



COMPENSATION AND WORKPLACE STABILITY

Building Meaningful Employment Environments™

Robert Martichenko, Board Chair & Matt Melrose, CEO
TrailPath Workplace Solutions

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Preface

Thank you so much for your interest in our white paper. We sincerely hope you enjoy the discussion, and we also hope your time will be well spent.

As an introduction, this white paper is the result of significant work that is taking place to better understand how we can build more *Meaningful Employment Environments (MEE™)* for all employees, and particularly, our frontline team members.

The MEE conversation has many factors to be addressed, and one important topic on the list is workplace compensation - a main theme of this white paper. However, it is important to recognize that employee compensation cannot be discussed in isolation, as it is part of a larger ecosystem. This ecosystem includes workplace stability, workplace safety, team member participation, leadership beliefs, workplace productivity, and the harsh financial constraints that many industries face today.



There is no question this white paper is advocating a possible path forward to address current workplace challenges. For example, we will connect dynamics of trust and dignity to the conversation of a minimum livable wage. We also approach the idea of increased compensation levels to be funded entirely through productivity gains by establishing workplace stability.

These discussions will certainly spark debate, apprehension, and possibly outright disagreement.

The good news is, these debates can be embraced as they will be healthy, allowing us to explore the details of the topic more fully.

At the core of this discussion is our ability to see compensation as a strategic driver, one where we all agree that the *prosperity of an organization is inextricably linked to the prosperity of their team members, and the prosperity of our team members is inextricably linked to the prosperity of the organization.*

If an organization decides to utilize compensation as a strategic lever for growth, all team members must share in the ownership of this serious responsibility.

Nothing of value comes without hard work by all stakeholders in an organization, and this is the guiding north star of this important and relevant discussion.

Thanks again for your time, and we look forward to hearing from you.



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Money Ain't Everything?

The old saying goes, 'Money ain't everything,' but it's conventional wisdom that the only people who say this are people with money. In the workplace, the idea that compensation is *not* the most important factor to meaningful employment is well known. Study after study advocates that compensation is less critical than other factors such as recognition, a challenging problem to solve, professional development, or working for a good boss.

Yet, when we scan the macro-workplace environment today, we could begin to argue a very different story. Virtually all industries today are being affected by labor disruptions of some sort, whether they be labor shortages, skills gaps, changing attitudes about work, or changing attitudes about where we want to perform our work. As we begin to dissect these disruptions, there is no question that compensation is a large part of the discussion. Therefore, to ignore the significance of employee compensation would at best be naïve and at an extreme, possibly catastrophic to the organization. This is particularly true when it comes to our frontline hourly compensated team members.

Taking this into consideration, we need to ask ourselves, 'So what do we need to know and what do we need to do to get our arms around the extremely delicate, sensitive, and complicated discussion relative to frontline employee compensation?'

Unfortunately, to answer this question, we must explore a set of other questions.

What are the critical foundational elements of frontline compensation in the USA? How can we embrace compensating team members with a living wage and remain competitive? What might we need to change in our overall belief systems as it relates to trust and dignity in the workplace? Is there a path to fund compensation increases through productivity, based on team member participation, and managing the cost of workplace instability? What value could we deliver to our customers and our team members if we consistently had the right people in the right roles with the right skills and the right attitude?

Answering these questions, and many more, is the objective of this white paper.



Foundational Elements

At an approximate level, there are 160 million people in the workforce in the USA. Approximately 80 million, or half of these workers, are paid by the hour. This alone should make us take pause. The reason for this pause is that virtually all discussions surrounding the *future of work*, or the future of workplaces, have topics that in general are focused on salaried employees. Examples of these are work-from-home, the impacts of artificial intelligence, and the plethora of topics that are specifically leadership related. The irony is that these topics most often ignore our frontline and hourly compensated team members, who, as noted, represent half of our workforce! While the current conversations are timely and interesting to those who find them relevant, it is time to begin an entirely new conversation for the people who cannot work from home, are detached from advanced technology development, and are simply the *receivers* of all things leadership related.

It's time to have a compensation conversation about our important frontline workforce.

Minimum Livable Wages & Workplace Stability

A minimum livable wage refers to a theoretical compensation level that allows individuals or families to afford basic needs such as required housing, food, clothing, transportation, phone, basic healthcare, childcare, and other fundamental necessities. It does not include the ability to save money or to be prepared for an emergency of any kind.

"A MINIMUM LIVABLE WAGE IS THE MINIMUM COMPENSATION A PERSON WOULD NEED IN ORDER TO HAVE NOTHING BUT THE BASICS FROM PAYCHECK TO PAYCHECK."

According to research completed at the *Massachusetts Institute of Technology*, the minimum livable wage in America for a married couple with two children is \$25.00 per hour per working adult (normalizing for regional differences). This equates to approximately \$50,000 per year for each adult working full-time. (Note: It seems reasonable to assume that this minimum would need to be higher for single parents raising children on their own, which is very common in the USA, and that perhaps a single person with no children could be fine with a little less.)

Notwithstanding the different life circumstances an individual may have, for discussion purposes using a target of \$25.00 per hour as a foundation, let's look at some current USA workplace dynamics.

The USA legal federal minimum wage is \$7.25 per hour. This wage was set in 2009 and has not changed over the last fifteen years. The Bureau of Labor and Statistics estimates that one million Americans are working at or below the federally mandated minimum wage. While this is alarming in one sense, the flip side is that a majority of workers are compensated more than the minimum wage. This is good news, as the federally mandated minimum wage is considered a poverty wage.

While the federal government may feel they have some control over this issue, the fact is they don't really play any significant role in determining minimum compensation levels within private industry. There are two reasons for this, the first being that all states can set their own minimum wage, which many do. The second reason is more impactful: in a free market, minimum wages will in fact be set by industry through the basic economic principles of supply and demand. Examples of economic compensation principles at play recently include the upward compensation pressures experienced during the pandemic, the new \$15.00 per hour warehouse-worker wage set by e-commerce giants, and the significant wage increases realized by very recent and on-going labor unionization efforts.

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Now, some not so good news. According to the *Economic Institute*, as of 2024, 69 million workers in the USA are paid less than \$25.00 per hour. This represents approximately 40% of the total workforce and approximately 85% of the total hourly compensated workforce! Even if these numbers have a margin of error, we can begin to see why financial worries are common and prove themselves a significant factor for mental health issues in our society.

Compensation and minimum livable wages for frontline workers are topics that are front and center and will not be going away any time soon as we enter a workforce crisis brought on by population demographics, a shrinking workforce, changing employee attitudes, and the ease and empowerment of workers to choose where they want to work. It is an agreed-upon certainty that we are experiencing a shrinking workforce, and the remaining workforce has an expectation to work in meaningful employment environments.

Compensation & Meaningful Employment Environments

Over the last several years, the *TrailPath Workplace Solutions* team has been working hard with customers to successfully implement *Meaningful Employment Environments* (MEE). The primary factors that define a MEE are *Trust*, *Fundamental Needs*, the *Work Environment* and the *Work* itself. Within *Fundamental Needs* rests *Financial Needs*. That is, realizing basic financial needs (a minimum livable wage) is a requirement for team members to believe their employment environment is meaningful. This should not come as a surprise to any rational person. However, the story is still incomplete.

In our research and work, we have also learned that a person who is not making a minimum livable wage (defined as \$25.00 per hour) will also experience low attitudes towards the MEE factors of *Trust*, the *Work Environment*, and the *Work* itself.

"RELATIVE TO COMPENSATION, PEOPLE REQUIRE COMPENSATION THAT IS FAIR AND DEFENDABLE AS COMPARED TO OTHERS IN THE SAME WORKPLACE, COMPETITIVE WITH OTHERS IN THE SAME MARKET, BUT MOST IMPORTANTLY, PEOPLE REQUIRE COMPENSATION THAT IS SUFFICIENT TO MEET THEIR MINIMUM AND BASIC PERSONAL NEEDS."

In addition, these team members will most often define themselves as employees who are *Declining* or simply *Surviving* in the workplace, as opposed to *Growing* or *Thriving*. In other words, it is highly unlikely that team members will be fully engaged and participative in the workplace when basic financial needs are not being met.

Another interesting yet not surprising fact is that organizations with compensation levels well below a minimum livable wage currently experience very high rates of team member turnover (departures), with averages ranging between 50% to 100% turnover annually. It is safe to say that an environment with 50% annual employee turnover is not a stable workplace and will therefore be suffering from many ailments of chaos, including negative business outcomes in safety, quality, customer satisfaction, and cost (more on this later).



None of this should be surprising. How can we expect team members to be engaged, loyal, and participative if they are riddled with anxiety because they cannot meet basic fundamental needs for themselves or their families?

And so, to close a loop, in the spirit of myth busting, back to the question, 'Where does money fall on the priorities of people in the workplace?' The answer is, 'Money may not be the number one priority, as long as you are making a minimum livable wage, and if you are not, it is absolutely at the top of the list.'

Said another way, '***Sure, money ain't everything, as long as you have enough to get by.***'

Trust and Dignity

A *Meaningful Employment Environment (MEE)* is defined as a workplace where *trust has been established, fundamental needs are being met, the environment is participative, and the work is meaningful*.

As an organization, to attract and retain top talent, we need to build this environment, which means we need a starting point. This starting point, the basecamp of our work, is *Trust and Dignity*.

Trust is the starting point because the absence of trust will result in the absence of team member participation, and the absence of participation will result in a failed bid to build a meaningful employment environment. The good news is the path to trust starts with one human behavior. As leaders, and as team members alike, we need to treat each other with **dignity**.

"A MEANINGFUL EMPLOYMENT ENVIRONMENT IS A WORKPLACE WHERE ORGANIZATIONS AND PEOPLE THRIVE BECAUSE THEY LIVE THE BELIEF THAT THE FOUNDATION OF EVERY ORGANIZATION IS ITS PEOPLE."

Treating people with dignity begins with believing that people are valuable and deserve respect for no other reason than that they are human beings. Regardless of our position on the organizational chart, our time is valuable. We all have real lives; we want to add value, and we want to grow and thrive. As leaders, we must examine our own attitudes and ensure that our behaviors reflect a sincere belief that people are trustworthy, that people seek responsibility and accountability, that people seek meaning in their hard work, and that all people want to learn and progress in their lives.

As a leader, to treat a person with dignity is also to recognize that people have fundamental minimum financial needs in order to live a basic life. Once we sincerely believe this, then as leaders, our actions should support our beliefs (walk the talk). Do we believe that people should be able to pay their basic bills without worry? Do we believe our valued team members should be able to live (afford housing) in the communities they work in? Do we believe our team members should have access to health care and not worry about a sick child or needing a day off to deal with a sick child? Do we believe that our people should make a minimum livable wage without working two full-time jobs? These are tough, complicated questions, and the actions required because of our answers are even tougher.

Most people would believe in a person's right to a minimum livable wage. However, there are harsh realities that come with running a business enterprise. One of these realities is managing the cost of labor in order to be competitive and profitable. This means that frontline labor is often managed as a commodity, an interchangeable, non-differentiating transactional exchange of money (so much an hour) for labor (time).

And so, while most organizations often espouse people as being 'our most important resource,' the real belief systems and attitudes in action are often that *frontline labor is viewed as nothing more than a necessary cost to be reduced*, as opposed to a value creator to be leveraged.

Which leads to another question: what is the unintended cost of this traditional and common belief?

Workplace Stability

The concept of workplace stability is well known. However, it can be challenging to articulate. In many respects, it's easier to talk about workplace instability, as this is much easier to see, feel, and relate to. However, if workplace stability is what we are trying to achieve, it's important that we are aligned on the term.

To understand the concept of workplace stability, we first need to decide what elements of the workplace we are talking about. Workplace stability could reference financial stability, product stability, manufacturing stability, or other items that form a long list of organizational systems or processes. For our purposes, we will address workplace stability as it relates to people in the workplace.

Traditionally, when we talk about stability within our workplace, we commonly describe it in terms of employee turnover. This is an understood concept and reasonably easy to measure. However, this one description is incomplete. Workplace stability is not simply a function of whether people are leaving the company, but it is also about the people who remain, the people who are running the business. Therefore, when we think of stability within the workplace, we need to ask ourselves, do we have the right people in the right roles with the right skills and the right attitudes? Think of this as the *Perfect Order of People*, which is a very important concept as it leads directly to the single most important factor for workplace stability, *Team Member Participation*.

"IT IS GENERALLY ACCEPTED THAT HAVING THE RIGHT PEOPLE IN THE RIGHT ROLES WITH THE RIGHT SKILLS AND THE RIGHT ATTITUDES WILL PRODUCE AN EMPLOYMENT ENVIRONMENT WHERE PEOPLE WILL BE PARTICIPATIVE. IT IS ALSO GENERALLY ACCEPTED THAT TEAM MEMBER PARTICIPATION IS THE NUMBER ONE DRIVER FOR ORGANIZATIONAL SUCCESS."

What does it mean for a team member to be participative?

In a thriving employment environment, team members participate by believing in the organization and by building sincere, honest, and trustworthy relationships across all levels of the business. In addition, team members participate by working hard with the organization to ensure their personal fundamental needs are being met and by knowing, understanding, and improving the work environment they are sharing with others. Last, and critical to our compensation conversation, team members participate by knowing, understanding, and improving the actual work.

Here is a hypothesis: *Team members who are highly participative will be growing and thriving, and people who are growing and thriving will be more productive.*

Stability and productivity are two sides of the same coin. Too often, we view productivity as working fast and furiously to continuously achieve some stretch goal that everybody feels is unrealistic. The image of a hamster on a wheel is common. Examples of this wheel in real life are measures that are defined by *# of something per hour*. While these measures are ubiquitous, their 'incompleteness' often makes them more harmful than helpful.

Productivity is simply our ability to achieve realistic goals in a consistent manner. That is, we can define productivity as achieving consistent, stable, and reliable performance on realistic targets by having team members who have a deep understanding of operational processes and are highly participative in the workplace.

And in the spirit of simplification, let's just say that workplace stability is when we consistently achieve our productivity goals because every team member is participating and thriving in the workplace.

Why is this important to our compensation conversation?

An organization with highly participative team members will be more productive, and a more productive employment environment will produce opportunities for the organization to share benefits with their teams.

Which leads us directly to the cost of workplace instability.

"**WORKPLACE STABILITY IS WHEN AN ORGANIZATION CONSISTENTLY AND RELIABLY ACHIEVES PERFORMANCE AND PRODUCTIVITY GOALS BECAUSE THEY HAVE THE RIGHT PEOPLE IN THE RIGHT ROLES WITH THE RIGHT SKILLS AND THE RIGHT ATTITUDE WITH A HIGH LEVEL OF PARTICIPATION.**"

The Cost of Workplace Instability

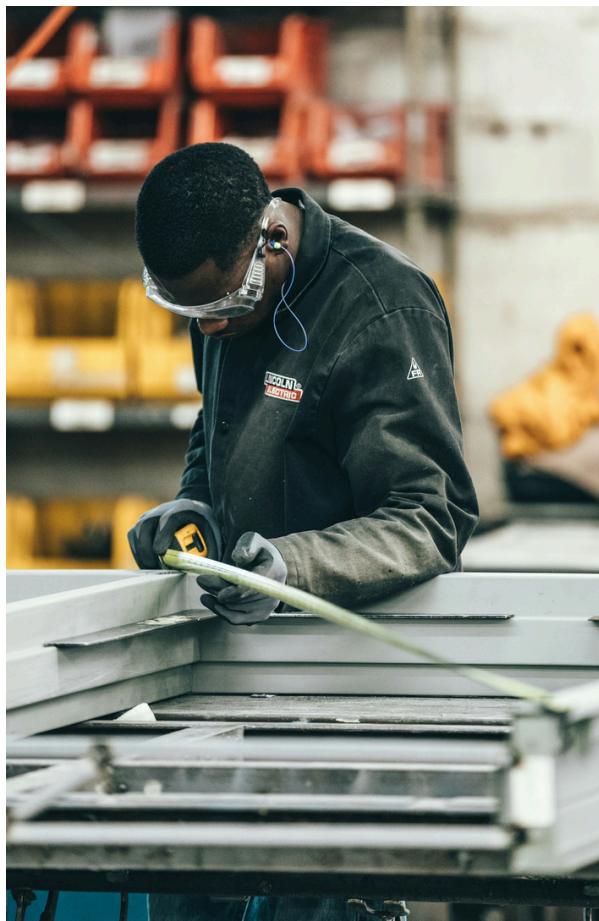
Building upon the above, workplace instability can be defined as the *instability that is created in the workplace when we do NOT have the right people in the right roles with the right skills and the right participative attitude.*

The workplace *culture* created by this instability is characterized by high team member turnover and low operational productivity. In addition, this culture is often characterized by untenured and untrained team members confused about the work, team leaders and supervisors who are doing the actual work as opposed to leading their teams, and managers and senior leaders who are spending significant time chasing the multi-echeloned chaos created by workplace instability.

Does any of this sound familiar?

While this is the culture created, this does not describe the *work environment* that is the 'effect' of the workplace instability. This 'effect', or *environment in action* created, represents the true cost associated with workplace instability. This is where the conversation gets interesting.

To examine and articulate the cost of workplace instability, we need to view operations at different levels of activities. These three levels are the cost of negative operational events, the cost of team member turnover, and the cost of lost productivity.

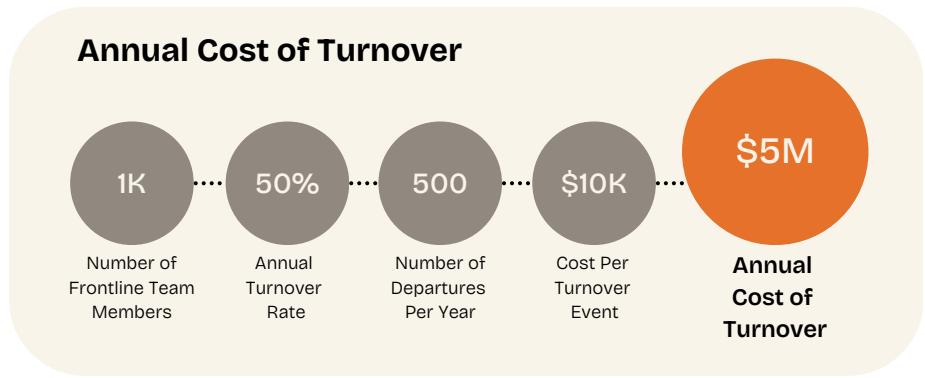


The first cost associated with workplace instability is the cost of negative operational events. These discrete negative operational events are the costs associated with one-time failure events in safety, cost, quality, service, and delivery. The premise is that the contributing causes of the negative event are a function of workplace instability as defined above. For example, a safety incident because of untrained team members on the floor, a lost customer because our shipping department could not keep up even with mandatory overtime, or a major product quality issue due to machines not being maintained properly. These costs are real, but there is an inherent challenge to trace the causes of these issues to workplace instability. Therefore, we tend to just "shrug our shoulders" and carry on, hoping tomorrow will be better. The truly missed opportunity is that we do not get to capture and understand the cost of these discrete events, which could be used as a barometer for how much we could possibly save if we put more investment into our people.

The second cost associated with workplace instability is the cost of team member turnover. These costs are somewhat more visible, and we do have the ability to develop models to capture a reasonably accurate picture of the situation. These are the Human Resources (HR) and administrative costs associated with our efforts to attract, recruit, on-board, train, develop, and retain top talent.

"HR EXPENSES ARE AN INTENTIONAL INVESTMENT IN PEOPLE, AND EVERY TIME A TEAM MEMBER LEAVES THE ORGANIZATION, SO LEAVES OUR INVESTMENT."

While these costs may not be the same for all industries, our work with multiple organizations across multiple industries would suggest that the cost of losing a full-time employee who has a minimum of six-months tenure is anywhere between \$7,500 and \$15,000 per turnover event!



So, an organization with 1,000 full-time employees with 50% annual turnover, at \$10,000 per turnover event, would be spending $1,000 \times 50\% \times \$10,000 = \$5,000,000$ per year simply on the costs associated with attracting, recruiting, on-boarding, training, and developing new team members. This is a significant number, yet for reasons we will discuss, it does not seem to garner the attention it deserves.

The third and arguably most critical cost of workplace instability is the cost of lost productivity. We continue to define productivity as achieving consistent, stable, and reliable performance on realistic targets by having team members who have a deep understanding of operational processes and are highly participative in the workplace.

Here's another hypothesis: *Participative, trained, and knowledgeable team members are going to be more productive than their opposites. In addition, these participative team members will inherently work safer and be more effective in relation to quality output.*

The absence of a participative and stable workforce results in a myriad of productivity wastes, including waste of rework, waste of team member confusion, waste of downtime, waste of poor attendance, significant waste of leadership resource time, and a long list of other wastes that we know exist but are hard to articulate (more on this later).

Specifically, focusing on the opportunity cost of leadership time, examples show that as much as 50% to 100% of frontline supervisors' time, 25% to 75% of management time, and 15% to 50% of senior leadership time may be spent "chasing the day" as a result of workplace instability. This begs the question, 'How good could we be if our leaders were actually leading and not simply bogged down in tasks reacting to the events of the day?'

"THERE IS AN OLD SAYING THAT 'CULTURE EATS STRATEGY FOR BREAKFAST.' THE REALITY IS, 'THE EVENTS OF THE DAY (OR HOUR)' EAT CULTURE AND STRATEGY AS IF IT'S A LITTLE SNACK."

When we look closely at all the costs associated with workplace instability, it would appear to be a gold mine just waiting for someone bold enough to start digging. Yet, for some reason, it does not get the visibility and attention it deserves.

The Challenges of Financial Accounting

Traditional financial accounting, in particular a *Profit and Loss Statement (P&L)*, is a helpful and necessary tool to manage a business. However, there are inherent weaknesses with P&L structures as they typically do not capture important and significant costs associated with operations. Examples of these hidden costs are the cost of poor quality, the cost of lost sales, the cost of excessive supply chain lead times, and the cost of carrying physical inventories. These costs are real but not captured explicitly in the structures of our general ledgers in the P&L statement.

In the spirit of the *cost is real* but not explicitly visible, the cost of workplace instability may be the largest cost of the whole bunch. In other words, it is real, it is big, but it is not easily measurable. Therefore, to repeat an old and possibly out-of-date axiom: 'If you can't measure it, you can't manage it.' The reality with the cost of workplace instability is that, 'We don't manage it because we don't measure it!'

This is unfortunate as we are missing out on an incredibly valuable opportunity to reduce a significant cost to the business and possibly use a part of this savings to fund our ability to bring our frontline team members to a minimum livable compensation wage.

"A MEANINGFUL EMPLOYMENT ENVIRONMENT IS A WORKPLACE THAT FULLY RECOGNIZES THAT ORGANIZATIONAL PROSPERITY AND EMPLOYEE PROSPERITY ARE INEXTRICABLY LINKED."

The fact is, there is a very good chance that an initiative to improve frontline compensation can easily be funded by creating a stable workplace where team members are tenured, trained, highly process knowledgeable, and committed to the organization to participate in achieving productivity results needed to fully fund the increased compensation.

In other words, we get our frontline team members to a livable compensation wage because this is simply the right thing to do (Dignity), but we also recognize the work may very well pay for itself if we create *workplace stability, defined as having the right people in the right roles with the right skills and the right participative attitudes*.



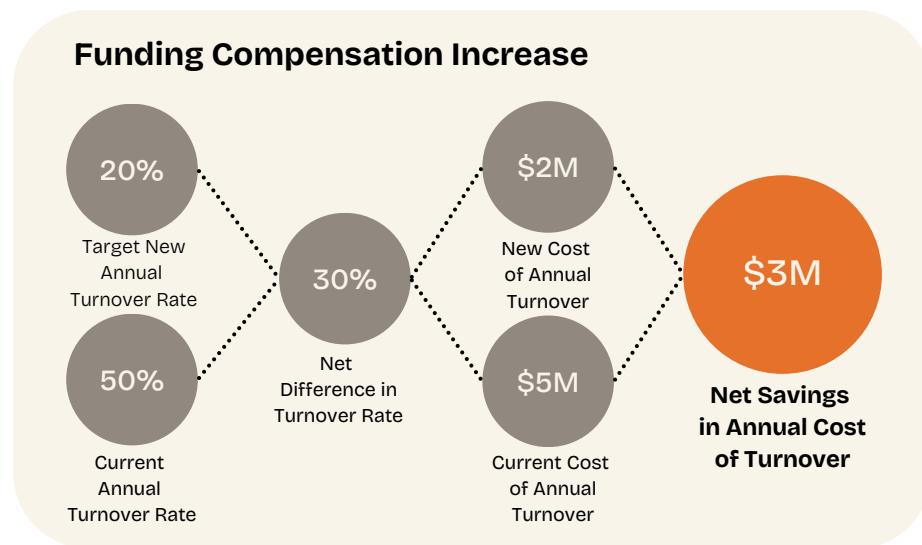
Fully Funding the Minimum Livable Wage

Let's describe a very real example. The organization described at the top of page 11 has 1,000 full-time frontline team members with an annual turnover rate of 50%. The annual cost of frontline turnover is \$5,000,000 ($1,000 \times 50\% \times \$10,000$) based only on the Human Resources costs captured on the P&L statement as they relate to the cost of attracting, recruiting, on-boarding, training, and developing new team members. This does not include all the many other implicit costs that we fail to capture in any organized and structured fashion.

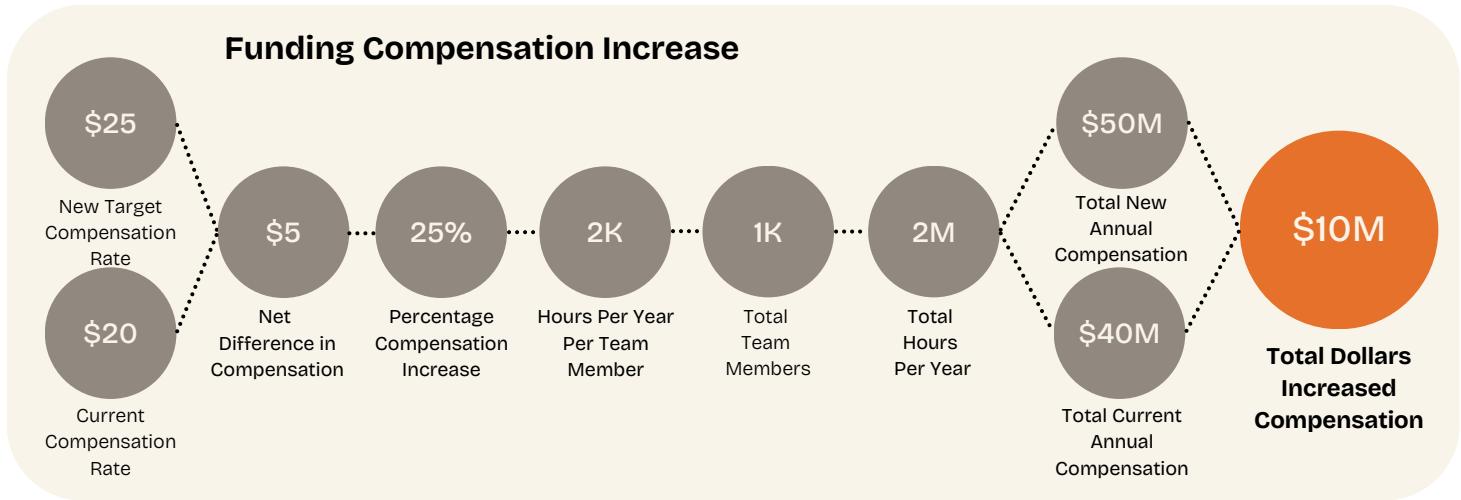


In this example, the organization is currently paying frontline workers \$20.00 per hour, and they would like to get committed team members to a minimum livable wage of \$25.00 per hour over the next two years. It all sounds wonderful, other than the fact that the industry itself is very competitive and the organization has no ability to fund the increase through gross margins because excess margins simply do not exist. Therefore, the increase in compensation must be fully funded through the belief that a higher wage will help to create a stable workplace, and a stable workplace will be more productive. The question is, how much more productive does it need to be to fully fund the increase?

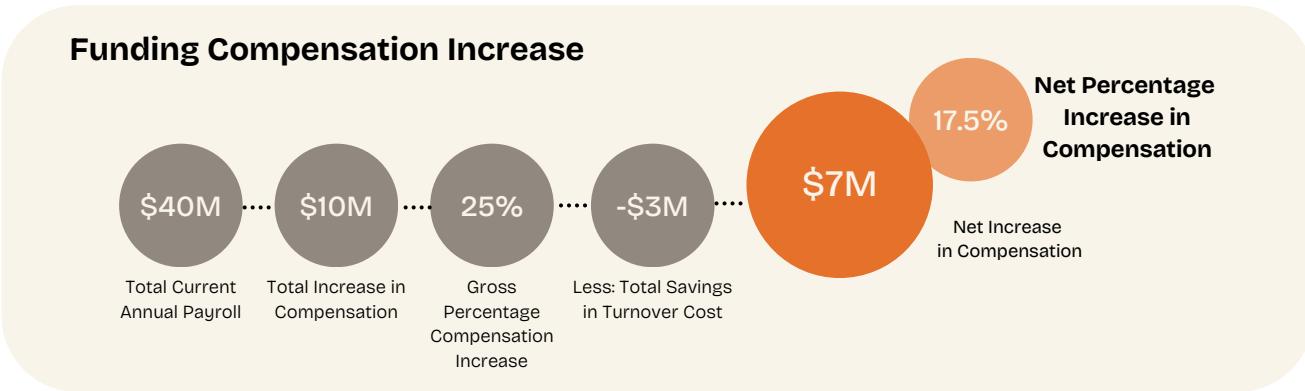
Quick math would suggest the productivity improvement would need to be 25% as we are going from \$20.00 to \$25.00 per hour, or a 25% increase. However, this reasoning is incomplete. To complete the analysis, we need to ask ourselves: *what will happen to workplace instability as we bring people to a minimum livable wage?* In this example, the organization set a target of reducing annual turnover from 50% to a conservative number of 20%, for a reduction of 30%. In this case, the organization will save $30\% \times 1,000$ (team members) $\times \$10,000$ (per turnover event) = \$3,000,000 savings in HR costs related to turnover.



Building upon our example, the total increase in wages in real dollars from \$20.00 to \$25.00 will be \$5.00 X 1,000 (team members) X 2,000 (planned hours per year) = \$10,000,000 per year.



So, we learn that our real increase is not 25% but rather \$10,000,000 (net increase) - \$3,000,000 (turnover savings) = \$7,000,000, or 70% of the increase. Therefore, if we stay to our conviction that this total increase needs to be fully funded by productivity, we can calculate that our productivity improvement will need to be 25% (total wage increase) X 70% (wage increase less turnover savings) = 17.5%. In other words, 30% of the increase in wages is paid for simply by getting turnover rates from 50% to 20% on an annualized basis. And what's absolutely critical to recognize is that we are only taking into consideration the explicit HR costs on the P&L statement, which does not include all the other very real and significant costs associated with negative events and lost productivity. For example, what is the cost of one serious safety incident, or the cost of one lost customer, or the cost of all the leadership time and energy exhausted when we don't have the right people in the right roles with the right skills and right participative attitude?



Specifically to the cost of lost leadership productivity, an organization with 1,000 frontline team members could easily have 100 frontline supervisors at a conservative expense of \$5,000,000 per year. If 50% of the supervisors' time is spent 'chasing the events of the day' then we have another \$2,500,000 opportunity available to us. This would bring the productivity number required to fully fund our compensation increase down to 11%!

Funding Compensation Increase



To this end, and drawing from the numbers above, how much of the original 17.5% will come from other hidden savings? How much will need to come from explicit and visible productivity metrics? These are questions the individual organization will need to answer, but let's assume the organization says, 'It must all come from doing work more productively.' That is, our new strategy is to 'compensate people well and have a lot fewer (17.5%) people (participative and committed) doing the work.'

Do you believe we can achieve a 17.5% productivity improvement by having a committed and highly participative workforce? And what if the real number is well below 17.5% because of all the other implicit savings we will realize? Each organization will need to answer these questions for itself, but there is ample evidence to suggest that engaged and participative team members are easily 15% to 25% more productive than their opposites. The challenge, though, is that we will need to have the courage to leave granular analysis behind, believe in the power of people, and stay the course.

Perhaps we need to stop demanding that we prove everything on a spreadsheet, but rather look at this from a principle point of view. Do we believe compensating team members with a minimum livable wage is the right thing to do? And if so, do we believe there is an economic argument that a large portion of the investment will be funded by waste reduction as a result of stabilizing the workplace?

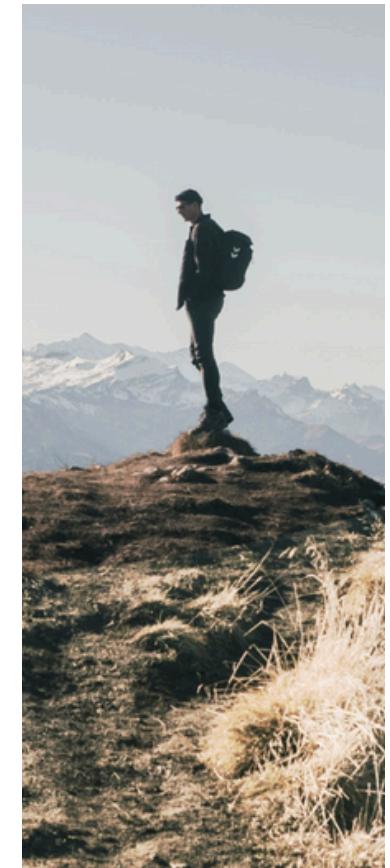
Or is this a 'bridge too far?'

"A MEANINGFUL EMPLOYMENT ENVIRONMENT IS A WORKPLACE WHERE DIGNITY AND MEANINGFUL WORK ARE THE FOUNDATIONS FOR ORGANIZATIONAL DECISIONS, LEADERSHIP BEHAVIORS, AND TEAM MEMBER PARTICIPATION."

The Path Before the Path Forward

Clearly, there are questions we need to answer, as it is not reasonable to think that executives will simply take a 'leap of faith' that an increase in compensation will be fully funded through reduced negative events, reduction in turnover, and gained productivity. Yes, there are questions to be answered to the best of our abilities.

We need to understand how we can create a path to evolve into the new compensation levels over time, allowing us to measure and manage the effort from a hypothesis and results point of view. Our leadership systems will need to identify those team members who sincerely want to participate, those important people who truly believe, as evidenced through their actions, that the prosperity of the team member is directly linked to the prosperity of the organization. The other side of this coin is that we will need to make difficult decisions relative to leaders and team members who choose not to participate. This work should not be considered a *gift* to the team member, but rather it should be considered an agreement, a relationship, and a commitment to each other that we are *in this together*. While this is fundamentally about trust and dignity, it is also fundamentally about creating organizational stability, both operationally and financially.



We also need to recognize that increasing compensation to a minimum livable wage will not be a one-stop solution. Together, leaders and team members will need to commit to building trust, to improving the work environment, and to improving the actual work we perform. A workplace is a delicate ecosystem where all elements of the system are interdependent. While compensation is extremely important, it is just one factor in the system, and therefore, when we are designing roles, we could possibly view compensation as a strategic driver as it relates to our expectations for participating on behalf of the team member. In other words, participation has a value that the organization is willing to invest in.

What if we made an assumption that the next frontier of continuous improvement is not to fix broken processes but rather to fix broken people systems, and in doing so, we allow committed and participative people to fix the processes?

What if we could compensate our frontline team members significantly more than our competitors but also have the lowest total cost of labor in the industry?

Too tall an order?

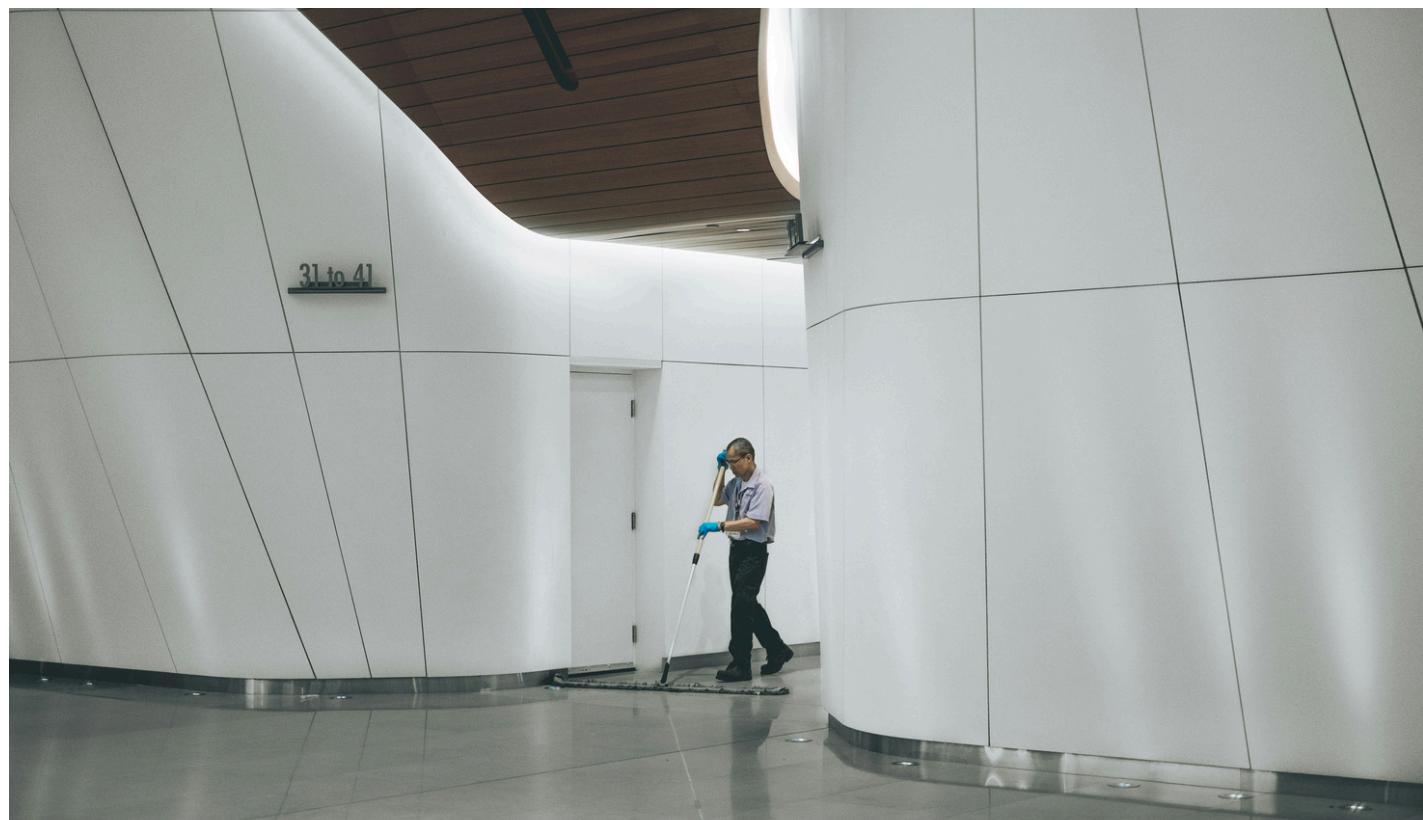
Maybe, but, just maybe, it could be done.

The Path Forward

At this point, it may be fair to say this is all too far out there; this is a pie-in-the-sky narrative. Here's the deal: we give somebody a job at a market wage, they show up and do the job, we pay them, and that's the end of the transaction. In other words, if they don't like the deal, then they can head down the road, and we will find another warm body who wants the deal!

We are fully aware there are executives who believe the single and only job of the organization is to maximize shareholder value, and in this pursuit, the need for people like frontline workers is a necessary evil that should be micromanaged as a cost center. While we don't share this particular view, we don't think we can expect to change the paradigms of all business leaders. However, here's one thought: It will be extremely difficult to maximize shareholder value if you do not have employees in your warehouses or factories, or hotels or restaurants, or hospitals. Why would you not have workers? Frontline workers now have a choice, and they will choose to work for organizations that have created meaningful employment environments where people are treated with dignity.

To be sure, this is not about advocating some form of social assistance, but rather simply an argument that would suggest our team members will never grow and thrive if minimum fundamentals are not in place in their personal lives. To believe in dignity is to believe that people must have a fighting chance to be successful. It is virtually impossible to be successful if we are fighting for oxygen every hour of every day.



However, knowing we will not change the minds of all leaders can be beneficial. If only a small section of industry embraces the concept of a meaningful employment environment, we would be given the opportunity to showcase our beliefs, providing us the ability to demonstrate proven results as compared to other organizations. These results will show up in an organization's ability to attract and sustain quality talent at a time when talent will be scarce.

The ability to have the right people in the right role with the right skills and the right participative attitude - this is simply good business.

With that, and in conclusion, the only real call to action is to ask ourselves:

What is our core belief relative to treating people with dignity in the workplace?



TrailPath Workplace Solutions (TWS) is a workplace and people development company leveraging modernized methods and technologies to build Meaningful Employment Environments™.

TWS provides a disciplined learning framework, business management system and defined pathways for the advancement of organizations, leaders, and team members.

Building your own Meaningful Employment Environment begins with the MEE Assessment, a comprehensive survey and analysis scientifically designed to give insights into your employment environment through the eyes of your team. Once completed, organizations receive a prioritized recommendation plan with a clear path to achieve a MEE.

Get started at www.trailpathws.com