Supply Chain Organizations Must Build Better Employment Value Propositions for Frontline Workers

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Initiatives: CSCO Strategic Leadership

COVID-19 shattered traditional work processes, even in the hands-on supply chain and operations functions. Companies reacted swiftly, but must reinvent the future of work. CSCOs have a unique opportunity to evolve from location-centric to human-centric work design to attract and retain top talent.

Overview

Key Findings

- Compensation, stability and work-life balance remain the biggest attraction drivers for supply chain employees, while health benefits have emerged as a much stronger benefit since the COVID-19 pandemic.

- Frontline workers place a high value on flexibility, including where they work, when they work, how much they work, what they work on and who they work with.

- Supply chain employees’ perception of the labor market suggests that more of them are planning exit strategies in 2021. In the fourth quarter of 2020, 19.4% of survey respondents expressed a low or somewhat low intent to stay.

Recommendations

Chief supply chain officers (CSCOs) focused on strategic leadership should:

- Engage and motivate employees by enabling shared professional and personal purpose and by focusing on what hourly workers care about, such as compensation, flexibility and work-life balance.
Introduction

We are at an inflection point in the history of work. COVID-19 normalized remote working for many workers and raised fundamental questions about why we work the way we do, even in hands-on supply chain organizations, such as warehouses and factories that rely heavily on frontline workers. During the global pandemic, many employees experienced a more flexible work environment and their expectations shifted. According to Gartner’s Hybrid Work Employee Survey, 83% of all employees want to work in either a remote or hybrid arrangement. Only 17% of employees prefer to go back on-site full time.

During the fourth quarter of 2020, 38% of supply chain employees indicated that they work one or more days per week remotely, compared to 30% before the pandemic. Those organizations that mandate a “hard return” back to traditional worksites may have a problem; enterprises forcing a full return to the office could see up to 40% of their workers flee, especially those with in-demand digital skills.

CSCOs focused on strategic leadership are uniquely positioned to respond to these trends by deploying emerging best practices to increase flexibility and improve the EVP for hourly supply chain roles.

Analysis

Engage and Motivate Employees by Focusing on Compensation, Stability and Work-Life Balance

The global pandemic clearly demonstrated that supply chain organizations operate at the intersection of people, planet and purpose, while delivering strong business value. The healthcare crisis elevated the role of the supply chain in the executive suite — including the crucial role played by frontline hourly employees in manufacturing, warehousing and transportation. It is these roles that kept product moving under the most strenuous conditions.
Many supply chains played a massive role in literally helping to save the world by keeping society running during the darkest days of the pandemic. As many parts of the world begin a return to normal, organizations have the opportunity to build on this momentum to not only solve some of the world’s longer-term social and environmental issues, but to reinvest in the EVP of those hourly roles that were so tightly strained during the crisis.

**Employment value proposition (EVP):** The set of attributes that the labor market and current employees perceive as the value they gain through employment with an organization.

According to our 2020 Gartner Global Labor Market Survey, in 4Q20, hourly supply chain employees continued to report that compensation is the most frequently selected top five attractor for new employment opportunities, followed by stability and work-life balance (see Figure 1).
A number of companies are boosting salaries to remain competitive:

- Amazon is doling out raises to more than 500,000 of its hourly workers. The $1 billion investment is designed to fill hiring gaps at its sprawling logistics division. The raises range from $0.50 to $3.00 per hour. ¹

- In 2021, grocery store chain Kroger plans to invest an incremental $350 million in its hourly workforce, a move expected to lift the average associate wage to $16 per hour. ²

- Besides raising wages to $15 an hour ($16 for the night shift), manufacturer Haworth has added a 24-hour gym in addition to annual Thanksgiving and Christmas giveaways. ³
Aside from addressing compensation, many companies are taking action when it comes to work-life balance. U.S.-based auto parts manufacturer Gentex has established a manufacturing line exclusive to Spanish speaking employees, so they can communicate with peers in their primary language. The company is also adding English classes to its benefits, hoping that the move will appeal to employees with similar ethnic backgrounds.

Walmart, Target, Kohl's and Best Buy, that collectively operate nearly 10,000 stores in the U.S., have decided to close all retail locations on Thanksgiving Day. In recent years, the November holiday has become a major kickoff to the U.S. holiday season. While most retailers closed on Thanksgiving in 2020 because of the pandemic, the decision to remain closed this year is intended as a way to give back to store employees, complemented by the fact that online sales can supplement the closed physical locations.

Increase Flexibility as to When and Where Employees Work by Adjusting Policies to Accommodate Part-Time Workers

Recent Gartner research highlights the relationship between productivity and flexibility for hourly workers. In a company with a traditional on-site, 9-to-5 paradigm, 36% of employees exhibit high discretionary effort (see 2020 Gartner ReimagineHR Employee Surveys). However, with each decision that employees have flexibility over — such as location, schedule and how much they work — the percentage of high-performing employees increases (see Figure 2):

- When there is a choice of where to work, an additional 7% of employees are considered high performers.
- When there is flexibility as to when they work, an additional 3% of employees join the high-performers group.
- When there is flexibility over how much they work, there is an additional 9% improvement in the number of high performers.
Providing flexibility, in terms of where and when employees work, is a major desire of hourly employees, but a benefit not frequently offered by most organizations. Although workplace flexibility is more common in industries such as healthcare and retail, it is more challenging for hands-on positions within warehousing and manufacturing. To retain employees, CSCOs must focus on conquering this challenge, especially after a prolonged period where so many staffers worked remotely or had shortened hours. This is highly important given the current job-hopping environment.

Figure 2: Flexibility — What Frontline Workers Value

- Where You Work: 53% importance to employees, 30% what organizations offer
- When You Work: 58% importance to employees, 29% what organizations offer
- How Much You Work: 55% importance to employees, 25% what organizations offer
- What You Work On: 50% importance to employees, 23% what organizations offer
- Who You Work With: 51% importance to employees, 21% what organizations offer

n = 5,000 employees worldwide; 77 HR leaders

Source: 2021 Gartner EVP Employee Survey; 2021 Gartner EVP Benchmarking Survey 755071
In the fourth quarter of 2020, 24% of supply chain employees were active job seekers, exceeding the percentage in the first quarter of 2020 by 16%. Among supply chain employees, active job-seeking behavior is more prevalent than across the global workforce. Possible explanations for an increase in active job-seeking behavior include burnout and pandemic fatigue. Employees acclimated to working from home during the pandemic may seek work arrangements that allow them to continue to work away from traditional worksites after the pandemic. Gartner research finds that employers who mandate a “hard return” back to traditional worksites will put nearly 40% of their workforce at risk of attrition. Despite this, the gap between the flexibility that employees seek — versus what is offered — is substantial, as outlined in Figure 2.

One way to increase flexibility around “how much” and “when” employees work is to rely on more of a part-time employee base. CSCOs should also look into the gig economy, a work source that is largely overlooked in supply chain and manufacturing operations, at a time when many CSCOs tell us that their primary competitors for hiring people are Uber and Doordash. Globally, only 23% of the respondents to Gartner’s 2020 Smart Manufacturing Strategy and Implementation Trends Survey cited identifying opportunities for gig workers as one of the top 3 talent-building capabilities.

Another way to pursue part-time candidates is to consider those that work as temp workers during peak demand season. This group of workers already know your processes and may be interested in extending their positions year-round, on a part-time or fixed hour basis.

Although increasing flexibility is challenging for manufacturing and other sectors that rely on hands-on labor, and the challenge increases for more specialized, highly skilled roles, there are ways to at least introduce partial flexibility by embracing technology to enable some tasks to occur off-site (see Figure 3).

For example, some routine compliance work can be accomplished off-site. Additionally, many training programs can be done remotely, another opportunity to provide worker flexibility. Studies say that nearly 40% of jobs can plausibly be done from home, and that work from home will triple in the future, driven by adoption of technologies that remove current roadblocks, and a growing acceptance of remote work. (See Supply Chain Organizations Must Adapt to Permanent Remote Work. 6)
Some companies are getting a head start on this. As part of its “Factory 56” program, Daimler has developed an innovative working organization and new working time models with the German Works Council (see Optimizing Production Post-COVID-19 Swings the Pendulum From Managing Things to People). The objective is to promote better work-life balance, and it has created and is testing a model for flexible teams referred to as “Pool of Shift Employees.” It expects in the future that workers will choose their working hours through an app. Cultivating a flexible work environment in the factory is an opportunity to learn from other industries. Utilities have started their path to flexible and remote work options (see Flexible Work Practices Improve Utilities’ Operational Resiliency). They had to redesign and standardize field processes and remote work capabilities to sustain the new field work environment, staff productivity and efficiency gains.

To deploy similar programs, CSCOs should strengthen the relationship with HR by jointly developing an understanding of what activities and skills are suitable for part-time hourly workers and what activities and skills are not. Consider the costs of recruitment, certification and training, as well as the sensitivity of intellectual property, and longer-term turnover for short- and long-term horizons. In addition:

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<th>Role</th>
<th>Warehouse</th>
<th>Manufacturing</th>
<th>Healthcare Operations</th>
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<td>• Provide tenured employees options for what areas they work in and who they work with.</td>
<td>• Provide employees transparency into the types of work available to them.</td>
<td>• Allow employees to choose which peers they work with on-site.</td>
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<td>• Allow employees to work at different locations.</td>
<td>• Authorize remote work when not on-site.</td>
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Realign the Top Attraction Drivers for Supply Chain Employees

COVID-19 has changed supply chain employees’ views of the labor market and job opportunities, thereby creating a misalignment in many current EVP offerings. Specifically, the personal hardships of the pandemic and shift to remote work has changed employees’ preferences for what they value most from their employers. Our research indicates that supply chain employees represent a strong flight risk, with their perception of the market suggesting that many are planning exit strategies in 2021. For example, in 2020, only half of supply chain employees under the age of 40 reported a high intent to stay at their current job. With this in mind, CSCOs must aggressively review their EVP offerings and look for new ways to retain employees.

While the EVP can be useful for retention efforts, supply chain leaders must collaborate with their partners in HR to determine what matters to prospective employees and how to attract them. Many shifts in attraction drivers could be explained by the growing shift toward a hybrid workforce. Based on supply chain employee survey responses, we observed the following insights on what factors drive employees to new employment opportunities:

- Thirty-eight percent of respondents list health benefits as a top five attraction driver in the fourth quarter of 2020, compared to 30% of respondents in the third quarter of 2020.

- Location may be a lesser priority as more of the workforce adopts to a hybrid remote work model; where, with a wi-fi connection, employees can perform their work anywhere.

- Although work relationships remain important, the value of collegial work relationships may be superseded by employees seeking deeper connections with a handful of colleagues whom they are partnering with to deliver business results. In a remote setting, employees have greater freedom to choose who, among their colleagues, they wish to form more meaningful connections with.
Hourly supply chain employees also place a huge value on DEI efforts (see Figure 4). This is reflected, not only in retention efforts, but the discretionary efforts that they apply. This trend is likely related to the fact that hourly workforces tend to be filled by mostly underrepresented populations. Companies that invest in DEI and have a strong diversity culture will have better opportunities to retain hourly employees. This is also true for Millennial and Gen Z employees, as younger generations are more diverse and favor working in highly diverse environments. For example, in the 2018 Gartner Supply Talent and Organizational Pulse Survey, 94% of millennials said it is important to work with a balance of men and women in the supply chain. The numbers are substantially lower for those ages 45 and above. (See Supply Chain Brief: How to Compete for Millennial and Gen Z Talent.)

Figure 4: Hourly Employee Engagement Based on Satisfaction With DEI

Armed with this data, many companies and their supply chains have increased focus on diversity, equity and inclusion (DEI). We have heard from several COOs and CSCOs that DEI is now an ongoing topic with their executive committees. Some companies have linked employee bonus compensation to progress against DEI goals. Outside of internal workforces, many have also expanded their supplier diversity programs. Examples include Intel’s RISE program and McDonald’s expansion of both spending levels and supplier diversity types.
Additionally, investing in skills development is very important. Most employees value the autonomy to get things done and solve problems in real time. They value the chance to contribute to part of the business and to be rewarded for their ideas. Ultimately, advancement opportunities and career development represent bedrock values for frontline workers.

In September 2021, Amazon announced an aggressive initiative to fully fund college education for its 750,000 frontline workers in the U.S. Amazon expects to invest $1.2 billion into the program by 2025.  

Walmart intends to empower its frontline workers by issuing half of its workforce their own mobile phones. Frontline workers are massive users of technology, and can use these devices to remove drudgery from their jobs by easily locating available inventory and scanning prices. Ultimately, frontline workers will be able to use their device to schedule and trade shifts, and bring more flexibility into their life by manipulating when they work. However, it should be noted that industries, such as retail, are ahead of the game when it comes to flexibility, for example, such as with shift switching, especially compared to factory settings.

Evidence

2021 Gartner Hybrid Work Employee Survey — This survey was fielded in November and December 2020 to more than 4,000 employees in APAC (Australia, China, India, New Zealand and Singapore), EMEA (Germany, France, Spain, South Africa and the U.K.), Latin America (Brazil and Mexico), and North America (the U.S. and Canada). Respondents predominantly worked for organizations employing more than 1,000 people. All industries were eligible for participation. The survey was administered as a web-based survey.

2020 Gartner Global Labor Market Survey — These 3Q20 and 4Q20 surveys sourced data from more than 50,000 employees in 40 countries to capture key trends such as employee business confidence, employee job perception, attributes attracting talent and more.

2020 Gartner ReimagineHR Employee Surveys — Surveys were fielded in May and July 2020 to 5,000 employees in the APAC (Australia, China, India and New Zealand), EMEA (Germany, Ireland, Spain, Switzerland and the U.K.), LATAM (Argentina, Chile and Mexico), and North America (U.S. and Canada) regions. The survey was administered as a web-based survey.
2021 Gartner EVP Benchmarking Survey — The 2021 Gartner EVP Benchmarking Survey, which surveyed 77 HR leaders from around the world on their organizations’ approaches to and challenges with the EVP. The survey was conducted in January and February 2021.

2020 Gartner Smart Manufacturing Strategy and Implementation Trends Survey — The 2020 Gartner Smart Manufacturing Strategy and Implementation Trends Survey explored current and future strategy and implementation trends. This survey of 439 participants spanning North America, Western Europe, Singapore, Australia and New Zealand provides a collective market perspective with the intent of helping manufacturing operations and supply chain line-of-business roles develop and/or ratify existing and future strategy designs and roadmaps across overall strategy and digitization designs, workforce and skills development, and how networks of smart factories will be leveraged to support different business models.

All participants represented organizations with a strategy for smart manufacturing or organizations that are in the process of developing one. Organizations with no current strategy or plans for smart manufacturing were disqualified during the screening process.

2018 Gartner Supply Talent and Organizational Pulse Survey — This survey was conducted between 24 August 2018 and 3 October 2018 to understand how supply chain professionals feel about their careers and the workplace, provide insight into demographic differences and find out the impact of digital business on employees today. It also examined how governance, culture or other structural mechanisms support or hamper their ability to be successful.

In all, 694 respondents participated across the U.S. (n = 152, 22%), Canada (n = 38, 6%), France (n = 46, 7%), Germany (n = 59, 9%), U.K. (n = 111, 16%), Mexico (n = 47, 7%), Australia (n = 53, 8%), New Zealand (n = 5, 1%), Singapore (n = 50, 7%) and India (n = 133, 19%). Percentages may not add to 100% due to rounding. Country, value chain industry, revenue band, and job role quotas were established to enable the comparison and contrasting of key trends.

Qualifying organizations are large organizations in the retail, healthcare provider, CP, chemical, industrial, high-tech and life science manufacturing industries. Organizations had at least $1 billion equivalent in total annual revenue for their current fiscal-year 2017 ($250 million equivalent and above outside the U.S.).

Qualified participants held positions or job roles tied to supply chain functions (planning, sourcing, manufacturing, logistics, customer service, strategy, IT, etc.).
Interviews were conducted online and in a native language (English, German, French or Spanish). The sample universe was drawn from external panels of IT and business professionals. The survey was developed collaboratively by Gartner’s Research Data and Analytics team and Gartner analysts who follow these IT markets.

1. Amazon to Spend $1 Billion to Boost Pay for 500k Operations Workers by as Much as $3 an Hour, GeekWire.


4. The Pandemic Is Inspiring Some Companies to Test 4-Day Workweeks — but Will It Hurt Productivity?, MarketWatch.


8. Amazon to Pay Full College Tuition for Its Front-Line Employees as Part of $1.2 Billion Investment in Education and Skills Training for U.S. Workforce, Amazon.

9. Walmart Gives 740,000 Associates a Free Samsung Smartphone, CNN.

Recommended by the Authors

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2021 Supply Chain Talent Insights: Job Search & Employee Engagement Trends Highlight COVID-19 Impact

Supply Chain Brief: How to Compete for Millennial and Gen Z Talent