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WHITEPAPER

THE PLIGHT OF FRONTLINE HOURLY WORKERS

WRITTEN BY
LOUIS HERNANDEZ, JR
HERNANDO TORRES

The Plight of Frontline Hourly Workers

By Louis Hernandez, Jr. & Hernando Torres at Black Dragon Capital℠

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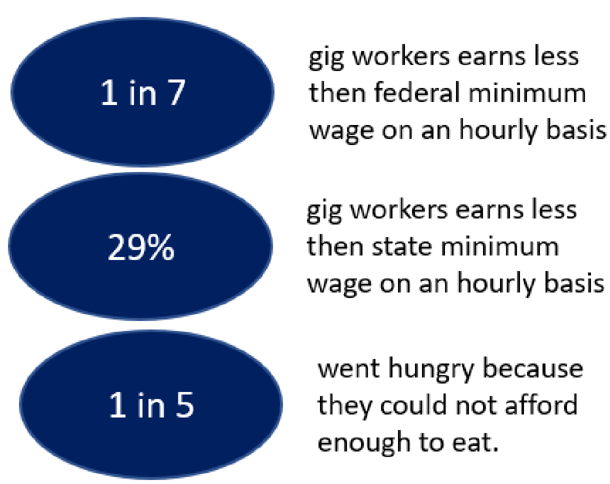
The advent of great resignation has exposed the significant disconnect between the wages for frontline hourly employees and the importance of their role in representing companies of all sizes to their customers, their brands, service quality and therefore revenue and income. Hourly frontline workers are among the most dissatisfied and greatest participants in the great resignation. Among their demands were fair compensation, livable wages, and improved benefits.

While many organizations have addressed some of these issues with increases in hourly wages, and benefit improvements, hourly employees have suffered the most from the significant inflationary pressures on even the most basic needs such as food, gas, water, electricity, and clothing. This is despite the significant rebound in the US economy. As a result, even the most loyal frontline hourly employees who do want to work, are at risk of living below poverty or making decisions between food and heating. This creates a challenging living environment and mental state for some of the most valuable frontline employees responsible for driving revenue and profits for many companies.



Source: National survey from The Shift Project; a joint project at Harvard Kennedy School and the University of California, San Francisco

Diversity Impact

Hourly employees are more diverse than the overall work force in the United States. Studies by LinkedIn and Workforce Intelligence show that loyalty among frontline workers is greater when there is more flexibility and job security. However, many of these employees are the hardest hit by the economic dislocation in the United States and often have lower educational rates. This loyal and hard-working group has not participated in the great resignation at the same rate as others and often have family obligations that drive their motivation to continue to work.

A Toll on Employees; Employers Have Tried to Address Issues

The toll the pandemic has had on the employees and the businesses they represent has resulted in decreased productivity and retention, increased absenteeism, and declining mental health. Employers have increasingly recognized this and in a recent survey from International Foundation of Employee Benefits Plans, the majority of leaders surveyed plan to offer or expand at least one employee benefit, prioritizing the ones workers deem most essential, like child and senior care benefits, flexibility around when and where work gets done, and expanded mental health support. The federal government and selected state governments have tried to do their part with an increase to minimum wages. Selected states have raised the minimum wage rates to as high as $15 per hour.

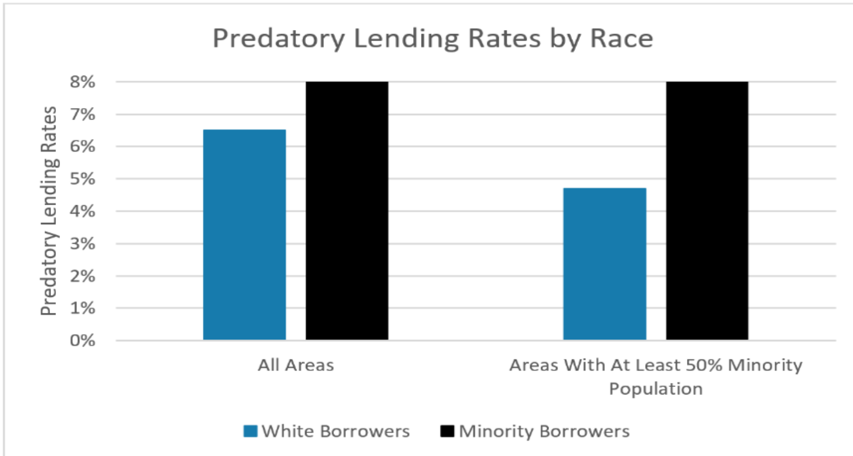
Many large corporations, who were often criticized for low wages of staff, have meaningfully increased pay and benefits over the past 18 months. In an effort to attract and retain more workers, hourly-wage jobs are getting boosted to pay levels never seen before. Amazon’s minimum wage for all U.S. employees is $15 an hour, and its average hourly wage sits at $18 an hour.

Susceptible to Proprietary Lending and Related Practices

Despite these efforts, hourly workers remain among the most susceptible to monthly cash flow issues and have trouble navigating the economic realities. As a result, they are more susceptible to things like proprietary lending practices, are more likely to pay overdraft or related fees, often pay a higher portion of transaction fees on accessing their money, and often have limited savings for emergency or medical issues.

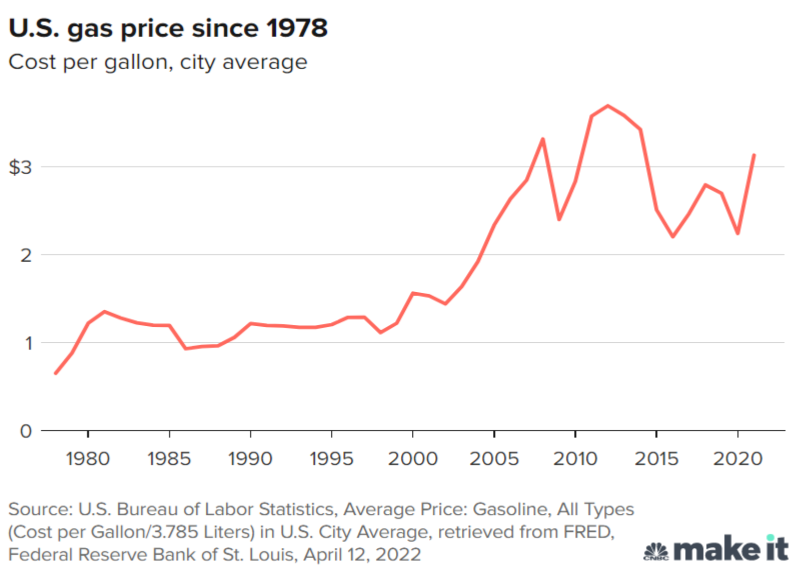
Proprietary lending normally includes provisions that provide unfair, deceptive, or abusive loan terms on borrowers. They often carry high fees and interest rates, dramatically reduce equity of the borrower, and often lower the credit standing of the person getting the loan, which all benefit the lender and harm the borrower.

The economic impact of COVID-19 gave way for cash-strapped consumers to become vulnerable to predatory loans. Moreover, it disproportionately affects Women, Black, and Latin communities. According to Bankrate, these loans typically are for two weeks, with annual percentage rates (APR) ranging from 390% to 780%.



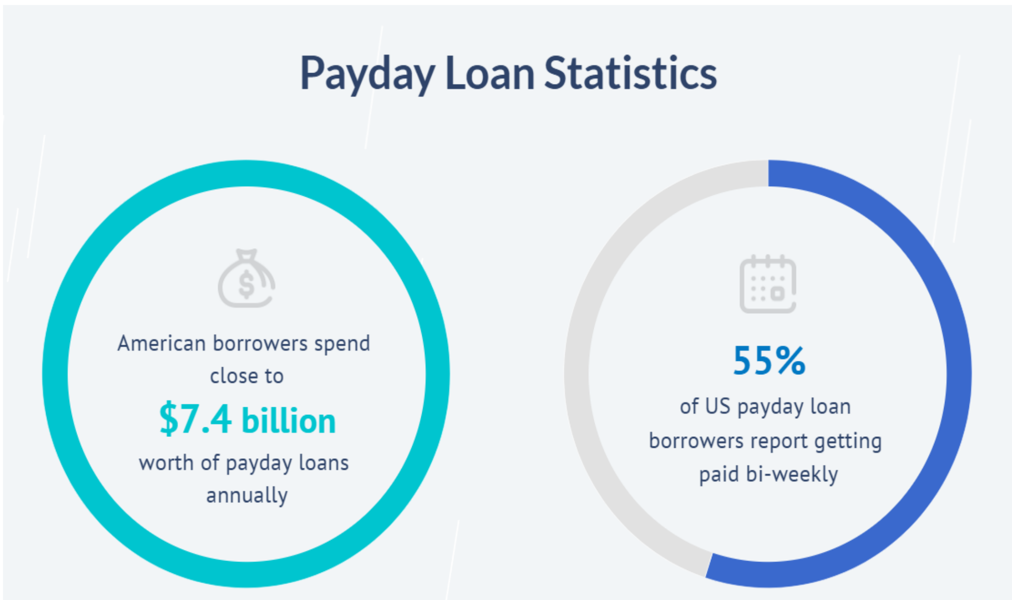
Source: Summitllc.us (2021)

In addition, 81% of American hourly workers say increased gas prices have had a negative effect on their ability to pay other expenses, according to a Harris Poll commissioned by DailyPay and Funding Our Future. 77% claim stress from managing finances is hurting their health while 22% of hourly workers report using payday loans in 2022.



At global security firm G4S, as much as 72% of the company's U.S. hourly workers were leaving their jobs each year. The company launched an employee survey to get to the bottom of why so many were heading for the exit. Guards overwhelmingly responded that they were having trouble making ends meet.

"Not only were the wages problematic, but so was waiting for the two-week pay cycle," Chief Human Resources Officer Geoff Gerks says.



Source: MoneyTransfers.com (2022)

A Path Forward

While there is no silver bullet, it's clear that governments and companies are trying increase wages and benefits to hourly wage earners, and there are many frontline workers who are willing to become loyal employees of these companies and work hard to enhance the brand, drive revenue and earnings.

However, we must adopt new ways to accommodate the needs of hourly workers. One emerging tool is technology driven that will allow hourly workers to access their wages as earned to help better manage cash flow needs between traditional pay periods. The same simplicity of ordering food, a car service, meeting your next date, can also be used to allow employees to get paid as they earn their wages. Unfortunately, even some of these offerings exploit hourly workers by marketing "no cost" service to employers but have hidden merchant and transactions fees and often sell data about the employee to marketers simply shifting how these hourly employees are being exploited.

There are, however, solutions that partner with financial institutions such as VEEP, that are secure, low cost and don't use or market any data about the employee.

> ***"Central to our core mission, VEEP platform was created as a means of putting an end to the predatory practices and short-term payday loan for hourly workers employees. At the same time, the platform assists employers in retaining staff and reducing employee turnover."***
>
> ***Moris Chemtov, Founder and Chief Strategic Officer (CSO) of VEEP***

Solutions like VEEP can provide a very low-cost retention and acquisition tool for employers, while providing a powerful tool for frontline hourly wage earners to better manage their cash flow needs between traditional pay periods.

We think retention tools that are technology-driven and mobile-based, that allow employees to access their wages as they're earned without exploiting their information and using a safe and sound way without high transaction fees is a perfect example of how technology can solve some of these more advanced socioeconomic problems.

Summary

The great resignation has exposed the disconnect between the importance of hourly wage earners to an organizations brand, service quality, reputation and therefore revenue and income, and the difficult economic realities that many of these employees face. Governments and employers have tried do their part by increasing wages and benefits, however, inflationary pressures have eroded much of this benefit.

This makes some of the most loyal, hardworking, and employees susceptible to proprietary lending practices such as payday lending, and other high-cost solutions to manage their cash flow needs. There are new technologies that are simple, low cost and don’t exploit employee information that can help bridge the gap providing a helpful retention tool for employers and much needed access to cash flow for employees.

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