



EMPLOYER AND LOWER-WAGE EMPLOYEE PERSPECTIVES ON TRAINING AND ADVANCEMENT

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Steve Shepelwich: *Welcome to the Federal Reserve's Economic Development podcast series. I'm Steve Shepelwich with the Federal Reserve Bank of Kansas City.*

With the increase in size of the lower-wage workforce since the Great Recession, lower-wage workers face increased competition for jobs and more stringent skill requirements for those positions. Employers seeking to fill these positions may also find challenges in attracting and retaining lower-wage workers as well as ensuring their skills keep pace with the company's requirements.

A recent study by the Associated Press-NORC Center for Public Affairs, and supported by the Hitachi and Joyce Foundations, focuses on these issues in looking at how lower-wage workers and employers think about jobs and opportunities for advancing workers' careers.

Today I'm speaking with Mark Popovich, senior program officer at the Hitachi Foundation, and Jenny Benz, senior research scientist at the Associated Press-NORC Center for Public Affairs Research about that study.

Mark and Jenny, thank you for speaking with us today.



Jenny Benz: Thanks for having me.

Mark Popovich: We're happy to be here.

Shepelwich: *The Joyce Foundation and the Hitachi Foundation have had a long-standing interest in workforce development. Tell us about the motivations behind your work and how it has informed this current research.*

Popovich: There's significant and continuing un- and underemployment, and there's a real question about where are we going to find middle-wage and -income skill and skilled jobs. We wanted to have a snapshot of the basic reality extending across the country for this particular segment of the workforce and the employers who are involved with them. We also were interested in finding the opportunity ladders for the lower-wage workforce and for the employers who are engaging them in their work.



The Joyce Foundation has been interested in public programs and investments and public policy, and they've particularly been focused on improving providers in terms of training providers and employment service providers, performance, and the outcomes that serve this segment of the workforce.

The Hitachi Foundation has really zeroed in on the role of business and society and the overlap where there's a way to address poverty in the United States, and where we see that overlap is strongest is the role that business plays as employers. We've been studying "bright light" employers who provide ladders of opportunities for their workforce, particularly lower-wage workforce and front-line workers, and are also resulting in really good business outcomes.

Shepelwich: *Thanks, Mark, for that great context for the survey. And the survey is unique in that it has polled both low-wage workers and their employers. Before we get into specific findings, Jenny, could you describe the methodology used in the survey and how it informs the findings?*

Benz: We interviewed a nationally representative sample of just over 1,600 individuals who were currently working or temporarily unemployed, who make \$35,000 a year or less. And after that survey concluded, we conducted a separate, independent survey of employers, and that survey interviewed a sample of just shy of 1,500 employers who had at least one lower-wage worker on their payroll. We drew that sample of employers from the Dun & Bradstreet database and stratified it to be representative of the nation by employer size and industry.

In terms of interpreting the findings, both studies used rigorous survey methodology and solid analytics to develop the findings that are in the reports. The Associated Press-NORC Center for Public Affairs research is an independent and nonpartisan research center without any interest or agendas on a particular policy area. And I would just say that the one reminder as people think about the results of the study is that the two studies were separate, so it's a representative sample of low-income workers, and it's a representative sample of employers, but it's not to say that these are the employers of the specific workers we spoke to. They're separate samples.

Shepelwich: *Let's take a look at both sides of the survey. First, what did you learn about low-wage workers in terms of their views on working conditions, opportunities for advancement, and experience with training and education? Were there any surprises?*

Benz: I can start by providing some of the key data points that we found in the low-wage worker study. In terms of working conditions, we saw that compared to national averages, lower-wage workers are far less likely to be satisfied in their job or to feel valued for the work that they do.

And then in terms of their advancement in their jobs, lower-wage workers perceive very few opportunities for advancement moving forward, and many have not yet advanced in their current jobs. And that's in pretty direct contrast to most employers who say that there's a great deal or some opportunity for low-wage workers to advance within their organization.

And then we also saw the pessimism about the job outlook was especially acute among white workers and younger workers, even when we controlled for other social, demographic, educational, and political factors. In terms of job training and education, we saw that workers placed significantly less value on the importance of additional job training and general education for career advancement, compared to the employers from the employer study.

Then in addition to not placing as high a value on training, there's also some evidence from the study that workers may not be aware of employer-sponsored training programs. We saw fairly low reports of the availability of training at the employer from the low-wage worker perspective, compared to the amount of training that employers said they are providing. And even when workers are aware of the programs, many of them are not taking advantage.

And workers do report varying levels of difficulty getting additional training through their employers. We had about a third who reported that it was easy to get training and another 30 percent who said it was hard to get training from their employer.

But when employers are able to connect the lower-wage workers with training opportunities, the workers generally do find the programs helpful for career advancement. And online classes were the only type of training program that we asked about that was cited by a minority of participants as being helpful.

Shepelwich: *So you discussed the issue of employee turnover. How do you find employers responding to the low-wage workforce in this situation; what motivates them and what resources do they use?*

Benz: We found that most employers are investing in skill development and training for their low-wage workforce. We did find that 28 percent of employers don't have a training budget for low-wage workers at all, and that large employers are far more likely to have this type of budget than small employers. We saw only a slim majority of employers, though, that report being confident that they can invest in the future to keep lower-wage workers' skills up to date. We asked just a few questions about the motivations of employers for training lower-wage workers, and the most common reasons that they reported were improving the quality of their products and services, retaining their current workers, and meeting skill needs from changes that are occurring in their products or service lines, and they were also interested in reducing employee turnover.

Shepelwich: *One set of findings that stood out to me was a large share of lower-wage workers and their employers do not participate in education and training options available in their communities. Also, employers seem to have little awareness of potential partnerships with publicly funded education and training institutions. What implications do you see this having?*

Benz: That's right, Steve, we saw that very few lower-wage workers are utilizing publicly funded training options. We saw 18 percent of them reporting use of Pell Grants, but less than 10 percent reporting on any of the other publicly funded training options that we asked about, including one-stop employment centers, GED [general educational development] programs, and SNAP [Supplemental Nutrition Assistance Program] employment and training.

And the same is true for the employers. So only 11 percent of the employers report ever participating with a government or publicly funded program. And among this 11 percent, the most common types of participation were engaging in public/private partnerships to provide skills development and training and receiving funding through state or local employment programs.

Popovich: There's a good number of programs out there that are getting good results that are not being tapped into by employers because they just don't have the information about them or they don't know that those programs are available to serve their particular industry or their geographical area. So part of the solution here is better general outreach.

But I also think that programs that provide training and education and employment services have to view their role as serving two parts of the marketplace. One is people who are in jobs and want to move up, people who are searching for jobs and need skills in order to get a first job and then subsequently to move up. So there's the worker side of this.

But the employer side has to be addressed as well. And I think there has to be a much stronger connection made between the public programs and other programs that are available, and an indication from those programs how they will meet the employer's needs. And once they do that I think there will be a recognition by employers of the value of those programs or the potential of those programs, and there will be a larger engagement level and we'll get better results.

Shepelwich: *So in summary, how do you see the survey findings informing policymakers and community development practitioners focused on lower-wage workers?*

Popovich: First of all, we need leadership with a vision that's based on the facts of what's happening out there in the economy and how in this changing environment of the economy the opportunities are changing both for lower-wage workers and for the employers. We also need to improve on workforce development and training services. We have to get better outcomes. We have to get better structures in place to get those kinds of outcomes, and we have to communicate them better than we have in the past.

We also have to begin to look at that issue of income inequality and see what role that all the institutions in our society play in trying to address that.

Shepelwich: *Well, thanks, Mark and Jenny, for speaking with us today.*

Benz: Thanks for having us.

Popovich: Steve, we appreciate all that the Federal Reserve's staff have been doing working in this issue area, and we look forward to working with you in the future.

Shepelwich: *This concludes our podcast. We've been speaking with Mark Popovich with the Hitachi Foundation and Jenny Benz of the Associated Press-NORC Center for Public Affairs Research. For more podcasts on this topic and others, please visit the Atlanta Fed's website at frbatlanta.org. If you have comments or questions, please e-mail podcast@frbatlanta.org. Thanks for listening.*

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