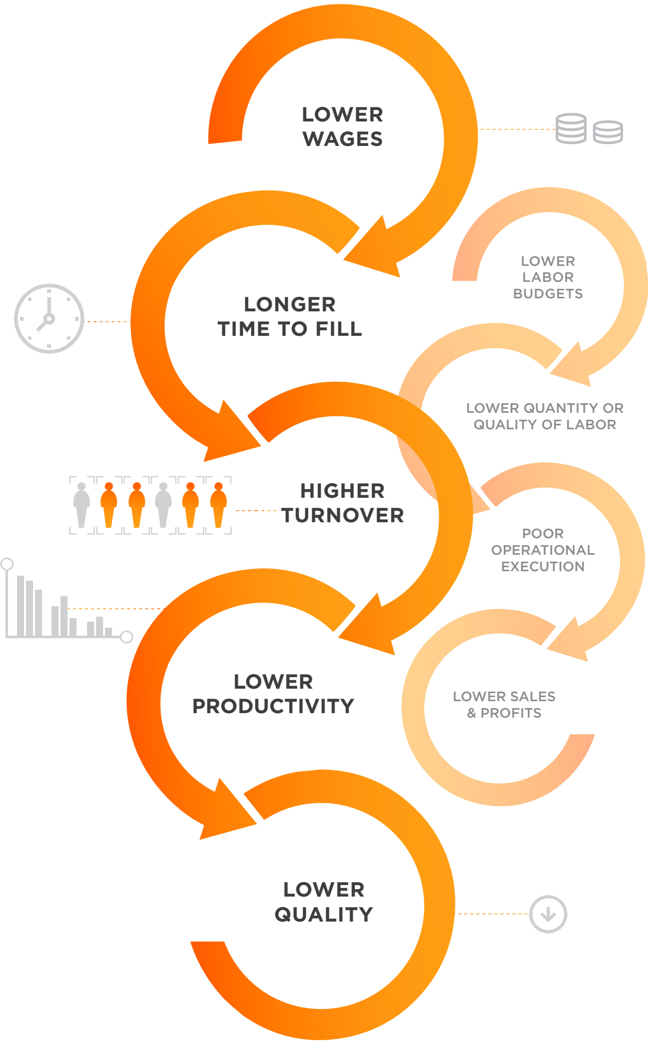
VICIOUS CYCLE VS. VIRTUOUS CYCLE

Good pay is good for business—particularly in a tight labor market

U.S. workers received their biggest pay increases in nearly a decade over the 12 months through June, a sign the strong labor market is boosting wages as employers compete for scarcer workers.
– The Wall Street Journal, August 1, 2018

THE VICIOUS CYCLE

Consequences of Low Pay Rates across the United States.



HARD FACTS

Paying low wages has a domino effect through a company's operations. The dominoes include poor fill rates, lost productivity, higher turnover, constant retraining, more errors, lower quality, and not surprisingly, lost customers or market opportunities. Lower sales and profits repress labor budgets, and the vicious cycle comes full circle. The importance of pay is stated loud and clear in employee surveys, and just as insistently in business metrics.

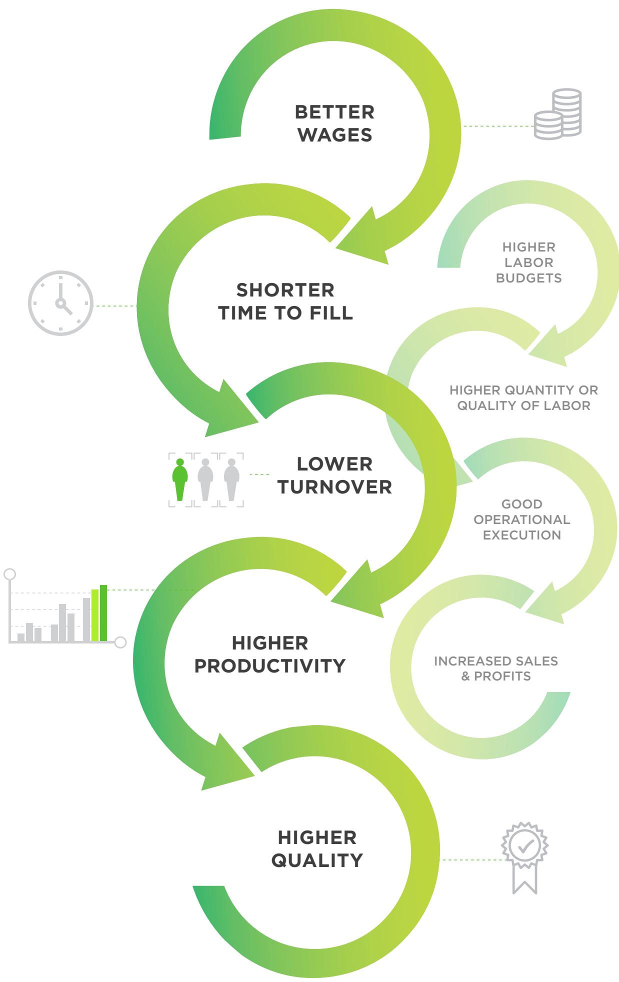
PAY IS #1 in importance to employees across multiple EmployBridge surveys, and is the #1 reason for voluntary separation. This finding was consistent across twelve years of ProLogistix's Warehouse Employee Opinion Survey, four years of ResourceMFG's Manufacturing Employee Opinion Survey, and three years of the ProDrivers' Driver Opinion Survey (both sister brands of Prologistix). This represents over 10,000 employees surveyed.

OPERATIONAL MEASURES PROVIDE QUANTITATIVE EVIDENCE OF THE NEGATIVE EFFECTS OF LOW PAY:

- Lower paying jobs in manufacturing, logistics, and light industrial companies often suffer from high turnover rates—a huge cost factor.
- Pay rates matter even more during periods of low unemployment, because people are choosier about jobs, and quicker to trade up.
- Non-competitive wages in challenging markets create retention and productivity problems and excess overtime.
- At the end of this chain of cause and effect, productivity and quality issues can cause missed deadlines and deliveries, shutdowns, and lost customers.

THE VIRTUOUS CYCLE

Consequences of Fair, Competitive Pay Rates



Paying fair, competitive wages impacts the same metrics, but in a positive direction. Fill rates improve, absenteeism and turnover decrease, and productivity and quality increase. As a result, satisfied customers are retained. Operational efficiency opens up possibilities for expansion.

CASE STUDIES DEMONSTRATE THIS BUSINESS PAYOFF

For a new Amazon distribution center, ProLogistix established competitive pay with a tiered compensation structure. **The results: a 100% fill-rate, low turnover, and a 98.9% attendance rate.** This facility met and exceeded all client delivery metrics.

A ResourceMFG client implemented a consistent and sustainable program of pay rate increases, intended to decrease new employee training, improve retention and boost productivity. They got that, and more—during a 50% headcount reduction over 3 years, they saw improvements in quality, OT costs, efficiency, and inventory. **These gains allowed them to diversify label products, creating new product offerings.**

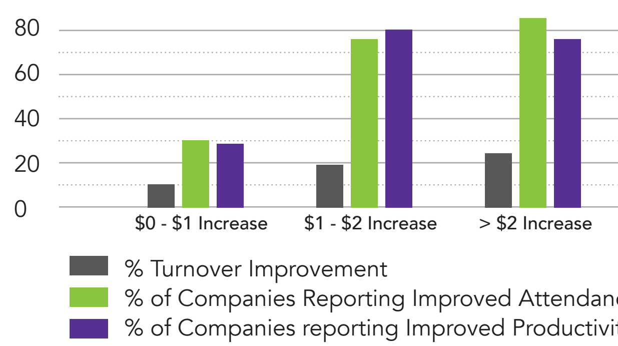
Working with a client in South Carolina, ProLogistix increased contingency worker pay to match that of regular full-time hourly employees. **The facility's productivity ranking rocketed from #12 to #1, helping make it the client's fastest growing location.** More success metrics included: a turnover reduction of 66%, year-to-year labor costs declining 14%, and OT as a percent of total hours falling from 16.3% to 9.3%.

Another ProLogistix customer agreed to adjust pay rates in a competitive market. **The outcome was extraordinary: a 37% year- over-year productivity increase simultaneous with a 52% headcount reduction and a 14% decrease in OT.** Turnover dove to 2.6%, overall quality rating rose to 99.6%, fill rates hit 98%, and daily volume rose 64%.

A client of Select, a sister brand of ResourceMFG, found that their more attractive pay rates reduced headcount and hours while improving performance. **Attrition fell 13% while the satisfaction rating of the client's supervisors rose 33%**.

ResourceMFG and Toyota Motor Manufacturing Mississippi incentivized workers with pay raise and bonus opportunities. ResourceMFG was recognized as having **"Superior Performance in Production" across all evaluation categories including safety, quality, cost, customer service, management, diversity, and delivery.** Not incidentally, they had "best in class" retention rates in the industry.

ResourceMFG's 2018 Pay Rate Study of more than 200 manufacturing and logistics companies confirmed the lessons learned in these case studies. The data clearly showed that **"Hourly wage increases are very likely to significantly reduce turnover, improve attendance, and enhance productivity."** Results were most dramatic with pay raises of $1 or more.



ResourceMFG has assisted numerous clients in right-sizing pay rates based on comprehensive analyses of local labor markets. Leverage fair, competitive pay into business benefits—a virtuous cycle for all.

Presented by Keith Wisner, Vice President, Customer & Workforce Insights.

ProLogistix®
Logistics Workforce Specialists

BEST of Staffing CLIENT SATISFACTION 2018

ProLogistix, the leading logistics staffing firm in the country, is part of the Employbridge portfolio of innovative supply chain workforce solutions companies, including manufacturing (ResourceMFG), transportation (ProDrivers) and light industrial (Select).