

ISSUE BRIEF

Improving Work-Life Fit in Hourly Jobs: An Underutilized Cost-Cutting Strategy in a Globalizing World

Globalization presents significant challenges for U.S. companies. Faced with competition from developing countries with lower labor costs, U.S. companies are working hard to maintain their competitive position. A central message of this report is that widely accepted ways of cutting labor costs have unintended consequences that can hurt, rather than help, a company's competitive position.

Employers already know this: they complain of outlandishly high rates of turnover and absenteeism, often without recognizing *that their own policies for controlling labor costs are producing these negative side effects.*

Can these costs be controlled? Often they can, by inexpensive changes to existing practices. The sobering message for employers that are not yet controlling these costs is that their competitors may be. The report quotes workforce management expert Lisa Disselkamp:

“Scheduling is having a huge effect on the bottom line. The more primitive the methods, the greater the likelihood that...[that impact] will not be positive.”

Today's workplace needs to fit today's workforce

The key to avoiding back-end labor costs (absenteeism and turnover) is to match today's jobs to today's workforce. In the workforce of the 1960s, only 20% of mothers were employed. That world is gone with the wind. Today, in over 70% of American families with children, all adults are in the labor force. Nearly a third of hourly workers have elder care responsibilities, and nearly 60% of adults caring for elders have taken time off work in order to do so. And advances in medicine mean that people now live longer—but many need on-going care from family members.

Designing today's jobs for yesterday's workforce is a recipe for uncontrolled back-end labor costs. The key to controlling these costs is *schedule effectiveness*. Two key steps towards schedule effectiveness are to:

- *Measure turnover, absenteeism, and worker engagement.* Studies show that turnover in excess of 80% is commonplace among hourly workers, and that some employers have turnover in excess of 500%. Turnover this high signals an ineffective schedule. Because replacing a single

hourly worker typically costs 30% or more of their annual salary, these turnover costs add up fast. High absenteeism and low worker engagement also may signal the lack of an effective schedule. The report contains a worksheet to help employers calculate turnover.

- *Know your workforce.* To design an effective schedule requires knowing the scheduling constraints faced by your particular workforce. Do they have family care responsibilities for children, elders, or others? Do they (like many hourly workers) handle child care by tag teaming, where parents work different shifts, and each care for the kids while the other is at work? What proportion of employees has elder care responsibilities? The report describes the scheduling constraints typically faced by low-wage workers, and the somewhat different constraints faced by higher-wage hourly workers.

The first key problem: rigid workplaces

The report identifies two key problems today's schedules often present for hourly workers: the problem of rigid schedules, and the problem of unstable schedules.

Designing the basic schedule

The first is the problem of rigid schedules, which reflect the assumption that any responsible worker can always be available for work. This model made sense in the 1960s workforce of homemakers married to breadwinners, but it no longer makes sense today. The report gathers best practice to allow employers to assess a full array of flexible scheduling policies, including:

- Compressed workweeks, e.g. a four-day, 10-hour a day week
- Flex-time, which allows employees flexibility as to when they start and stop work
- Job sharing, when two employees split a single job between them
- Gradual return to work after childbirth, adoption, or a disability leave
- Comp time allows workers to take time off instead of receiving pay for extra hours worked
- Part-year work
- On-line scheduling

Designing overtime

A system that requires mandatory overtime at short notice will lead to the firing of single mothers and tag-team parents (or grandparents)—and one in three American families with small children handle child care through tag teaming. The report offers several different ways to design overtime to eliminate high levels of no-shows.

Effective handling of schedule changes

One consultant found that hospital managers spent more than 100 hours a month on scheduling—and when the system in place was supposedly a repeating block schedule. This experience highlights the need for effective systems to handle schedule changes. The report gathers best practices, including:

- Shift-swapping systems
- Shifting work hours
- Floaters
- Team scheduling
- Allowing staff to vary their schedules so long as production goals are met

Time off work

Employees often have to take a vacation day (or call in sick!) if they need time off work to take an elder to the doctor or to attend a school play. The report gathers best-practice policies, including:

- Allowing employees to make a phone call to ensure that latchkey children have arrived home safely
- Allow personal time to be used in two- or three-hour increments
- Offering unpaid time off to attend parent-teacher conferences and other school activities.
- Allowing sick leave to be used for dependents
- Allow employees to purchase extra vacation days
- Leave banks
- Allow one to three months of unpaid leave so immigrant employees can visit their homelands without quitting their jobs, and employees can deal with a family crisis.

Update attendance policies

No fault policies often put employers in the position of disciplining or discharging workers who have a genuine family emergency. Studies show that arbitrators typically overturn such discipline in unionized workplaces. Even in nonunion environments, employers should consider providing an exception for workers who face genuine family emergencies. This avoids situations such as when a mother was fired for leaving work to join her four-year-old, who was in an emergency room with a head injury.

Telework

Employers that offer telework to pink-collar workers have seen bottom-line benefits, notably by saving on real estate costs and increasing loyalty. Customer service representatives, billing departments, reservation agents, financial services, and many other types of work are well suited to working from home.

The report contains a list of employers that have used each best practice, to enable employers to better assess which types of policies and practices are most suitable for their needs.

Unstable just-in-time schedules

Unstable schedules are the second problem today's schedules often present for hourly workers. "Just in time scheduling," which seeks to match labor supply and labor demand, results in managers being given a target number of hours, and then evaluated on how successful they are at "staying within hours" (meeting that target). The target may be based on patient census, or the number of customers in a store during a given period the prior week. The report shows how "just in time scheduling," although it is designed to control labor costs, can end up driving labor costs even higher by fueling sky-high absenteeism and turnover. For example, research shows that managers' tendency to respond to high absenteeism by hiring many workers and give each only a few hours only serves to drive turnover higher. It also fuels absenteeism, because then employers find themselves competing for time with their employees' other employers, as people piece together more than one part-time job.

The report provides employers key business tools to ensure that their just-in-time schedules are designed as effectively as possible. Several key steps:

Re-examine your business metrics. Many businesses, in their attempt to control labor costs, focus on controlling front-end costs by matching labor supply to labor demand through "just in time

scheduling.” This makes sense – up to a point. But beyond a certain point, maintaining a tight fit at the front end drives back-end costs such as turnover and absenteeism sky high. For example, when workers are regularly sent home because a patient census (or customer count) is lower than expected, many workers eventually just stop coming to work. Businesses need to complement an emphasis on managers “staying within hours” with an emphasis on controlling turnover and absenteeism.

Find the hidden schedule stability. Schedules that change day to day and week to week with little advance notice are a key driver of absenteeism. Research shows that, even in workplaces where schedules seem highly unstable and irregular, in fact 80% of the hours stay the same, week in and week out. The report contains a worksheet to help employers find this hidden schedule stability.

Find the scheduling equilibrium. Employers need to find the equilibrium that gives them the *tightest fit between labor supply and demand that does not drive up absenteeism and turnover* to such an extent that back-end costs swamp front-end savings. This entails a shift in business metrics, as well as some on-the-ground experimentation.

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Download the full report for free at www.worklifelaw.org.