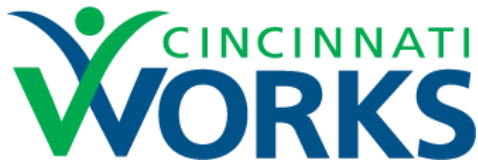




LABOR SHORTAGES AND POVERTY: ONE SOLUTION TO TWO PROBLEMS

by Peggy Zink
President/CEO
Cincinnati Works



Labor Shortages & Poverty: One Solution to Two Problems

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The headlines are eye-catching but incongruous. The unemployment rate is shrinking to near-record lows. The poverty rate is rising. Thousands of jobs are going unfilled. Thousands of families do not know how they will pay their bills.

Both challenges – the shortage of labor and the persistence of poverty – stem from the same root issue: our traditional support systems overlook the working poor, the thousands of people in Greater Cincinnati and millions across the country who have jobs but do not make enough to support their families.

They provide a safety net for folks at the bottom of the economic ladder and a boost for folks comfortably in the middle but do little to help the many folks hoping to climb from the bottom to the middle.

Folks who might be candidates for the many entry-level jobs our local employers struggle to fill.

The dual challenges of labor shortages and poverty pose a problem for employers and society at-large, which provides an opportunity to make subtle but substantive changes that benefit employers and society at-large. An opportunity to grow the local economy while creating a more vibrant and inclusive community.



In 20-plus years of fighting poverty through employment, Cincinnati Works has found a model that addresses both problems: one-on-one support for the working poor.

Since we opened our doors in 1996, we have offered lifetime coaching for all of our clients, whom we call Members. In recent years, we have brought that coaching to workplaces throughout Greater Cincinnati to great

effect. When combined with other simple, cost-effective strategies to address barriers for frontline workers, we have created brighter futures for those workers and their employers.

The time – and the cost – is right to grow our programs to a scale that can change the narrative of labor shortages and persistent poverty. The time and cost are right for the business community and government leaders to prioritize the working poor.

1 in 4 working-age adults in Cincinnati live in poverty and almost half are below self-sufficiency.

Poverty and Self-Sufficiency

The [Federal Poverty Level](#) was created in the 1950s to denote the income a family needs in order to pay for its most basic expenses. The FPL is adjusted annually for inflation but otherwise has not been updated to account for significant changes in the costs of food, housing and medical care. The poverty level for a family of three in 2018 is \$20,780.



Because the costs of housing and medical care have risen so sharply in the past 50 years, most social-service providers consider 200 percent of the Federal Poverty Level to be a more-accurate gauge of self-sufficiency. By that measure, a family of three would need to make at least \$41,960 to meet all of its basic needs without public assistance. If there is only one wage-earner in the family – for instance, a single mother with two kids – she would need to make at least \$19.98 per hour to be considered self-sufficient.

Given that reality, it is hardly surprising that so many of our neighbors rely on public assistance. According to the most recent census update, [1 in 4](#)

[working-age adults in Cincinnati live below the federal poverty line](#) and almost half are below self-sufficiency. Of the estimated 52,000 working-age adults in Cincinnati living below the poverty line, nearly 27,000 were employed at least part-time.

Getting a job is not enough to lift someone out of poverty. Our experience in serving more than 9,000 low-wage workers over more than 20 years shows that the barriers that make it difficult for a person in poverty to find a job also make it difficult for that person to maintain or advance within a job. If anything, a new job adds a new layer to those barriers – finding transportation, maintaining a schedule, serving others.

Roadblocks Ahead

The barriers are not new, and they are not easy to address.

Criminal Record: Thousands of people are released from local prisons every year. Many will struggle with the transition, personally and professionally. They may face restrictions on where they can live and [how they can work](#). Even if they are not legally barred from a particular job, they may face skeptical hiring managers and concerned co-workers, which adds to the stress of re-entering society.

Only 5 percent of jobs in Greater Cincinnati are accessible by bus within an hour or less.

Transportation: Many of the factories and warehouses that employ large frontline workforces are located in outer-belt suburbs that are easily accessible from the highway but not the bus system, which is a problem for low-wage workers who cannot afford a car. A [study by the University of Minnesota Accessibility Observatory](#) found that only 5 percent of jobs in Greater Cincinnati are accessible by bus within an hour or less.

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“Transportation can be almost as much of a barrier as a criminal record,” said Katie Schad, business manager for Beacon of Hope Business Alliance, which connects job-seekers with criminal records to stable employment.

Housing: Median income in Hamilton County grew by 19 percent from 2000 to 2014, while median gross rent increased by 46 percent, according to [a 2017 study by LISC of Greater Cincinnati](#). At



the same time, the number of federally subsidized rental units *decreased* by more than 8 percent. There is less help available today and more folks who need it.

The study found that only 28 percent of households in poverty in our region have affordable housing (defined as costing no more than 30 percent of the gross household income) while 61 percent pay more than half of their income toward rent. In those circumstances, one extended hospital visit or other unexpected expense can wreck a family’s budget and force them onto the streets.

Behavioral Health Issues: More than 500 million people around the world suffer from serious mental illness, alcoholism or drug addiction, and [the unemployment rate among them is almost 90 percent](#), according to research by the World Health Organization and International Labour Organization. Millions more suffer less-severe mental illness that is untreated and sometimes undiagnosed – and their careers are undermined because of it.

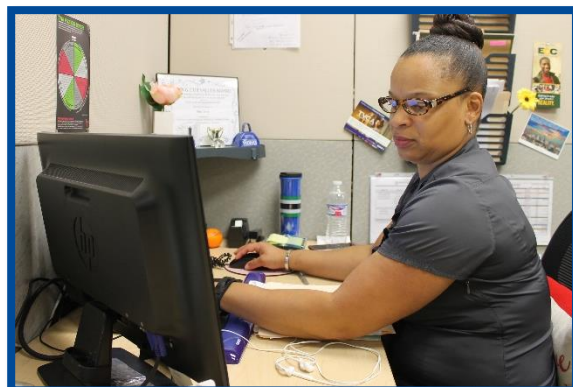
“In many cases the individual’s mental health is invisible,” said Jacque Edmerson of TriHealth Hospital, who has served as Director of Clinical Services at Cincinnati Works for nearly 20 years. “The individual is in total denial of their illness, and the inappropriate behaviors present on the job, which results in write-ups and firings. They lose multiple jobs for reasons that sound plausible, and there is no convincing them that they have a behavioral issue.”

Turnover costs roughly one-sixth the annual wages of an entry-level position.

The Cost of Turnover

Whether the barriers are socio-economic, self-inflicted or intrinsic, the effect on employers is the same every time an employee walks away from a job: lost productivity in the role, lost money to recruiting and training a replacement, and lost goodwill among the co-workers who must pick up the slack and the customers whose service is diminished.

According to [research by the Saratoga Institute](#), the average employer spends more than 12 percent of its revenue on turnover-related costs, and companies with high turnover spend up to 40 percent of their revenue.

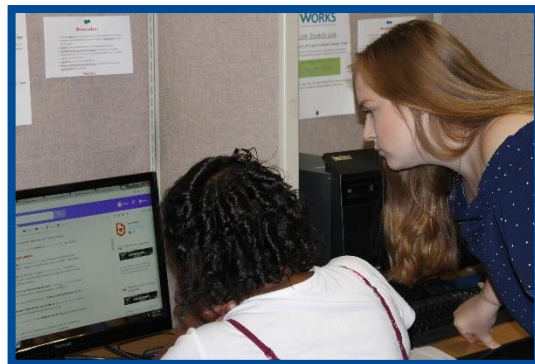


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Entry-level workers have the least to lose, and they are the most likely to suffer off-the-job stresses that impact their performance on the job, so employers with a large concentration of entry-level employees are susceptible to high rates of turnover. Maybe a sick child or parent needs attention. Maybe the car is not running properly or the bus is late. Maybe a chronic, under-treated health issue flares up.

[Research suggests that turnover costs](#) about one-sixth the annual wages of an entry-level position – or nearly \$3,500 per year for every position that pays \$10 per hour. Employers too often treat it as “the cost of doing business,” as if it is a cost they cannot avoid.

What if they invested that money in their frontline workers? What if they used it to supplement the income and public assistance the employee already receives? What if they created or adapted their employment benefits to meet the most immediate needs of their entry-level workers?



Employers might find there are more candidates for their open positions than they realized, and those candidates can be long-term assets, not merely short-term help.

An Uncounted, Untapped Workforce

While the unemployment rate has fluctuated in the past 20 years, the [labor force participation rate](#) has steadily declined. Baby-boomers are retiring. Students are pursuing additional and advanced degrees. Blue-collar workers are displaced by technology and choosing not to accept low-wage alternatives.



More than one-third of working-age Americans are not currently seeking employment and are not included in the unemployment rate. Some are retirees and students who are not interested in a job, and some are not physically or otherwise capable of holding a job.

But many of those unemployed-and-uncounted Americans are physically, mentally and

emotionally capable of joining your team, but they are discouraged from trying because of the barriers they face. They are an untapped workforce for a thirsty economy.

The Federal Government encourages investing in this workforce with the [Work Opportunity Tax Credit](#), which rewards private employers for hiring from vulnerable populations with a tax credit worth up to \$9,600 per employee. There are numerous additional resources to help the investment pay off exponentially.

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1. Find the Right Source

Whether an employer is already reaching out to vulnerable populations or would like to begin doing so, a trusted partner can help minimize the risk by sourcing and supporting talent.

Cincinnati Works teaches interviewing, networking and other soft skills to hundreds of job-seekers every year, and our coaches are available for one-on-one support for as long as our Members are interested, including long after the Member has been hired. We also work closely with more than 75 employer partners to match our Members to appropriate job openings, and vice versa.

Other organizations offer hard-skills training or specialized training to targeted audiences, so they may have unique insight to offer a particular employer. In order to help match employers with the right social-service partners, the Cincinnati Chamber of Commerce [recently launched the Workforce Innovation Center](#) with Cincinnati Works, Partners for a Competitive Workforce, Beacon of Hope Business Alliance and others. The goal of the Center is to make it easier for employers and agencies to work together to tap the untapped workforce.

2. Support Frontline Workers

Before Dave and Liane Phillips founded Cincinnati Works in 1996, they researched hundreds of organizations across the country and concluded that ongoing, one-on-one support was critical to helping people advance from poverty to self-sufficiency. So Cincinnati Works has always offered lifetime coaching to our Members, not simply job placement. More recently, [through our Workforce Connection initiative](#), we have brought that ongoing, one-on-one coaching to jobsites throughout Greater Cincinnati.

A dedicated Workforce Coach meets with interested employees to offer guidance and remove the barriers that are hindering their careers, connecting them to the various community resources that are available. Once an employee is stable, he and his coach work together on long-term career and life goals that will help the employee grow and build financial security.



"I have been in the warehouse/distribution field for more than 20 years, and this is by far one of the most successful programs I've seen in the industry."

One local distribution company has seen a 63 percent reduction in turnover since contracting with Workforce Connection. Another company was concerned that its supervisors were spending up to 30 percent of their time dealing with employees' personal crises; by having a Workforce Coach on site 1½ days per week, the supervisors were able to concentrate more on the business.

"I have been in the warehouse/distribution field for more than 20 years, and this is by far one of the most successful programs I've seen in the industry," one Workforce Connection client said.

3. Help With Transportation

Public transportation in Greater Cincinnati is woefully inadequate for low-wage workers, one of many ways our employment system is built for a middle-class population. Beacon of Hope has multiple vans that bring employees to employers that are not reachable by bus. Other local employers have purchased their own vehicle to bring employees to work or contracted with a shuttle service to deliver employees to and from designated locations. One of Cincinnati Works' employer partners even lobbied Metro to adjust its bus schedule to align with the company's shift schedules.

If those options are not realistic, an employer could consider adjusting its shifts to align with whatever transportation is available. And ultimately, employers could help employees work toward purchasing a car, because reliable, timely transportation increases the chances of becoming self-sufficient.



Many factories and warehouses are located in outer-belt suburbs that are easily accessible from the highway but not the bus system, which is a problem for low-wage workers who cannot afford a car.

4. Adjust Policies and Benefits to Serve Low-Wage Workers

Employment benefits such as retirement plans, paid time off and tuition reimbursement may be valuable enticements for skilled, salaried workers, but because they defer immediate income for long-term investment, they are little help to low-wage workers who are struggling to pay their bills.



"If you are thinking about the food you are going to put on the table this week or the stock option 30 years down the line, those are very different needs," [said Meghan Cummings](#), Executive Director of the Women's Fund of Greater Cincinnati. "Let's be honest, most employee benefits are geared toward a middle-class lifestyle."

The Women's Fund recently released an [Employer Toolkit](#) with 39 tips for attracting, retaining and engaging low-wage workers, and many of the 39 tips involved modest changes to the employer's benefits package to make them

more valuable to frontline workers. For instance, an employer can purchase monthly bus passes for employees instead of reimbursing them; a low-wage worker who cannot afford to pay upfront for the pass will be much more likely to take advantage of a benefit that the employer already budgeted for.

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5. Establish Clear Career Pathways

When employees can see a clear path to a more-desirable job within a company, they are more likely to endure the inevitable stresses and struggles described above. They are more invested. It is true at every level of the organization, but the career paths are often less obvious for entry-level workers.

Many employers offer tuition reimbursement as a means of encouraging middle-skill workers to pursue advanced degrees; those same funds can be used to provide training for frontline workers. A career coach (such as the coaches available through Workforce Connection) can instruct them on workplace expectations and connect them to advancement opportunities.

A local restaurant requires its employees to establish a “life plan” and trains them specifically to move on to better-paying jobs elsewhere.

Even if an employer is not structured to offer multiple avenues to promotions, it can play a valuable role in advancing the careers of the working poor. Just Q’in, a local barbeque restaurant, requires its employees to establish a “life plan” as part of the employee-review process, and it offers training and connections to other employers. A local Chick-Fil-A franchise recently piloted a program from Partners for a Competitive Workforce that connects fast-food employees to higher-paying jobs in other industries. In each case, the restaurant encourages turnover and uses it as a recruiting tool.

6. Share Knowledge



More than 300 local employers hired Cincinnati Works Members in 2018, and we have ongoing relationships with many of them. Dozens of companies have participated in employer roundtables through the Child Poverty Collaborative, now held at the Chamber’s Workforce Innovation Center. Others are involved with national organizations such as [Conscious Capitalism](#) and the [Coalition for Inclusive Capitalism](#).

All can provide insight and share experiences of serving the working poor in order to end poverty and fill labor shortages.

It is imperative for the growth of our economy and the vitality of our community. We can change the headlines. You can help.