

## Lower-Wage Workers and Flexible Work Arrangements

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Workers at all levels within an organization have the need to manage their work and personal/family responsibilities. Much of the past research on workplace flexibility<sup>1</sup> has focused on managerial or professional positions, and thus, higher-wage jobs and workers with higher incomes. But more recently, researchers have begun to investigate the particular challenges of workplace flexibility for workers who do not fit this mold -- specifically, workers who are hourly, receive a lower-wage, or who live in lower-income families. Regardless of how they are defined, workers at the lower end of the wage and income spectrum have some unique workplace flexibility challenges, largely driven by the nature of the jobs within the lower-wage labor market, but also driven by the personal characteristics of the workers themselves.

This paper examines lower-wage workers and their need for one specific kind of workplace flexibility -- flexible work arrangements (FWAs). Flexible work arrangements alter the time and/or place that work is conducted on a regular basis -- in a manner that is as manageable and predictable as possible for both employees and employers. FWAs provide flexibility in the *scheduling of hours* worked, in the *amount of hours* worked, and in the *place* of work.

This paper first provides a general description of lower-wage workers and lays out different definitions that have been used to describe this segment of the workforce. Using the limited data available, we then provide a summary of findings that outline the reasons lower-wage workers need FWAs, the types of FWAs to which lower-wage workers have access, and the benefits and challenges of providing FWAs to workers in lower-wage jobs.

### A. Who Are Lower-Wage Workers?

The terms lower-wage workers, lower-income workers, and hourly workers are not synonymous, nor are they mutually exclusive. There is no one definition of these workers at the low end of our workforce, and researchers who study this population define the population differently. For example, some researchers

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<sup>1</sup> Under Workplace Flexibility 2010's definition, workplace flexibility includes flexible work arrangements, time off, and career maintenance and reentry. Although we include some findings on issues surrounding time off, we focus this paper primarily on the data regarding flexible work arrangements. See WF2010, "Definition of Workplace Flexibility," available at [http://www.law.georgetown.edu/workplaceflexibility2010/definition/Definition\\_Workplace\\_Flexibility.pdf](http://www.law.georgetown.edu/workplaceflexibility2010/definition/Definition_Workplace_Flexibility.pdf).

focus solely on the wage these workers earn. Acs and Nichols (2007) define lower-wage workers as those who earned less than \$7.73/hour in 2003, or 150 percent of the federal minimum wage. They calculate that about 31 million workers—approximately 23 percent of the workforce—are low-wage. Table 1 below provides a summary of these workers’ personal and family characteristics.

For the context of our discussion, it is also useful to know something about these workers’ employment characteristics. Using the above definition,<sup>2</sup> lower-wage workers are more likely to be employed in small businesses. In fact, almost half (42 percent) of lower-wage workers are employed by firms with fewer than 10 employees, and another 11 percent work for firms with 11-24 employees (Acs and Nichols 2007). With regard to their jobs, lower-wage workers are more likely to be employed in leisure, hospitality, and other service industries than the average worker (Acs and Nichols 2007). The largest lower-wage occupations are retail sales, janitors and cleaners, care providers, and restaurant work (Boushey, Fremstad, Gragg, and Waller 2007).

Other researchers have studied lower-wage workers who also live in low-income families. The rationale for combining both of these filters is that lower-wage employees living in low-income households are “most vulnerable to life events that threaten sustained employment, financial security, health, and general well-being” (Bond and

	Lower-wage Workers	All Workers
Education Level		
Less than HS diploma	19.9	10.1
HS diploma or GED	35.5	30.4
More than HS	45.5	59.5
Gender	52.1	47.2
Female		
Race		
White-non-Hispanic	62.0	69.8
Black, non-Hispanic	12.7	11.2
Hispanic	19.4	13.2
Other	5.9	5.8
Age		
18-29	39.1	27.0
30-49	43.1	52.2
50-61	17.8	20.8
Marital/Family status		
Married, spouse present	44.8	56.4
Children present	44.9*	44.3*
Immigrant Status		
Native-Born	80.5	85.3
Naturalized	5.2	5.7
Noncitizen	14.3	9.1
*All data for lower-wage workers are statistically significantly compared to data for all workers, except the variable for children present. Lower-wage is defined here as less than \$7.73 per hour (150 percent of the federal minimum wage in 2003 and about half of the average wage rate of the average worker). Source: March 2004 CPS. Urban Institute calculations and excerpts from: Acs and Nichols (2007). Low Income Workers and Their Employers: Characteristics and Challenges. The Urban Institute.		

<sup>2</sup> Although we are laying out this definition here, it does not apply to all of the data discussed in this paper: much of the data examining flexible work arrangements uses slightly different definitions of lower-wage workers.

Galinsky 2006), and that using both these filters excludes some lower-wage workers who are not in low-income families because they may be second earners or teenagers. About half of lower-wage workers live in low-income families.<sup>3</sup>

Yet other researchers have focused not on the employees and their wage or income, but the actual job classification in which they work—namely “hourly” or “non-exempt” jobs (i.e., not exempt from the requirements of the Fair Labor Standards Act).<sup>4</sup> For example one study of non-exempt jobs found that 43% of hourly, non-exempt jobs pay lower-wages, defined here as \$10.88 or less per hour (Swanberg 2008).<sup>5</sup>

## **B. Lower-Wage Workers’ Reasons for Needing FWAs**

### *1. Commonalities and Challenges*

To some extent, lower-wage workers’ needs for flexible work arrangements are similar to those of higher-wage workers. Like their higher-wage counterparts, lower-wage workers often must juggle work and family responsibilities. For example, many lower-wage workers are caring for multiple children, generally in homes where both parents are working or in single parent homes (Acs and Loprest 2005). Many also are providing care to elderly relatives or other family members with significant health conditions (National Alliance for Caregiving and AARP 2004). Yet others have acute or chronic medical conditions themselves that often require medical treatment or time away from work (Acs and Loprest 2005). Thus, like higher-wage workers, many lower-wage workers need flexible scheduling, alternative start and end times, compressed workweeks, and the ability to work some hours at home (providing the job can be done at home).

However, the need for flexible work arrangements can be compounded by challenges facing many lower-income families. Over 57 percent of low-income working families are headed by single parents, the vast majority of whom work (Zedlewski, Chaudry and Simms forthcoming). Additionally, in 40 percent of low-income married families, both parents are employed (Urban Institute 2008).

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<sup>3</sup> By the calculation defined above, about 47.4 percent of workers who earn lower-wages are in low-income families (Acs and Nichols 2007). Another calculation finds that more than half, or 54 percent, of lower-wage employees are also low-income (Bond and Galinsky 2006). In this calculation, the authors define lower-wage workers as those whose earnings fall in the bottom 25 percent of the earnings distribution, or \$9.73/hour in 2005, and they define low-income families as households in which annual income falls below 200 percent of the federal poverty level.

<sup>4</sup> Lambert and Henley (2007) explain that this strategy can better identify “potential organizational leverage-points” to improve the work-life balance for disadvantaged workers because strong evidence has shown that lower-level jobs are designed around business strategies, such as cost containment, rather than workers’ skills or preferences.

<sup>5</sup> Note that this definition is somewhat higher than the wage cut off used by Acs and Nichols as well as by Galinsky et al. However, researchers agree that despite methodology differences, when the same year is used, researchers’ generally arrive at a range of \$10-11/hour in current dollars as a good cut-off point for those considered lower-wage employees.

According to Levin-Epstein, children in low-income families “typically face the greatest challenges, and fare more poorly on a range of developmental measures than children in higher income families” (Levin-Epstein 2006). In addition, lower-wage workers and their children face significantly more health challenges than middle- and higher-income workers (Urban Institute 2005). And lower-income workers are more likely to provide care to their aging parents than those in higher-income brackets (Heymann 2000).

## *2. Additional Reasons Lower-Wage Workers Need FWAs*

Because of the nature of many lower-wage jobs and the lack of resources available to many, if not most, lower-wage workers, lower-wage workers have some unique needs for FWAs. Of course, the types of FWAs lower-wage workers need may still vary from worker to worker. While we talk here generally about “the needs of lower-wage workers,” it is important to note that lower-wage workers are a heterogeneous group with a variety of different needs, depending on their particular jobs and life circumstances.

For example, many lower-wage workers work in industries where schedules change on a weekly or monthly basis, and are set at the employers’ discretion rather than the employee’s choice. Thus, while the hours might be “flexible,” they do not address the workplace flexibility needs of these workers (Richman, Johnson, and Buxbaum 2006). As Perry-Jenkins (2008) argues, this unpredictability of hours and schedules creates financial instability, which in turn can lead to residential instability, changes in child care arrangements and schools for children, and indebtedness to kin and friends to whom workers turn for support. In these instances, rather than needing “flexible hours,” lower-wage workers would benefit from work arrangements such as predictable scheduling, greater advance notice of scheduling, and/or scheduling choice (e.g., systems that would allow managers to better match business demands with employee scheduling preferences) (Richman et al 2006).

Similarly, while many lower-wage workers are more likely to work nonstandard hours and mandatory and unscheduled overtime (Richman et al 2006), they lack predictability and control over when they work such hours. Although lower-wage workers often depend on the extra income that overtime shifts can provide, unexpected extra shifts may be unmanageable if they conflict with family responsibilities (Perry-Jenkins 2008). Again, predictable or advance notice of overtime work would reduce work-family conflict. The ability to decline overtime without putting one’s job in jeopardy would also be helpful to lower-wage workers.

While salaried workers may need FWAs in order to reduce their hours, hourly workers often prefer to work more hours in order to increase their income (Golden 2008). Indeed, over one third of low wage and hourly workers working part-time would prefer to work full-time (Swanberg 2008). In addition, as Lambert

and Henley (2007) have found, many workers in lower-skilled, standard, full-time jobs are regularly shorted hours or put on temporary, informal layoff. Employers often do this to contain labor costs while still being able to meet variations in consumer demand, but the consequence is that a full-time employee may be unable to bring home a full-time income (Lambert 2007). As a result, predictability in the number of hours (compared with the timing of hours) is also important for lower-wage workers. In addition, when workers request to work particular shifts and not to work others, they report that they are scheduled for fewer hours. A policy solution that makes it less likely that employees' hours will be reduced if they express schedule preferences also would be helpful.

Finally, unlike their higher-wage and higher-income counterparts, (57 percent), only 33 percent of low-wage and low-income workers have control over when they take breaks during the day (Bond and Galinsky 2006). These workers are thus stymied in their ability to care for themselves (e.g., when a nursing mother cannot pump milk), or their family members (e.g., when a parent cannot call home 30 minutes after school lets out to confirm that his or her child arrived home safely). Being able to choose when (or at least to have some input regarding when) to take their breaks would provide needed workplace flexibility to these workers.

### *3. Compounding of Reasons Why Lower-Wage Workers Need FWAs*

Lower-wage workers' needs for FWAs are compounded by their lack of access to other forms of workplace flexibility in low-wage jobs, including short term time off, episodic time off, and extended time off. In addition, because lower-wage workers earn, by definition, a lower wage, they are less able to compensate for schedule inflexibility by paying others to fulfill family and other responsibilities outside of work as they arise.

Research shows that for both lower-income parents as well as for those in entry-level, lower-skill jobs, access to paid time off (including vacation, sick or personal days) from work is significantly less than what is provided to higher-income parents or those in higher skilled jobs (Ross Phillips 2004; Acs and Loprest 2008). The 2002 National Study of the Changing Workforce (NSCW) (Bond and Galinsky 2006) specifically found that low-wage and low-income workers are less likely than mid- and high-wage and mid- and high-income workers to:

- Be allowed some paid time off for personal illness (39% vs. 79%);
- Be allowed time off to care for a sick child without losing pay or using vacation days (24% vs. 54%); or
- Be allowed enough paid time off to care for a sick child (17% vs. 49%).

Lower-wage workers are also less likely to have unpaid job protected time off. For example, the Family Medical Leave Act guarantees unpaid time off only to employees of firms with 50 or more workers, but as noted above, many lower-wage workers work for small firms (Acs and Nichols 2007) or many do not work

enough hours or have not worked long enough with their employer to be eligible for job protected leave. As a result, studies show that anywhere from 25-28 percent of workers in low income families are either not covered or not eligible for protection under the FMLA (Ross Phillips 2004; National Research Council and Institute of Medicine 2003).

### **C. Lower-Wage Workers' Access to FWAs**

Despite their increased need for FWAs, lower-wage and lower-income workers have fewer options and less access to flexible work arrangements than higher-wage and higher-income workers (MacDermid 2006; Richman, Johnson, and Buxbaum 2006). The most recent data from the National Study of Employers shows that organizations in which more than half of employees are hourly have lower levels of workplace flexibility than organizations with fewer hourly workers (Galinsky, Bond, Sakai, Kim, and Giuntoli 2008).

Looking at access to flexible workplace policies by specific practices and policies makes it even more apparent that lower-wage jobs provide less than higher-wage positions. The 2002 National Study of the Changing Workforce (NSCW) (Bond and Galinsky 2006) parses out specific measures of workplace flexibility, and, among other findings, shows that lower-wage, low-income employees are less likely than mid- and high-wage and mid- and high-income employees to:

- Be allowed traditional (33% vs. 45%) or daily flextime (12% vs. 26%);<sup>6</sup> and
- Decide when they can take breaks (33% vs. 57%).

Research using other datasets supports these findings. Specifically, studies have found “status gaps” between exempt and non-exempt workers when it comes to FWAs. Nonexempt workers are much less likely to have flexibility with their daily work schedules, flexibility for personal or family matters, or control over hours and overtime work than workers with exempt status (Golden 2008).

It is important to note that even when they have access, lower-wage and low-income workers are also more likely to report that using available workplace flexibility will negatively affect their job advancement (Richman et al 2006).

### **D. The Benefits and Challenges of Providing FWAs to Lower-Wage Workers**

Although much of the research<sup>7</sup> on the business benefits of providing FWAs has focused on professional or managerial workers, some research has shown that the benefits of providing FWAs to lower-wage workers are comparable to or

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<sup>6</sup> Traditional flextime is defined as allowing employees to choose their starting and quitting times within a range of hours periodically. Daily flextime is defined as being able to choose starting and quitting times daily.

<sup>7</sup> See for example Corporate Voices for Working Families 2005; Bond, Galinsky, and Hill 2004.

greater than the benefits of providing FWAs to higher-wage and –income counterparts. For example, findings from the 2002 National Study of the Changing Workforce show that employees of all incomes and wage rates in more flexible workplaces exhibit outcomes that are more favorable to employers, such as greater job satisfaction, stronger job commitment and engagement, higher retention, and more productivity (Bond and Galinsky 2006). Moreover, the study found that a flexible work environment had the same or greater positive impacts for lower-wage and lower-income employees as for higher-wage and –income workers. Similarly, another study showed that the commitment and engagement of lower-income workers with workplace flexibility is twice that of lower-income workers without workplace flexibility, and that the workers with workplace flexibility are half as likely to burn out or be stressed as those without (Richman et al 2006). The study also found that workplace flexibility significantly reduced turnover for lower-income employees. The study found similar results for higher-wage and –income employees, but the effects of flexibility were stronger for lower-wage workers.

Findings from another large multi-method research case study of a *Fortune 100* retail company illustrate in greater detail the many benefits that providing FWAs to hourly workers can have on businesses (Swanberg, James, and McKechnie 2008). Managers interviewed in the study report that FWAs not only improve employee recruitment, retention, and engagement, but also the productivity of workers, as well as customer service. Rather than viewing FWAs as a perk for employees, these managers view FWAs as a “business imperative.” They report that flexible work options:

- Help attract quality employees by giving them control of their work schedules and showing them that the company values its employees—unlike competitors;
- Create a work culture in which employees feel valued and want to stay with the company longer;
- Improve morale, and thus productivity;
- Establish a “quid pro quo” environment in which employees become more engaged, because “when employees are given the requested flexibility, they are more willing, in turn, to be flexible with the company and assist the manager when asked to help out.”
- Improve customer service by improving employees’ satisfaction and attitudes.
- Reduce operational costs associated with turnover, and thus with training and recruitment.

Although managers in the study expressed their belief that the investments associated with FWAs exceeded the costs, results from the same study also provide insights into some of the challenges employers may face when they offer FWAs to hourly workers (Swanberg et al 2008). The study identifies four challenges in creating a flexible workplace for hourly employees:

- Balancing employee requests with business demands, such as having adequate store coverage;
- Using managers' time efficiently, as developing work schedules that meet employee and business needs can be time consuming;
- Ensuring fair and equitable practices when balancing multiple employees' requests;
- Maintaining customer loyalty, as regular customers who expect to interact with specific employees may be disappointed if their schedules are variable.

Other barriers to providing workplace flexibility may arise from the nature of particular jobs or working conditions. Richman et al (2006) point out that for production and service workers, extended hours of operation and the need for staff during particular hours at a particular location may make FWAs difficult to implement, as personnel policies are focused on coverage and productivity.

Although businesses may argue that providing FWAs to lower-level employees may be too complex and interfere with businesses' need to contain labor costs, there is evidence that not only are lower-wage employees the most in need of workplace flexibility, but that the positive impacts of workplace flexibility are strongest for these workers (Richman et al 2006).

*This fact sheet was produced through a non-exhaustive survey of selected websites, journal articles and research reports on lower-wage workers and workplace flexibility. Some data presented are unpublished findings and analysis by Urban Institute researchers. We welcome feedback on additional data and information that could be included here.*

*Prepared for Workplace Flexibility 2010 by Anna Danziger and Shelley Waters Boots on behalf of the Urban Institute. July 10, 2008.*

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