

# Scheduling in Hourly Jobs: Promising Practices for the Twenty-First Century Economy

Susan J. Lambert and Julia R. Henly  
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## ABOUT



Susan J. Lambert, Ph.D. is an Associate Professor in the School of Social Service Administration at the University of Chicago. She is one of a handful of researchers in the work-family field who studies hourly jobs and low-income workers. Over the past twenty years, Lambert has conducted a series of studies that help reveal the hidden realities of hourly jobs that make it difficult for low-income workers to earn an adequate living and to fulfill caregiving responsibilities. Her research has contributed to the “business case” for progressive employer practices by providing hard evidence of how supportive workplace practices benefit both families and firms.



Julia R. Henly, Ph.D. is an Associate Professor in the School of Social Service Administration at the University of Chicago, and also a faculty affiliate of the Center for Human Potential and Public Policy, University of Chicago and research affiliate of the National Poverty Center at the University of Michigan. Her fields of interest include the work-family strategies of low-wage workers, child care, and public policy. Professor Henly’s work has appeared in several peer-reviewed journals, such as *Journal of Marriage and Family*, *Social Work Research*, *Children and Youth Services Review*, and *Journal of Social Issues* as well as several edited book volumes.



**The Mobility Agenda** is a think tank that seeks to stimulate and shape a dialogue to build public support for strengthening the labor market, benefiting our economy, workers, and communities.

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## INTRODUCTION

The recent dramatic fall in fortunes on both Wall Street and Main Street has reshaped the contours of the labor market. Unemployment in the United States soared to 8.1 percent in February 2009, bringing the number of persons classified as unemployed to 12.5 million.<sup>1</sup> Many people who continue to hold jobs are experiencing the destabilizing effects of the economic downturn through their work schedules, which in hourly jobs can be variable and unpredictable. Notably, involuntary part-time work has reached a 30-year high<sup>2</sup> and the length of the average workweek has fallen to a record low (33.3 hours).<sup>3</sup> Although the current recession has extended the reach of reduced and fluctuating hours to a broader segment of workers, it did not give birth to these scheduling practices. In good times and bad, workers at the front lines of many of today's firms bear the brunt of fluctuations in demand for services and products through reductions in hours.

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Common scheduling practices in hourly jobs create challenges for workers, employers, and communities alike. Hourly workers increasingly experience fluctuating and reduced work hours and unpredictable work schedules that can compromise their job performance and their ability to earn an adequate living. Local communities suffer when residents' jobs are unstable and their earnings unpredictable. Several targets for intervention—ranging from improving

employer scheduling practices to enacting new legislation—could enhance the quality of jobs for hourly workers and, in turn, the quality of life in families and local communities.

### SCHEDULING PRACTICES IN TODAY'S FIRMS

Even before the current recession, today's employers faced strong pressure to contain, if not minimize, labor costs, especially in industries, such as the service sector, where labor is a principal expenditure.<sup>4</sup> Given that the majority of workers are paid by the hour, it is not surprising that employers, policymakers, and worker advocates scrutinize hourly wage rates in the context of minimum wage legislation.<sup>5</sup> Industry groups have been fairly successful at curbing hourly wage rate increases.

1 The Employment Situation Summary, Economic News Release. US Department of Labor, Bureau of Labor Statistics, March 6, 2009. <http://www.bls.gov/news.release/empsit.nr0.htm>.

2 Issues in Labor Statistics: Involuntary Part-time Work on the Rise. US Department of Labor, Bureau of Labor Statistics, 2008. <http://www.bls.gov/opub/ils/pdf/opbils71.pdf>. These trends are continuing in 2009 (Employment Situation Summary).

3 Employment Situation Summary. This is the lowest average number of work hours for production and nonsupervisory workers in private firms since this statistic has been tracked, beginning in 1964.

4 S. Lambert (2008). Passing the Buck: Labor Flexibility Practices That Transfer Risk onto Hourly Workers. *Human Relations* 61 (9): 1203-27.

5 As of 2001, 63 percent of women and 57 percent of men holding wage and salaried positions were paid by the hour, and an even greater proportion of workers in low-paid jobs are hourly. Highlights of Women's Earnings in 2001. US Department of Labor, Bureau of Labor Statistics, May 2002, Report 960.

Government officials increased the federal minimum wage for the first time in a decade in 2007,<sup>6</sup> yet it remains unindexed to inflation and below levels advanced by living-wage advocates. State efforts pertaining to wages have had greater success. Twenty-five states currently have minimum wage rates higher than federal requirements as a result of successful ballot initiatives or legislative action.<sup>7</sup>

Beyond discussions of overtime pay for overtime hours, state and federal officials have paid little attention to the work-hours side of the cost/earnings equation. In contrast to laws governing minimum wage rates, laws do not mandate a minimum number of hours for employees. As a result, employers frequently use scheduling adjustments as a tool to contain labor costs in jobs paid by the hour.

As consumer demand fluctuates, employers can and do vary workers' hours – within and across seasons, weeks, and even days. In the retail industry, when sales go down, it is common practice for employers to send workers home early, cancel scheduled shifts, or schedule workers for a reduced set of hours. Before the current recession, fluctuating hours had become the norm for part-time workers and almost 14 percent of workers in full-time jobs experienced weekly or monthly fluctuations in their total number of work hours that were not due to overtime, illness, or vacation.<sup>8</sup>

Moreover, in order to keep a tight link between fluctuations in consumer demand and labor costs, employers tend to keep headcount – the number of workers on the payroll – high, especially in part-time hourly jobs. Managers then have a pool of workers whose hours can expand or contract depending on business needs and who can be slotted to work short shifts during peak business times. Because managers have a finite number of hours to divide among the workers they schedule, a greater number of employees translates into fewer hours available, on average, for each employee.<sup>9</sup> Not surprisingly, then, even before the current recession a greater proportion of workers reported they would prefer to work more (27 percent) rather than fewer (7 percent) hours than they currently work per week. This was especially true among workers in part-time, hourly jobs whose schedules vary week to week.<sup>10</sup>

In sum, the current recession magnifies common scheduling practices that place hourly workers at risk of fluctuations in work hours. By adopting scheduling practices that maximize labor flexibility, employers build instability into jobs, making it difficult for hourly workers to achieve stable employment and to work enough hours to earn an adequate living. The new administration should consider new directions for public policy and employer practices that strike a better balance between the need of firms to contain labor costs and the need of families and communities for stability and predictability in hours and income.

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6 The 2007 Fair Minimum Wage Law included three phased-in increases to the federal minimum wage, from \$5.15 to \$5.85 in July 2007, \$6.55 in July 2008, and \$7.25 in July 2009.

7 Minimum Wage Laws in the States – January 2009. US Department of Labor, Employment Standards Administration. <http://www.dol.gov/esa/minwage/america.htm>

8 H.L. Shaefer (2008). *Spells of Vulnerability: Nonstandard Work and the U.S. Social Safety Net*. Ph.D. dissertation, University of Chicago.

9 S. Lambert (2008).

10 L. Golden & T. Gebreselassie (2007). *Overemployment Mismatches: The Preference for Fewer Work Hours*. *Monthly Labor Review*, April: 18-36; S. Lambert (2008).

## TARGET OF INTERVENTION: EMPLOYER SCHEDULING PRACTICES

Work schedules vary along several dimensions – stability, predictability, and flexibility – each posing unique challenges for workers and employers but also providing distinct avenues for intervention.

**Table 1: Three dimensions of work schedules and specific interventions for improvement**

Scheduling Dimension	Definition	Potential Interventions
Stability	Fluctuation in work hours by week, time of day, and length of shift	<ul style="list-style-type: none"> <li>• Guarantee a minimum number of hours of work per week</li> <li>• Provide a set schedule in which a proportion of work hours is guaranteed to be the same every week</li> <li>• Guarantee work on certain days or shifts</li> </ul>
Predictability	Length of advance notice given to workers	<ul style="list-style-type: none"> <li>• Provide work schedules to employees with greater advance notice</li> <li>• Curb adjustments to posted schedules</li> </ul>
Flexibility	Amount of control workers have over the number and timing of their work hours	<ul style="list-style-type: none"> <li>• Allow workers input into their work schedule without reducing the number of hours they work</li> <li>• Clarify and codify flexibility options so that all workers have equal access to a schedule that fits their needs</li> </ul>

### STABILITY OF WORK HOURS

Fluctuating hours is perhaps the signature characteristic of work in today’s hourly jobs, especially in the service sector. Work schedules can fluctuate in terms of the days of the week, time of day or shift, and length of shift or time worked on a given day.<sup>11</sup> Fluctuating schedules translate into fluctuating paychecks for workers. Moreover, workers whose schedules change from day to day, week to week, or hour to hour can experience difficulties carrying out their nonwork activities, such as child care, transportation, and school obligations.

- **Different days worked each week**

Although employers may schedule workers for a set number of days each week, the specific days worked may change from week to week (e.g., Monday, Tuesday, and Saturday one week; Wednesday,

11 S. Lambert & E. Waxman (2005). Organizational Stratification: Distributing Opportunities for Work-Life Balance. In E. Kossek & S. Lambert (eds.), *Work and Life Integration: Organizational, Cultural, and Individual Perspectives*. Mahwah, NJ: Lawrence Erlbaum Associates.

Thursday, and Friday the next week). This means that although on paper an employee may hold a three-, four-, or five-days-a-week job, often his or her life must accommodate a seven-day workweek.

- **Different schedule on different days**

Many employers design hourly jobs in ways that require employees to work different shifts and times during the week (e.g., Monday morning; Tuesday and Thursday evening; Saturday all day). In practice, this often means that employees must be prepared to work at virtually any time of day, or even at night.

- **Different shift length from day to day**

In some jobs, employees know the start time but not the end time of their work shift. Employers may require workers to stay until all work (e.g., processing checks, cleaning rooms) is complete or to leave when there is less work than anticipated (e.g., fewer diners, fewer packages to unload). The length of time worked on any given day – and the amount of income earned – can vary depending on the amount of work to be completed and the number of workers scheduled to complete it.

*Employers could increase the stability of their workers' schedules while also allowing for fluctuations in demand. For example, employers might provide a schedule in which they guarantee that 70 percent*

***Employers could increase the stability of their workers' schedules while also allowing for fluctuations in demand.***

*of work hours (or some other percentage to be determined based on firm particulars) will be the same every week. This requirement would provide employees with some stability while forewarning them that 30 percent of their hours are subject to variations in demand or the need for other adjustments (employee call-offs). Employers might guarantee days of work (but not which shifts) or shifts of work (but not which days).*

*Although employees would still experience some fluctuations in work hours, such practices would be a step toward decreasing instability.*

## **PREDICTABILITY OF WORK HOURS**

Predictability is determined by the length of advance notice given to workers regarding their schedules. In many hourly jobs, employers post schedules a few days before the workweek, often the Tuesday, Wednesday, or Thursday before a workweek that begins on Sunday.<sup>12</sup> Moreover, employers change schedules after posting and make real-time adjustments, sending workers home or keeping them on call, as demand exceeds or disappoints expectations. Thus, in many hourly jobs, especially in the service industry, work hours are often unstable *and* unpredictable.<sup>13</sup>

*By posting schedules further in advance, employers could increase the predictability of work schedules for hourly workers, a valued commodity for workers juggling multiple nonwork*

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12 Employers rarely post more than three weeks of schedules at a time; more typically, employers provide workers with one scheduled week. S. Lambert (2008).

13 S. Lambert (2008).

*responsibilities. However, employers must also limit adjustments made after they post schedules in order to deliver greater predictability to employees.*

## **FLEXIBILITY OF WORK HOURS**

Schedule flexibility is the result of the control employees have over the number and timing of their work hours. Workers desire flexible work arrangements, believe flexibility in hours would improve their quality of life, and would even trade other forms of work opportunity for flexibility.<sup>14</sup> Employers rarely allow hourly employees to have control over, or even input into, work hours.<sup>15</sup> Instead, variations in work hours are often a basic condition of work, imposed on workers rather than chosen by them. Employers grant hourly employees input into their work schedules most often through informal negotiations between individual workers and their supervisors, rather than through formal flextime policies. As a result, employers often distribute scheduling flexibility unequally within hourly jobs.<sup>16</sup> Workers with the greatest need for flexibility may be the least likely to have it.

*Employers may already informally provide some workers with input into their work schedules. Policymakers must take steps to clarify, if not codify, these procedures so workers receive fair distribution of opportunities to express scheduling preferences. Formalizing mechanisms for employee input will improve work-life balance and foster positive employer-employee relationships, while also contributing to the well-being of hourly workers and their families.*

## **CHOOSING A DIMENSION FOR INTERVENTION**

Advocates may consider improvements to scheduling practices unlikely given public discourse on the necessity of keeping labor highly flexible in today's economy. Yet firms' labor costs may be more stable than is commonly recognized, rendering scheduling interventions both productive and feasible. Front-line managers must consider factors in addition to variations in consumer demand when staffing their workplaces. Regardless of consumer demand, retail employers, for example, must identify a worker who will open and close a store each day, and they often have minimum staffing requirements (e.g., at least two employees on the floor at all times) to ensure employees' safety and to reduce theft. The experience of a national women's apparel retailer provides evidence of surprising stability in the demand for labor: the minimum number of weekly hours and the maximum number of weekly hours assigned stores in a year differed at most by only 30 percent.<sup>17</sup> Thus, store managers in the firm had a large base of stable hours throughout the year, opening up the possibility of creating fairly stable schedules for sales associates. By capitalizing on the stability in the business rather than on its instability, employers can implement scheduling practices that pass a greater proportion of the regularity in hours and staffing needs on to workers.

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14 L. Golden (2001). Flexible Work Schedules: What Are We Trading to Get Them? *Monthly Labor Review*, March, Vol 142(3), 50-67.

15 L. Golden (2005). The Flexibility Gap: Employee Access to Flexibility in Work Schedules. In I.U. Zeytinoglu (ed.), *Flexibility in Workplaces: Effects on Workers, Work Environment and the Unions* (pp. 38-56). Geneva: IIRA/ILO Bond; J. Swanberg, M. Catsopoulos, & K. Drescher-Burke (2005). A Question of Justice: Disparities in Employees' Access to Flexible Schedule Arrangements. *Journal of Family Issues*, 26: 866-95.

16 J. Henly, H.L. Shaefer, & E. Waxman (2006). Nonstandard Work Schedules: Employer- and Employee-driven Flexibility in Retail Jobs. *Social Service Review*, 80: 609-34.

17 S. Lambert & J. Henly (2008). How Front-line Management Practices Shape Job Retention in Hourly Retail Jobs. Paper presented at the annual conference of the Association for Public Policy and Management, Los Angeles, CA.

*Any individual employer may not be able to implement all of the suggestions mentioned above, and which intervention(s) makes sense should depend upon the particulars of the job and workplace.*

***Allowing workers greater input... could transform variation in hours that workers now experience as instability into flexibility...***

*A reasonable approach is for employers to improve at least one dimension of scheduling. For example, posting schedules further in advance could help increase the predictability of work schedules, even when workers' hours fluctuate from week to week. Allowing workers greater input into the timing of their work hours could transform variation in hours that workers now experience as instability into flexibility, a highly valued job quality.*

## **IMPACT OF SCHEDULING PRACTICES ON EMPLOYER-SPONSORED AND GOVERNMENT BENEFITS**

Scheduling practices make a difference for workers' ability to access important employer-sponsored benefits. Hourly employees must work a minimum number of hours, set by employers, in order to be eligible for benefits such as health insurance and paid time off. When jobs do not provide workers with the minimum required hours, employers effectively deny workers benefits that may otherwise be available to them as a matter of firm policy. Moreover, jobs with fluctuating hours can put employer-sponsored benefits at risk of cancellation. When hours drop below what an employer has established as full time (usually 35 hours) for more than one pay period, workers in hourly jobs can lose their eligibility for paid time off and health insurance, even though their employer may continue to classify the job as full time.<sup>18</sup>

Scheduling practices can also determine eligibility for government benefits, such as time off under the Family and Medical Leave Act, unemployment insurance, and Temporary Assistance funds,<sup>19</sup> as well as government-subsidized services such as child care and housing assistance. As of 2000, only 62 percent of workers met the eligibility requirements to receive benefits under the Family and Medical Leave Act, which include not only employer size ( $\geq 50$  employees) and length of service with current employer ( $\geq 1$  year) but also an hours threshold (1,250 hours worked in prior 12 months).<sup>20</sup> Similarly, when facing a spell of unemployment, workers must satisfy insurance eligibility rules that require a minimum number of hours of work in previous employment quarters (the specific requirements vary by state). Full-time workers with hour fluctuations are less likely than those with stable hours to access unemployment insurance.<sup>21</sup> Temporary Assistance rules, the specifics of which vary by state, also condition eligibility on meeting work-hour thresholds. In the case of child care assistance,

18 Lambert & Waxman (2005).

19 As used in this report, the term "Temporary Assistance funds" includes state and federal funds spent as part of the Temporary Assistance for Needy Families (TANF) program; the federal funds are the block grants made available to states, and the state funds are the "maintenance-of-effort" expenditures required of states in order to receive the federal funds.

20 D. Cantor et al. (2001). Balancing the Needs of Families and Employers. Report prepared by Westat for the US Department of Labor.

21 H.L. Shaefer (2008).

policymakers typically determine subsidy eligibility based on the number of hours worked; thus, employees with fluctuating hours or inconsistent work may have difficulty maintaining eligibility or securing a subsidy that reliably covers needed work hours. In many cities, securing assisted housing is contingent on having one or more adults who consistently work a pre-defined number of hours per week. Jobs that provide few and unstable work hours can be a significant obstacle to accessing and retaining supports especially useful to low-wage workers who are navigating the dual responsibilities of work and caregiving.

## BENEFITS OF IMPROVED SCHEDULING PRACTICES

**Table 2: Economic Benefits of Improved Scheduling Practices:**

Benefit	Description
Improved employee retention	Replacing an hourly employee is estimated to cost between 30 and 50 percent of a worker’s annual salary. <sup>22</sup>
Positive human capital outcomes through a more productive workforce	Greater flexibility leads to higher worker engagement and commitment, which is positively associated with better job performance.
Possible reductions in health care expenditures	Unpredictable and unstable schedules increase job stress; health care expenditures are nearly 50 percent greater for U.S. workers who report high levels of stress. <sup>23</sup>
More stable and predictable child care and family life	Predictable schedules allow parents to plan child care and family activities in advance; predictable and stable work hours improve the stability of child care, which benefits parents, providers, and children. <sup>24</sup>

When they invest in improved scheduling practices, employers benefit through increased employee retention and greater workforce productivity. Increased stability and predictability in work schedules

22 E. Fruenheim (2008). “An Optimal Tool? Special Report on Scheduling Technology.” *Workforce Management*, October 6: 35-43. D.J. Philips (1990). “The Price Tag of Turnover.” *Personnel Journal*, 69 (12): 58.

23 National Institute for Occupational Safety and Health, US Department of Health and Human Services, Public Health Service, Centers for Disease Control and Prevention. “Stress at Work.” Publication Number 99-101. [www.cdc.gov/niosh/stresswk.html](http://www.cdc.gov/niosh/stresswk.html).

24 J. Henly & S. Lambert (2005). *Nonstandard Work and Child Care Needs of Low-income Parents*. In S. Bianchi, L. Casper & R. King (eds.), *Work, Family, Health, & Well-being*. Mahwah, NJ: Lawrence Erlbaum Associates. J. Henly et al. (2006).

and greater employee input into schedules can reduce tardiness, absenteeism, and turnover. It can cost an employer between 30 and 50 percent of an hourly worker's annual pay to replace and train a new worker.<sup>25</sup>

Workers and their families and communities also benefit from improved work schedules. Lack of advance notice and fluctuating work hours interfere with workers' ability to effectively structure and use the hours they are not at work. Greater schedule predictability makes it easier for workers to engage in practices that strengthen families and communities, such as volunteering at schools and community events, and that foster child well-being, such as adopting consistent homework and bedtime routines and preparing family meals. Moreover, parents who work more predictable and stable schedules do not have to rely as often on last-minute child care arrangements and are better able to arrange consistent child care.<sup>26</sup>

## IMPACT OF SCHEDULING PRACTICES ON THE ECONOMY

Although statistically significant increases in wages and earnings may accrue through sustained labor market participation, many adults who enter the labor market as low-wage workers remain in or near material deprivation.<sup>27</sup> Improvements to scheduling practices found in today's firms may increase the ability of hourly workers to earn a stable and adequate income and thus may help make sustained employment a more reliable route to financial security.

The motivation for employers to tightly link labor to demand seems obvious: to minimize labor costs. Labor rates and labor costs are not the same, however.<sup>28</sup> Estimating the real cost of labor requires an evaluation of the ratio of labor rates to worker productivity. In the long run, there are inefficiencies to just-in-time labor strategies that closely couple labor and demand. Passing instability on to workers through fluctuating hours and income leads to performance problems such as heightened absenteeism and turnover.<sup>29</sup> Although some job turnover is expected and even desirable, much of the turnover in low-level, hourly jobs is classified as voluntary and is viewed as costly by employers.<sup>30</sup>

*Improving scheduling practices would enhance the prospects of workers in hourly jobs both directly, by bettering their daily life, and indirectly, by unleashing the potential of public policies to bolster family and community well-being during difficult times. Improved scheduling practices could also benefit employers by reducing unwanted turnover at the front lines of today's firms.*

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25 E. Fruenheim (2008); D.J. Philips (1990).

26 J. Henly & S. Lambert (2005); J. Henly et al. (2006).

27 R. Blank, S.H. Danziger, & R. Schoeni (eds.) (2006). Working and Poor. New York: Russell Sage Foundation.

28 J. Pfeffer (1998). Six Dangerous Myths about Pay. Harvard Business Review, 76 (3):109-19.

29 E. Appelbaum, T. Bailey, P. Berg, & A. Kalleberg (2000). Manufacturing Advantage: Why High Performance Work Systems Pay Off. Ithaca, NY: Cornell University Press; J. Baron & W. Bielby (1980). Bringing the Firms Back In: Stratification, Segmentation, and the Organization of Work. American Sociological Review, 45: 737-65; D. Jacobs (1994). Organizational Theory and Dualism: Some Sociological Determinants of Spot and Internal Labor Markets. Research in Social Stratification and Mobility, 13: 203-35; P. Osterman (1999). Securing Prosperity: The American Labor Market: How It Has Changed and What To Do About It. Princeton, NJ: Princeton University Press.

30 S. Lambert & E. Waxman (2005). As noted earlier, it costs employers between 30 and 50 percent of annual pay to replace an hourly worker (E. Fruenheim, 2008; D.J. Philips, 1990).

## IMPORTANT CONSIDERATIONS GOING FORWARD

Employers should implement scheduling practices that fit with the daily accountability requirements facing front-line managers. Otherwise, improvements will look better on paper than in practice. For example, accountability requirements that compel supervisors in retail stores to check labor-to-sales ratios hourly or daily and to make ongoing adjustments to staffing levels make it difficult to prepare work schedules at all, let alone with longer advance notice. In such circumstances, work schedules may provide little predictability no matter when they are posted. Employers may need to consider changing basic accountability requirements if they are to make meaningful improvements to scheduling practices, which is unlikely to occur without leadership from the private sector.

Because employers rarely guarantee a minimum number of hours to employees in hourly jobs,<sup>31</sup> they must pay attention to the effect of any change in scheduling on the number of hours employees work. Exerting control over the timing of work hours can put hourly workers at risk of an earnings penalty.<sup>32</sup> Many retailers allow employees to “claim availability,” which permits sales associates to declare the days and times they are available and unavailable for work. Although many employers ensure that associates will not be scheduled for work during unavailable times, they do not ensure that associates will be scheduled for work during available times. Without a guaranteed minimum number of hours, sales associates with limited availability get fewer hours than their counterparts with greater availability. Even well-intentioned policies may result in unanticipated negative consequences for hourly workers’ earnings.

An overemphasis on any one of these dimensions could result in unintended consequences for workers. If workers have little input into their work schedules or if posted schedules are not amenable to change, predictability can turn into rigidity. Similarly, as argued above, flexibility can result in unstable hours and thus precarious earnings, reducing the prospects of financial stability among hourly workers.

## RECOMMENDATIONS

Decisionmakers can take several positive steps to reduce job instability caused by work scheduling practices. Some actions involve making existing public policy more responsive to the reality of scheduling practices in hourly jobs, whereas other actions encourage the private sector to make changes to those practices.

### **MODIFY PUBLIC POLICIES TO FIT SCHEDULING PRACTICES IN HOURLY JOBS**

#### **1. Reduce work-hour requirements defined in public policy**

As discussed above, employees must work a minimum number of hours each week in order to receive many employment benefits defined in public policy. New entrants to the labor market may meet minimum work-hour requirements initially because firms hire when the need for workers is greatest.

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31 S. Lambert & E. Waxman (2005); S. Lambert (2008).

32 S. Lambert (2009). Making a Difference for Hourly Employees. In A. Booth and A. Crouter (eds.), *Work-Life Policies that Make a Real Difference for Individuals, Families, and Organizations*. Washington, DC: Urban Institute Press.

As business needs change, however, workers' hours are often reduced – through no fault of their own. These workers are at risk of losing important supports, like wage supplements and housing, at the same time that their earned income is low. Policymakers should consider revising minimum work-hour requirements downward to reflect current labor market realities. This would help ensure that workers are not penalized for employer practices over which they have little control and could help stabilize families' incomes and local communities.

## **2. Provide additional employment benefits during periods of reduced hours**

Low-wage workers should receive increased, rather than decreased or eliminated, government benefits when their work hours are reduced by their employer. Hourly workers often feel compelled to change jobs when employers reduce hours, which may be a pragmatic choice for them in the short term. But again, firms hire workers when their need is greatest and as the business cycle shifts, workers will once again be at risk of reductions in hours. This is especially true of recent hires, because reductions are often concentrated among workers with the least seniority.<sup>33</sup> By providing the supplemental wages that workers need to weather reduced hours in their jobs, public policy can play a pivotal role in improving employment outcomes among low-wage workers. Increased job seniority would reduce workers' chances of future hour reductions and improve their chances of securing employer-sponsored benefits, such as health insurance and paid time off, because many employers require hourly employees to work six months or a year before they become eligible for their firm's benefits.

## **3. Create longer accounting periods to smooth variation in hours worked**

Many public policies are not designed to smooth the weekly or seasonal variations in income that accompany shifting schedules and rapid job loss. Federal policymakers established a definition of work that requires a minimum number of hours to receive Temporary Assistance funds and a monthly limit for those getting federally assisted health insurance. In many hourly jobs, however, hours and income change from week to week. When employers require workers to cover additional hours, workers may exceed income limits for benefits even though the additional income is transitory. Earning more in the short term may thus mean lower household income in the long term. Longer accounting periods and eligibility redetermination processes that allow for fluctuations in hours and earnings—upwards and downwards—would help smooth variations in income that result from employer scheduling practices in hourly jobs.

# **IMPROVE EMPLOYER SCHEDULING PRACTICES FOR HOURLY JOBS**

## **1. Encourage firms to increase the stability, predictability, and flexibility of work schedules for hourly workers**

Improving scheduling practices in hourly jobs will require the effort of leaders at the top of firms and those at their front lines. Tax incentives for employers who improve one or more dimension of scheduling in hourly jobs could help offset the initial costs to employers of modifying existing scheduling systems and providing training to front-line managers responsible for scheduling.

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33 S. Lambert (2008).

## **2. Implement “best practices” in scheduling**

The private sector is known for its innovation. When motivated or pressed, firm leaders will invent new ways of conducting business. Currently, leaders at many firms are implementing computerized scheduling systems that improve their ability to make quick adjustments to labor. Sixteen percent of retail executives have already implemented computerized scheduling systems and another 15 percent plan to begin adopting them this year.<sup>34</sup> These systems are simply tools. Rather than increasing instability in jobs through the implementation of just-in-time scheduling practices, computerized scheduling systems could be used to increase regularity in workers’ hours and staffing. By developing a set of best practices in hourly scheduling – with and without computerized systems – industry leaders and groups (such as the National Retailers Federation) could help guide employers toward innovative practices that balance their need to minimize cost with the need of their workers for a steady and adequate income. Industry representatives should participate in efforts to improve scheduling practices, regardless of whether the initiatives originate in the private sector or public sphere, in legislative sessions or in boardrooms.

## **3. Enact minimum hour legislation**

Without a guaranteed minimum number of hours of work, hourly workers are at risk of earning little or no income. Employers are motivated by the desire to keep labor flexible in hourly jobs, causing them to keep headcount high so that workers are readily available when consumer demand surges. When demand is low, however, employers have few work hours to be divided among employees. Currently, keeping headcount high in hourly jobs, especially part-time jobs, costs employers little. Hourly, part-time workers come with few fixed costs. For example, as of 2006, only 52 percent of full-time workers and 16.4 percent of part-time workers in the retail industry had health insurance coverage through their employer; across industries, only 18.6 percent of part-time hourly workers were covered by health insurance through their employer.<sup>35</sup> Requiring employers to schedule and pay employees for a minimum number of hours each week would increase the fixed costs of hiring a worker, thereby countering pressures to keep headcount high. Like minimum wage legislation, minimum hour legislation would help level the playing field for employers and provide a stable base of income for workers.

Some union leaders have already negotiated with employers for minimum hour guarantees. Union contracts with hotels and grocery chains require that employers schedule all union workers for a minimum number of hours, commonly 16 to 24 hours per week. Canada’s “three-hour rule” requires employers to pay employees for a minimum of three hours of work on any day they are required to report to work, even if they are sent home early. These existing policies provide evidence that guaranteeing workers a minimum number of hours would be feasible even in today’s competitive business environment.

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34 E. Fruenheim (2008).

35 H.L. Shafer analysis of 2006 Current Population Survey (CPS) data. Part-time workers are defined as those who report working less than 35 hours per week at all jobs.

#### 4. Enact right-to-request legislation

Leaders in the United Kingdom (U.K.) established the right of workers to request flexible working arrangements in the Employment Act of 2002. This act makes it possible for workers who are caring for children under the age of six (or under the age of 18 if the child is disabled) to request flexible work arrangements from their employers.<sup>36</sup> Although employers are not required to implement a worker's request, they are required to document their reason for denying it. U.K. leaders created this right in order to encourage dialogue about and consideration of flexible work solutions that work for both caretakers and their employers. In 2006, after broad agreement about the success of the Act, leaders expanded it to allow "carers" of adults to request flexibility.<sup>37</sup>

As currently enacted, right-to-request legislation such as that in the U.K. is focused more on loosening up rigid job schedules that characterize industrial, technical, and professional full-time jobs, rather than on shoring up the loose work schedules more characteristic of service jobs paid by the hour. Given that low-level, hourly workers currently have the least access to flexible work arrangements, right-to-request legislation holds the potential to correct this inequity by extending needed flexibility to a greater proportion of hourly workers. But to do so, decision-makers would need to adapt implementation of the law to the conditions of hourly employment. For example, the legislation might include the right to request longer advance notice of one's work schedule or to work particular nights of the week but not others. Again, employers would have to pay attention to the effects of a right-to-request policy on the number of hours employees work so that they are not unknowingly trading flexibility for needed income.

### CONCLUSION

The Obama administration's commitment to job creation and worker supports as a strategy out of the current recession should take the form of legislation that benefits workers and their families over the long run. The extent to which workers realize gains from new government action will depend in large measure on the quality of the jobs created and supported. Wages and benefits are critical components of job quality, as are work schedules. No matter the hourly wage, if employers schedule workers for few and variable hours week to week, earnings will suffer and productivity will decline – harming local economies and communities. Moreover, if limited and fluctuating work hours preclude access to employer- or government-sponsored benefits, workers may go without health insurance, child care, or other important supports, compromising family well-being and community health. Improved scheduling practices – in both new and existing jobs – will strengthen the economic viability and long-term health of both families and firms. Government and private sector leadership is needed to ensure the vitality of our economy and our communities.

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36 United Kingdom Department of Business, Enterprise, and Regulatory Reform. "Flexible Working: The Right to Request and the Duty to Consider." <http://www.berr.gov.uk/whatwedo/employment/employment-legislation/employment-guidance/page35662.html>, 2008.

37 H. Boushey, L. Moughari, S. Sattelmeyer, and M. Waller (2008). "Work-Life Policies for the Twenty-First Century Economy." Washington, DC: The Mobility Agenda.

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**For additional information, please contact:**

**Margy Waller**  
*Executive Director*  
**The Mobility Agenda**

**[www.mobilityagenda.org](http://www.mobilityagenda.org)**  
**(202) 552-1713**