of whether wage and income levels make a difference in how employees respond to effective workplaces. Below we discuss the aspects of the effective workplace in looking at those that focus on work and that focus on the whole person.

### Aspects of Workplace Effectiveness that Focus on Work

Management consultants and researchers have identified important drivers of employee effectiveness— aspects of workplaces and jobs that help employees be more effective in their work. Note that among all the factors or drivers mentioned below, only education and training programs provided by the employer are likely to impose significant direct or indirect costs on employers. They are:

- more job autonomy;
- more learning opportunities on the job;
- employer-provided education/training programs to enhance job skills;
- more supervisor support for job success;
- more co-worker team support for job success;
- more trust in managers; and
- more involvement in management decision making.

These drivers of employee effectiveness are quite similar to those used by major consulting groups to predict *employee engagement* in larger companies, which has been linked to such business outcomes as retention, productivity, profitability, and customer engagement. This research suggests that a significant proportion of the workforce is not actively engaged in their jobs, to the detriment of their organizations and themselves, because their workplaces lack characteristics of effectiveness.<sup>15</sup>

### The Importance of Fringe Benefits

Most of the research on effective workplaces has focused on large corporations and on higher-wage employees. Because most employees of large companies—and particularly higher-wage employees of these companies—receive generous fringe benefit packages like health insurance coverage, paid vacation days, and paid time off for personal illness, there is simply not enough variation in the fringe benefits offered/received to explain differences in workforce effectiveness.

Among the smaller employers and lower-wage workers considered in this project, however, there is very substantial variation in available fringe benefits. (See Research Brief #1: *What Do We Know About Entry-Level, Hourly Employees?*) Among low-wage employees living in low-income families who have very limited financial resources, health insurance coverage, paid vacation days, paid time off for personal illness, employer-supported pension/retirement plans, financial assistance for child care, and financial assistance for education/training (not directly provided by the employer) can make a big difference in financial and personal/family well-being.

Thus, we include fringe benefits as a potential indicator of workplace effectiveness and a driver of employee effectiveness in this initiative:

- job-related fringe benefits.

All of these fringe benefits impose direct costs on employers. Whether the benefits to employers outweigh the costs is an important empirical question. The fact that many smaller employers do, however, provide some, if not all, of these fringe benefits to their lower-wage employees, indicates that they view the investments as worthwhile for purposes of improving recruitment, productivity, and retention. In addition, some of these benefits, as well as others, are available through public-sector sources and do not (necessarily) impose direct costs on employers who help their employees access the public-sector benefits for which they are eligible.

### Aspects of Workplace Effectiveness that Focus on the Whole Person

Families and Work Institute has made a unique contribution to thinking about what constitutes an effective workplace by introducing drivers of employee effectiveness that focus on the whole person. As we will demonstrate in this report, while these aspects of workplaces are of particular importance to employees, they are also associated with positive business outcomes for employers, creating a potential win-win situation. Again, these aspects of workplaces and jobs are defined at the end of this report in numbered endnotes, but are also briefly discussed in the text of the report because they have not been described elsewhere as drivers of effectiveness. They are:

- more supervisor support to manage work, personal, and family life;
- more co-worker support to manage work, personal, and family life;
- work-life culture that is more supportive of personal and family life; and
- a more flexible workplace.

Workplace flexibility has received growing attention in recent years. By workplace flexibility, we mean all policies and practices that give employees greater control over their work schedules, their work locations, and their ability to take time off to meet personal or family needs. With the rapid growth of two-earner families—particularly two-earner families with dependent children and aging parents—over the past several decades, greater workplace flexibility is making it more possible for men and women to productively participate in the paid workforce and sustain or increase their family's standard of living, while also caring for their children, their own parents, and others in times of need. Our view of workplace flexibility is that it must benefit both the employer and the employee to be effective. Unless flexibility is used as a management strategy to achieve important organizational goals, it is unlikely to have any organizational staying power. *Effective* workplace flexibility can improve recruitment, retention, and productivity.

Other aspects of the workplace—support from supervisors, co-workers, and the workplace culture—that help employees manage their work, personal, and family lives are not so much the results of specific organizational policies as they are of leadership and management style that create a more supportive social environment. Although these characteristics of workplaces are less tangible than other indicators and drivers of effectiveness, they are no less important. While the meaning of support from supervisors and co-workers should be fairly obvious, the term “work-life culture” may well be unfamiliar to many readers. Work-life culture refers to employees' perceptions of the prevailing attitudes in the workplace about the legitimacy of having a life off the job that creates demands that sometimes conflict with the demands of work. The *work-life culture* of an organization is communicated by the verbal and nonverbal behaviors of immediate supervisors, managers at all levels, and co-workers.

### How Do Characteristics of Effective Workplaces Affect Outcomes that Are Important to Employers and Employees?

The only way to determine whether particular workplace characteristics should be viewed as important aspects of *effective* workplaces—that is, as drivers of employee effectiveness—is to demonstrate their relationships to employee attitudes and behaviors that affect important business outcomes. In this section of the report, we do just that. In contrast to most work on this topic, Families and Work Institute can empirically evaluate these relationships using data from nationally representative samples of U.S. employees.

In this report, we examine the relationships between seven outcomes and our proposed 12 indicators of effective workplaces. These outcome measures—the majority of which comprise multiple indicators—are defined at the end of this report in numbered endnotes. First, we consider outcomes of most direct interest to *employers*:

- **high job satisfaction;**<sup>16</sup>
- **high job commitment and engagement;**<sup>17</sup>

- **low negative spillover from life off the job to work that impairs job performance;**<sup>18</sup> and
- **high likelihood of job retention.**<sup>19</sup>

With the exception of “negative spillover from life off the job to work,” the general meaning of these outcome measures should be apparent. Negative spillover from life off the job to work refers to the negative impacts that events off the job have on job performance or productivity. Employees were asked five questions to measure these negative impacts: for example, how often in the past three months has your family or personal life kept you from concentrating on your job, and how often in the past three months has your personal or family life kept you from doing as good a job at work as you would like? Although employees may, on average, underestimate the negative effects that their personal and family lives have on their work, almost all acknowledge some negative impact. It is important to note, however, that perceived negative spillover from work to life off the job is *much* higher than negative spillover from life off the job to work.

We also examine three outcomes that are most directly related to the well-being of *employees and their families*, but that are also strongly predictive of the outcomes of greatest interest to employers (above). Why are they predictive? Because what goes around, comes around. When work experiences have negative impacts on life off the job, there is frequently a corresponding rebounding negative impact on employees’ attitudes and performance on the job:

- **low negative spillover from work to life off the job;**<sup>20</sup>
- **high life satisfaction;**<sup>21</sup> and
- **good mental health.**<sup>22</sup>

Negative spillover from work to life off the job measures the extent to which one’s job interferes with and reduces the quality of life off the job. Our measure of mental health includes standard indices of stress, coping, and depression. There is growing evidence that poor mental health leads to poor physical health and higher health care costs for both employers and employees, not to mention negative effects on employees’ job performance, the general work environment, and retention. In fact, stress-related illness can cost employers more in health-care related costs and absenteeism than other illnesses.

To evaluate the relationships between workplace characteristics and outcomes, we first look at the entire sample, which includes employees of all wage and income statuses in the U.S. Although we employ rather complicated statistical methods in our analyses (including controls for demographic factors) to ensure the validity of our conclusions,<sup>23</sup> the presentation of findings in this report is designed to be understandable to all readers.

### Analyses for Employees in General

**Outcomes of Most Immediate Interest to Employers:** The findings of our analyses for the entire workforce of the most important outcomes for employers are summarized in Table 1. The columns in the table identify the four outcomes—greater job satisfaction, stronger job commitment/engagement, *less* negative spillover from life off the job to work that impairs productivity, and more likely retention. Rows identify the workplace characteristics that we hypothesize to be indicative of effectiveness. Check marks (✓) indicate positive and statistically significant relationships between proposed measures of workplace effectiveness and the four outcomes.<sup>24</sup>

**Table 1: Outcomes of Direct Importance to Employers—Summary of Findings for All Employees**

| Proposed Drivers of Employee Effectiveness that Provide More Responsibility and Require More Accountability | Outcomes of Greatest Importance to Employers |                                    |   |                       |
|---|--|------------------------------------|---|-----------------------|
|   | Greater Job Satisfaction                     | Stronger Job Commitment/Engagement | Less Negative Spillover from Life off the Job to Work (that impairs productivity) | More Likely Retention |
| More job autonomy   | ✓  | ✓                                  |   | ✓                     |
| More involvement in management decision making  | ✓  | ✓                                  | ✓   | ✓                     |
| More flexible workplace   | ✓  | ✓                                  | ✓   | ✓                     |
| <b>Proposed Drivers of Employee Effectiveness that Provide More Support</b>                                 |  |                                    |   |                       |
| More learning opportunities on the job  | ✓  | ✓                                  |   | ✓                     |
| Employer-provided education/training programs to enhance job skills   | ✓  |                                    |   | ✓                     |
| More supervisor support for job success   | ✓  | ✓                                  | ✓   | ✓                     |
| More co-worker team support for job success   | ✓  | ✓                                  | ✓   | ✓                     |
| More trust in managers  | ✓  | ✓                                  | ✓   | ✓                     |
| More fringe benefits  | ✓  | ✓                                  |   | ✓                     |
| More supervisor support to manage work, personal, and family life   | ✓  | ✓                                  | ✓   | ✓                     |
| More co-worker support to manage work, personal, and family life  | ✓  | ✓                                  |   | ✓                     |
| Work-life culture that is more supportive of personal and family life                                       | ✓  | ✓                                  | ✓   | ✓                     |

Although a few (5 of 48) relationships did not reach statistical significance, all relationships were in the expected direction, indicating that, on average, employees in more effective workplaces exhibit more desirable outcomes. Perhaps most interesting, the less tangible and directly observable drivers of employee effectiveness are the ones most consistently and powerfully associated with desirable outcomes that can affect the bottom line—job satisfaction, job commitment/engagement, productivity, and retention. These less observable aspects of effective workplaces include: supervisor and co-worker support for job success, trust in managers and involvement in decision making by managers, supervisor support for managing work, personal, and family life, supportive work-life culture, and greater workplace flexibility.

**Outcomes of Most Immediate Interest to Employees:** The findings of our analyses of the outcomes of most direct importance for employees are summarized in Table 2. The presentation parallels that for the preceding table. Again, the results are for employees of all wage and income statuses.

It does not take many words to summarize the findings in Table 2. With only one exception, our hypothesized indicators of effective workplaces are positively and significantly related to more desirable outcomes. Although these outcomes are first and foremost of concern to employees, as mentioned previously, all are

strongly related to employees' attitudes toward their employers and their jobs as well as their performance on the job. Employees who feel that their jobs reduce the quality of their lives off the job are less satisfied with their jobs, less committed to their employers, and more likely to leave their employers. They also report greater negative spillover from their personal and family lives to work, which can impair their productivity.

**Table 2: Outcomes of Direct Importance to Employees—Summary of Findings for All Employees**

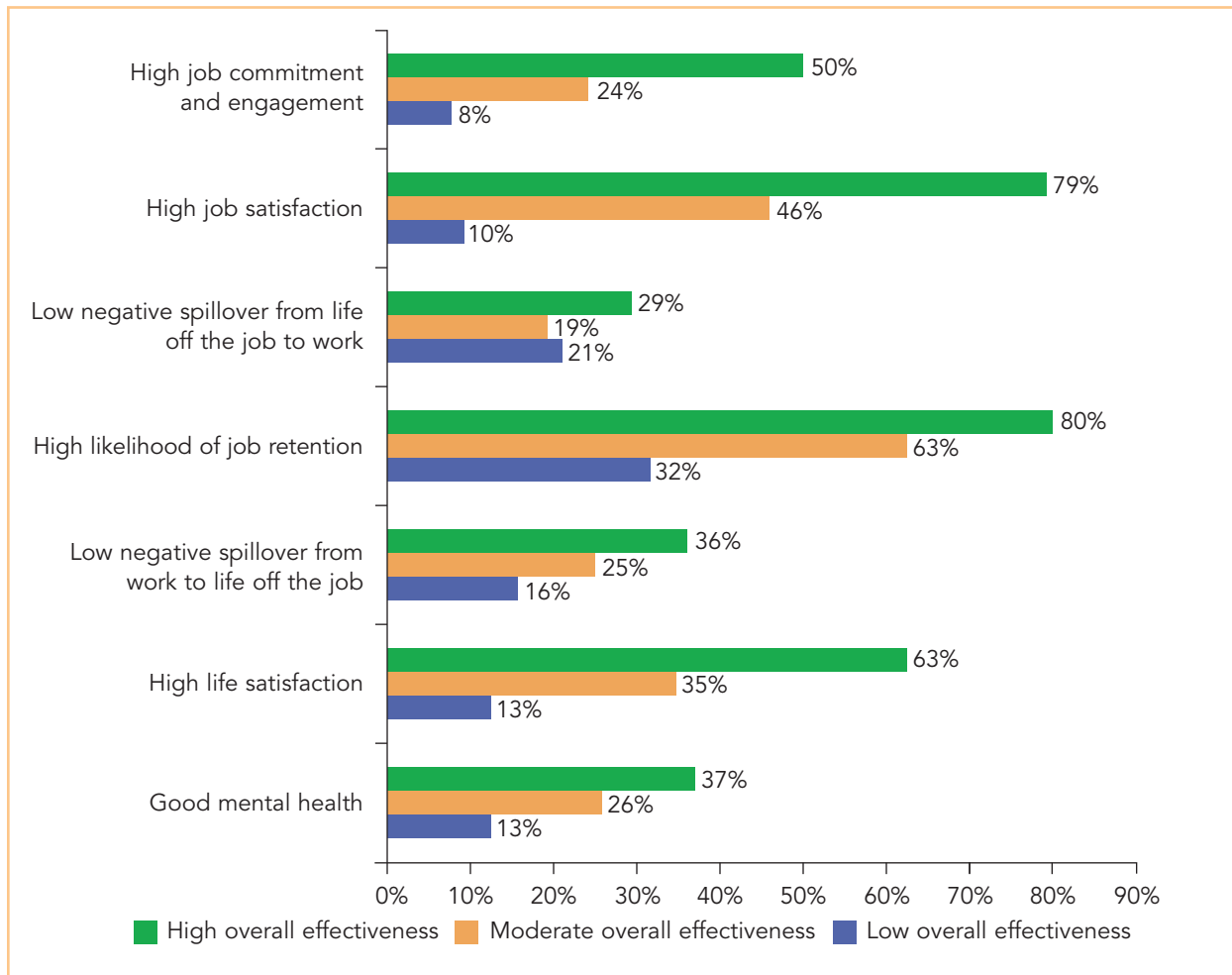
| Proposed Drivers of Employee Effectiveness that Provide More Responsibility and Require More Accountability | Outcomes of Greatest Importance to Employees          |                           |                      |
|---|---|---------------------------|----------------------|
|   | Less Negative Spillover from Work to Life off the Job | Greater Life Satisfaction | Better Mental Health |
| More job autonomy   | ✓   | ✓                         | ✓                    |
| More involvement in management decision making  | ✓   | ✓                         | ✓                    |
| More flexible workplace   | ✓   | ✓                         | ✓                    |
| <b>Proposed Drivers of Employee Effectiveness that Provide More Support</b>                                 |   |                           |                      |
| More learning opportunities on the job  | ✓   | ✓                         | ✓                    |
| Employer-provided education/training programs to enhance job skills   |   | ✓                         | ✓                    |
| More supervisor support for job success   | ✓   | ✓                         | ✓                    |
| More co-worker team support for job success   | ✓   | ✓                         | ✓                    |
| More trust in managers  | ✓   | ✓                         | ✓                    |
| More fringe benefits  | ✓   | ✓                         | ✓                    |
| More supervisor support to manage work, personal, and family life   | ✓   | ✓                         | ✓                    |
| More co-worker support to manage work, personal, and family life  | ✓   | ✓                         | ✓                    |
| Work-life culture that is more supportive of personal and family life                                       | ✓   | ✓                         | ✓                    |

### Overall Workplace Effectiveness Predicting Outcomes

To provide a summary view of findings, we developed an *overall measure of workplace effectiveness* based on the 12 indicators of effectiveness examined in this report (Tables 1 and 2).<sup>25</sup> Figure 1 shows the extent to which employees of all wage and income statuses exhibit the *most desirable outcomes* according to the overall level of effectiveness (low/mid/high) of their workplaces.

In every case, employees working in more effective workplaces exhibit more positive outcomes—both outcomes of particular interest to employers and outcomes of greatest interest to themselves and their families. There seems to be little doubt that the aspects of workplaces and jobs that we have hypothesized to be indicative of effectiveness drive positive outcomes for both employers and employees.

**Figure 1: Most Positive Outcomes Related to Different Levels of Overall Workplace Effectiveness Among All Employees in the Workforce**



### Analyses Comparing Low-Wage and –Income Employees with Others

Many employers in recent years have made efforts to “put people first” among the ranks of their more highly paid employees whose expectations and demands for workplace flexibility and other employer supports have been steadily increasing. From the perspective of business leaders, such employer efforts appear to have had positive impacts on recruitment, morale, productivity, commitment, and retention among highly skilled, salaried employees. Our findings in Table 1, which examine average effects on the workforce as a whole, support and broaden this conclusion. In general, however, employers have made less effort to provide their entry-level, hourly, and lower-wage employees with the same level of job and workplace quality that they provide for higher-level employees who are generally more expensive to recruit and retain.

In this section of the report, we seek to determine whether the characteristics of workplaces that make for more effective employees in the workforce at large have the same or different impacts on low-wage and –income employees who tend to be entry-level and hourly. We make this assessment by comparing the strength of relationships between job/workplace characteristics and outcomes among low-wage and –income employees with the strength of these relationships among mid- and high-wage and –income employees, again using complicated statistical methods in our analyses.<sup>26</sup>

These analyses address the following question:

- if low-wage, hourly, and entry-level employees play critical roles in the organization;
- if the effects of workplace factors are similar for both groups, or possibly even more positive for low-wage employees in some instances; and
- if, as we have noted previously, the workplace characteristics that make for more effective employees do not (*in general*) pose significant direct or indirect costs for employers; then
- why would employers not make an effort to provide the same level of workplace quality for all employees?

Again, we examine business outcomes that are of most immediate concern to employers first, then outcomes that are of the greatest concern to employees, recognizing, however, that these employee outcomes are also highly predictive of the outcomes that employers are most directly concerned about.

**Outcomes of Most Immediate Interest to Employers:** Significant differences between low-wage and –income and mid and high-wage and –income employees in the strength of relationships between job/workplace characteristics and outcomes are summarized in Table 3. Only statistically significant differences are shown.

Low-wage and –income employees are abbreviated as **LWI**, while mid and high-wage and –income employees are abbreviated as **M&HWI**. All statistically significant outcomes are indicated by upward (↗) arrows representing stronger desirable outcomes for either low-wage and –income or mid and high-wage and –income employees. For example, having greater autonomy on the job and greater workplace flexibility are more strongly related to *lower* negative spillover from life off the job to work among low-wage and –income than among mid and high-wage and –income employees. Employees who experience less negative spillover from home to work are more likely to be productive on the job. Another example: greater learning opportunities on the job and greater workplace flexibility have more favorable effects on job satisfaction among low-wage and –income than mid and high-wage and –income employees. More generous fringe benefits have, moreover, more favorable effects on both job satisfaction and retention among low-wage and –income than mid and high-wage and –income employees.

Although some indicators of workplace effectiveness are more strongly related to desirable outcomes for one wage and income group than the other, *it is important to note that, for the most part, there are no statistically significant differences in how more effective workplaces affect outcomes for employees of different wage and income statuses. The findings presented in Table 1 (above), moreover, show that indicators of effective workplaces are significantly associated with more desirable outcomes in most instances for the workforce as a whole.*

**Table 3: Outcomes of Most Direct Importance to Employers—Comparison of Effects for Low-Wage and –Income Employees (LWI) vs. Mid/High-Wage and –Income Employees (M&HWI)**

| Drivers of Employee Effectiveness that Provide More Responsibility and Require More Accountability | Outcomes of Greatest Importance to Employers |                                    |   |                       |
|--|--|------------------------------------|---|-----------------------|
|  | Greater Job Satisfaction                     | Stronger Job Commitment/Engagement | Less Negative Spillover from Home to Work (that impairs productivity) | More Likely Retention |
| More job autonomy  |  |                                    | LWI↗  |                       |
| More involvement in management decision making   | LWI↗   |                                    |   |                       |
| More flexible workplace  | LWI↗   |                                    | LWI↗  |                       |
| <b>Drivers of Employee Effectiveness that Provide More Support</b>                                 |  |                                    |   |                       |
| More learning opportunities on the job   | LWI↗   |                                    |   |                       |
| Employer-provided education/training programs to enhance job skills                                |  |                                    |   | LWI↗                  |
| More supervisor support for job success  |  |                                    |   |                       |
| More co-worker team support for job success  |  | LWI↗                               | M&HWI↗  | M&HWI↗                |
| More trust in managers   |  |                                    |   |                       |
| More fringe benefits   | LWI↗   |                                    |   | LWI↗                  |
| More supervisor support to manage work, personal, and family life                                  | LWI↗   |                                    | LWI↗  |                       |
| More co-worker support to manage work, personal, and family life                                   |  |                                    |   |                       |
| Work-life culture that is more supportive of personal and family life                              |  |                                    | LWI↗  |                       |
| <b>Greater Overall Workplace Effectiveness</b>   | LWI↗   |                                    |   |                       |

**Outcomes of Most Immediate Interest to Employees:** As noted previously, the outcomes of most direct interest to employees are also significantly related to the outcomes of most direct interest to employers, such that the distinction we make here is more conceptual than practical.

The findings presented in Table 4 indicate that:

- seven of the 12 indicators of greater workplace effectiveness, as well as the overall index of workplace effectiveness, are more strongly associated with “less negative spillover from work to life off the job” among low-wage and –income employees than others;
- employer-provided education and training, more generous fringe benefits, and greater workplace flexibility are more strongly associated with better mental health among low-wage and –income employees than others, while overall workplace effectiveness is an equally important driver of better mental health among employees in both wage and income groups.

Overall satisfaction with one’s life understandably tends to be lower among low-wage and –income employees than others, and the positive workplace characteristics considered here are *unlikely* to trump

the negative effects of very low incomes and the many uncertainties and vulnerabilities in these employees' lives. Interestingly, however, employer-provided training and education programs designed to increase job skills—which can lead to upward socio-economic mobility—are more strongly associated with greater life satisfaction among low-wage and –income employees than others.

**Table 4: Outcomes of Most Direct Importance to Employees and Families—Comparison of Effects for Low-Wage and –Income Employees (LWI) vs. Mid/High-Wage and –Income Employees (M&HWI)**

| Drivers of Employee Effectiveness that Provide More Responsibility and Require More Accountability | Outcomes of Greatest Importance to Employees          |                           |                      |
|--|---|---------------------------|----------------------|
|  | Less Negative Spillover from Work to Life off the Job | Greater Life Satisfaction | Better Mental Health |
| More job autonomy  | LWI↗  |                           |                      |
| More involvement in management decision making   | LWI↗  |                           |                      |
| More flexible workplace  | LWI↗  |                           | LWI↗                 |
| <b>Drivers of Employee Effectiveness that Provide More Support</b>                                 |   |                           |                      |
| More learning opportunities on the job   | LWI↗  | M&HWI↗                    |                      |
| Employer-provided education/training programs to enhance job skills                                |   | LWI↗                      | LWI↗                 |
| More supervisor support for job success  | LWI↗  |                           |                      |
| More co-worker team support for job success  |   |                           |                      |
| More trust in managers   |   |                           |                      |
| More fringe benefits   |   |                           | LWI↗                 |
| More supervisor support to manage work, personal, and family life                                  | LWI↗  |                           |                      |
| More co-worker support to manage work, personal, and family life                                   | LWI↗  | M&HWI↗                    |                      |
| Work-life culture that is more supportive of personal and family life                              |   |                           |                      |
| <b>Greater Overall Workplace Effectiveness</b>   | LWI↗  |                           |                      |

## Conclusions

Our findings strongly suggest that creating more effective workplaces for all employees—workplaces that empower and support them—has broad positive impacts on entry-level, hourly, low-wage and –income employees that are similar to, and sometimes greater than, the impacts on more advantaged employees. **When workers are given more responsibility, are accordingly held accountable and are supported at work, they are more effective workers—more satisfied with their jobs, more committed to their employers, potentially more productive, and more likely to be retained. They also exhibit better mental health, which bodes well for higher productivity and lower health care costs.** What more could one ask for?

As we have noted repeatedly, the outcomes that are of greatest interest to employees and their families—less negative spillover from work to life off the job, greater life satisfaction, and good mental health—have important positive impacts on those outcomes of greatest interest to employers—job

satisfaction, job commitment or engagement, less negative spillover from life off the job to work that impairs productivity, and retention. Indeed, evidence from extensive research by Families and Work Institute and others suggests that it makes sense for employers to consider all of these outcomes together.<sup>15</sup> In the case of mental health, positive outcomes have obvious and tangible positive implications for both job performance and health care costs. Greater negative spillover from work to life off the job, moreover, is strongly associated with greater negative spillover from life off the job to work, which can negatively affect productivity.

With the exception of *education and training programs on the job* and *fringe benefits*, which generally impose direct or indirect costs on employers, cost should not be a significant obstacle to providing low-wage employees with the same workplace quality as that provided for higher-wage employees. The costs of training and education programs for low-wage and –income employees, moreover, can often be offset with public funds from special programs designed to increase the employability of low-wage workers with limited educational background. In addition, other fringe benefit costs such as health insurance and child care subsidies may also be covered from public sources. It is important to note, however, that relatively few low-wage employees who are eligible for public-sector benefits actually receive them. This is an area in which employers could—in collaboration with local public and private agencies—do much to facilitate employees’ access to public support—to the advantage of both employees and themselves.

Nonetheless, differences in the nature of the jobs held by lower- and higher-wage employees, as well as differences in typical education levels and work experience, may sometimes make it difficult or impossible to treat lower- and higher-wage employees alike in all respects.

Consider again the 12 aspects of effective workplaces that we have identified:

Characteristics that provide responsibility and require accountability are:

- more job autonomy;
- more involvement in management decision making; and
- more flexible workplace.

Characteristics that provide support are:

- more learning opportunities on the job;
- employer provided education/training programs to enhance job skills;
- more supervisor support for job success;
- more co-worker team support for job success;
- more trust in managers;
- more fringe benefits;
- more supervisor support to manage work, personal and family life;
- more co-worker support to manage work, personal and family life; and
- work-life culture that is more supportive of personal and family life.

Of these, perhaps two—**job autonomy** and **flexible workplace**—might pose management challenges to managers of entry-level, hourly workers who may be still be learning their jobs and have fewer skills. Both flexibility and autonomy require employers to *teach* employees to work in different ways, then to *trust* them and hold them accountable for managing their own work to varying extents. Trust must, of course, be earned over time, but without the opportunity to manage one’s own work—while being held accountable for results—it is not possible for employees to win the trust of their supervisors or managers.

In the case of flexibility, which is associated with positive outcomes for both low-wage and –income employees as well as others, there may be difficult constraints on scheduling work hours for employees in point-of-sale positions, critical service jobs, or certain manufacturing jobs that require them to be at their work posts (in certain numbers, if not individually) during specified hours for business to carry on. Even these employees, however, need some opportunities—with accountability—to arrange their work schedules around the demands of their personal or family lives and to miss full or part days of work for reasons of personal illness or pressing personal/family issues that simply cannot be put off. We have seen a number of employers turn to a team problem-solving approach, asking the team to develop new ways to increase workplace flexibility that will help the employees manage their personal and family lives, while either maintaining or improving productivity. Out of this process have come various creative solutions that, in retrospect, might not have been seen as possible. Employers are turning to this team problem-solving process because they realize that *not* providing such opportunities for flexibility at work can be a major cause of disengagement and turnover among employees who typically lack the backup systems that are available to members of the middle- and upper-middle class.<sup>27</sup> These employers want to reduce the costs of turnover and/or to increase productivity. Effective workplace flexibility is not seen as an accommodation to employees' needs and preferences, but as a strategic management tool that can produce positive business results.

We also know from our research and firsthand experience working with organizations that some low-wage and –income employees already have substantial job autonomy and substantial flexibility in their work arrangements, and we know that the results tend to be positive for both employers and employees. These two aspects of effective workplaces—job autonomy and flexibility—are important not just for higher-level employees, working parents, or elder care providers; they make a positive difference for everyone—men and women, single and married people, parents and non-parents, rich and poor. Creating work environments that develop all employees' skills and competencies by allowing them to assume new responsibilities and manage their own work to achieve important organizational objectives—understanding that they may fail at these responsibilities sometimes—is a surefire way to develop a more effective workforce over the long term.

This requires new ways of managing and working. It requires both managers and employees to assume greater responsibilities for organizing and scheduling work. To be truly effective, it is essential that creating greater job autonomy and flexibility be viewed as core management strategies and not as perks for employees. That is:

- new degrees of job autonomy and flexibility extended to employees must serve organizational needs as well as employees' needs and preferences;
- managers/supervisors should involve employees in a mutual process of defining new roles that will work for employees as well as the organization;
- employer expectations and expected results should be clearly communicated; and
- employees must understand that they will be held accountable for results.

Some managers may find it difficult to break with tradition, and some employees may not be able to handle new responsibilities. Organizations that have committed themselves to this path, however, have reaped benefits that far outweigh costs.

Other aspects of effective workplaces (drivers of employee effectiveness) are also fundamentally important. Implementing these workplace qualities, however, has little to do with whether employees earn low or high wages. Rather, it has to do with leadership from the top that is intentionally spread throughout the middle of the organization, and these workplace characteristics should be viewed as essential elements in providing decent and effective work environments for all employees—sometimes difficult to achieve, but always worth striving for. All employees should have rich learning opportunities on the job;

supervisor and co-worker support for job success and managing work, personal, and family life; managers whose word they can trust; involvement in higher-level decision making; and a work-life culture that is supportive of work, individual, and family needs. These aspects of effective workplaces are absolutely critical to achieving the outcomes that all employers and all employees desire and benefit from!

### Research Background

The research findings reported here are drawn from analyses of the Families and Work Institute's 2002 National Study of the Changing Workforce (NSCW). The NSCW is conducted every five years, beginning in 1992 and most recently in 2002–03. It builds upon the U.S. Department of Labor's Quality of Employment Survey, last conducted in 1977. In 2002–03, the NSCW's nationally representative sample of approximately 3,500 workers included wage and salaried employees (who work for someone else), self-employed workers, and small business owners. The data presented in this report pertain only to wage and salaried employees—both low-wage and higher-wage employees. Further information about Families and Work Institute research is available at [www.familiesandwork.org](http://www.familiesandwork.org).

### Endnotes

- 1 We define mid-wage and mid-income employees as those who earn from \$9.73 through \$24.88 per hour in 2005 dollars, and have total annual family income from 200% through 549% of the federal poverty threshold (\$39,612 - \$108,735 for a 2-parent family with 2 children in 2005). We define high-wage and high-income employees as those who earn \$24.89 or more per hour in 2005 dollars, and have total annual family income of 550% or more of the federal poverty threshold (\$108,736 or more for a 2-parent family with 2 children in 2005). The low-wage and low-income group falls roughly in the bottom 25% of the population distribution with respect to both earnings and total family income, while the high-wage and -income group falls roughly in the top 25% of the population distribution with respect to both earnings and total family income. The mid-wage & -income group falls in the middle 50% with respect to both wages and income.
- 2 Many *full-time*, hourly employees work fewer than 52 *paid weeks* per year. Moreover, many *full-time* employees—both hourly and salaried—work fewer than 40 *regularly scheduled paid hours per week*. We used two formulas to estimate the annual earnings of full-time, full-year low-wage hourly workers: 1) 50 weeks per year @ 36 hours per week and \$9.72 per hour = \$17,496 and 2) 52 weeks per year @ 35 hours per week and \$9.72 per hour = \$17,690. We assumed that the only payroll taxes deducted were for Social Security and Medicare, a total of 7.65%.
- 3 Job autonomy (control over work content, method, and pace): Our index of job autonomy is based on three questions used in the 1977 Quality of Employment Survey and in many other research projects—having freedom to decide what I do on my job; having basic responsibility for deciding how my job gets done; having a lot of say about what happens on my job.
- 4 Involvement in management decision making: A single question—managers at my workplace actively seek out information and new ideas from employees at all levels of the organization to guide their decision making.
- 5 Flexible workplace: Flexibility is a way to define how and when work gets done and how careers are organized. Our index of the flexible workplace is based on 15 specific measures—having traditional flextime (setting daily hours within a range periodically); having daily flextime; being allowed to take time off during the workday to address family matters; being allowed some amount of paid time off for personal illness; having enough paid time off for personal illness; being able to take a few days off to care for a sick child without losing pay or having to use vacation days; being able to take enough time off to care for a sick child; being able to work some regular, paid hours at home; being able to take breaks when one wants to; having complete or a lot of control in scheduling work hours; if part time, being a voluntary part-time employee; if full-time, being able to move into a part-time job in the same position; having a supervisor who is accommodating when family or personal business arises; believing that one can use flexible work arrangements without jeopardizing job advancement; and seldom being required to work paid or unpaid overtime with little or no notice.

- 6 General learning opportunities and challenges on the job: Our index of learning opportunities/challenges is based on three questions used in the 1977 Quality of Employment Survey and in many other research projects—being required to learn new things on the job; having a job that requires one to be creative; having a job that allows one to develop one’s skills and abilities.
- 7 Specific education and training programs to enhance job skills: A single question—“Does your organization offer a training or education program you can take to improve your skills?”
- 8 Supervisor support for job success: Our index of supervisor support for job success is based on four questions used in previous Families and Work Institute research projects—immediate supervisor or manager keeps me informed of things I need to know to do my job well; has expectations of my performance on the job that are realistic; recognizes when I do a good job; is supportive when I have a work problem.
- 9 Co-worker team support for job success: Our index of co-worker support is based on two questions—feeling that one is really a part of the group one works with; having the support from co-workers needed to do a good job.
- 10 Trust in managers: I can trust what managers say in my organization
- 11 Job-related fringe benefits: Our index of job-related fringe benefits is based on seven questions: Personal health insurance coverage paid in part or whole by employer; family health insurance coverage paid in part or whole by employer; any employer contribution to pension or retirement plan; any paid vacation days; any paid time off for personal illness; any direct financial assistance for child care; employer financial assistance for job-related education/training.
- 12 Supervisor support to manage work, personal, and family life: Our index of supervisor support for managing work, personal, and family life is based on five questions used in previous Families and Work Institute research projects: My immediate supervisor or manager is fair and doesn’t show favoritism in responding to employees’ personal or family needs; accommodates me when I have family or personal business to take care of (for example, medical appointments; meeting with child’s teacher, etc.); is understanding when I talk about personal or family issues; makes me feel comfortable bringing up personal or family issues; and really cares about the effects that work demands have on my personal and family life.
- 13 Co-worker support to manage work, personal, and family life: A single question—I have support from co-workers that helps me to manage my work and personal or family life.
- 14 Work-life culture supportive of personal and family life: This index is based on four questions used in previous Families and Work Institute research projects—there is an unwritten rule at my place of employment that you can’t take care of family needs on company time; at my place of employment, employees who put their family or personal needs ahead of their jobs are not looked on favorably; if you have a problem managing your work and family responsibilities, the attitude at my place of employment is: “You made your bed, now lie in it!;” at my place of employment, employees have to choose between advancing in their jobs or devoting attention to their family or personal lives.
- 15 Gallup Organization (March 15, 2001). What your disaffected workers cost. *Gallup Management Journal*. Crabtree, S. (June 12, 2003). Bringing work problems home. *Gallup Management Journal*. [www.gallup.com]
- 16 Job satisfaction: This index is based on two widely used questions—how satisfied are you with your job; would you take this job again.
- 17 Job commitment and engagement: This index is based on two widely used questions—how loyal do you feel to your employer; I am willing to work harder than I have to, to help my company or organization succeed.
- 18 Negative spillover from life off the job to work: This measure is an indicator of the extent to which factors *off the job* impair productivity *on the job*. The scale is based on five questions that reference experiences in the past three months—how often have you not been in as good a mood as you would like to be at work because of your personal or family life; how often has your personal or family life kept you from doing as good a job at work as you could; how often has your family or personal life drained you of the energy you needed to do your

- job; how often has your family or personal life kept you from concentrating on your job; how often have you not had enough time for your job because of your family or personal life?
- 19 Job retention: A single question that has been used extensively in other research since 1977—Taking everything into consideration, how likely is it that you will make a genuine effort to find a new job with another employer within the next year?
  - 20 Our index of negative spillover from work to life off the job is based on five measures: not having enough time for family or other important people in your life because of your job, not having the energy to do things with family or other important people in your life because of your job, not being able to do as good a job at home as you would like because of your job, not being in as good a mood as you would like because of your job, and not being able to concentrate on important things in personal/family life because of your job.
  - 21 Greater life satisfaction: All things considered, how do you feel about your life these days? Would you say you feel very satisfied, somewhat satisfied, somewhat dissatisfied, or very dissatisfied?
  - 22 Better mental health: Our index of mental health is based on seven measures used in psychiatric/medical research that tap various dimensions of stress, coping, and depression: how often in the past month have you been bothered by minor health problems such as headaches, insomnia, or stomach upsets; how often in the past month have you had trouble sleeping to the point that it affected your performance on and off the job; how often in the past month have you felt nervous and stressed; how often in the past month have you felt unable to control the important things in your life; how often in the past month have you felt that difficulties were piling up so high you could not overcome them; during the past month, have you been bothered by feeling down, depressed, or hopeless; during the past month, have you been bothered by little interest or pleasure in doing things.
  - 23 Methodology: The relationships between workplace characteristics and outcomes were evaluated in multiple linear regressions. Each outcome was examined separately. The regression models predicting outcomes controlled for gender, marital status, number of children under 18 living at home, presence/absence of children under 6, and presence/absence of employed spouse/partner in household, as well as wage and income status (low-wage & -income vs. mid & high-wage and -income). All workplace characteristics were included as independent (predictor) variables in each model. The statistical significance of relationships between individual independent variables and individual outcomes was determined by their partial correlations after controlling for demographic factors.
  - 24 Findings of *difference* or *relationship* are reported as “statistically significant” when there is less than one chance in 20 that the finding occurred by chance ( $p < .05$ , a common threshold for reporting significance). Often, however, there is less than 1 chance in 100 ( $p < .01$ ) or less than 1 chance in 1,000 ( $p < .001$ ) that the finding occurred by chance.
  - 25 Our index of Overall Workplace Effectiveness is based on all 12 individual indicators of effectiveness. First, all of these indicators were converted into 3-point scales in which 1 = the bottom 25% (bottom quartile) of scores, 2 = the middle 50% of scores (quartiles 2 & 3), and 3 = the top 25% of scores (top quartile). Workplaces with scores of 3 on these converted variables are the most effective; those with scores of 1, the least effective. The 12 3-point scales are correlated with one another (Coefficient Alpha = .80) more strongly than the full scale versions of the variables, some of which have highly skewed distributions. Once converted to 3-point scales we averaged the 12 measures to generate an overall index of workplace effectiveness.
  - 26 Potentially different strengths of relationships between effective workplace indicators and outcomes for employees of different wage and income status were evaluated by including interaction terms in the regression models described in endnote 20. To simplify interpretation and presentation mid-wage and -income and high-wage and -income employees were combined in one group and contrasted with low-wage and -income employees in these analyses.
  - 27 See for example: Williams, J.C. (2006). *One Sick Child Away from Being Fired*. San Francisco: University of California, Hastings College of Law.