SOLVING THE $95,000 PROBLEM:

Improving Employee Productivity in the Post-Pandemic Workplace

Labor Productivity Is an Expensive Problem

The U.S. Bureau of Labor Statistics defines labor productivity as output per labor hour. In the late 1990s and early 2000s, the country experienced above-average labor productivity growth.

But since 2005, things have slowed down considerably.

Since 2005, output in the U.S. nonfarm business sector due to the labor productivity slowdowns have cost $10.9 trillion – which comes to about $95,000 in lost output per worker.

… and the pandemic didn't help improve the trend.

So, what can you do as an employer to help reverse the trend in your workplace?

Let's discuss.

Why Does the Productivity Gap Matter?

In short, you need to care about declines in productivity because it has a ripple effect across your organization, your customer base and beyond.

It also matters when your competitors are suffering from low productivity, or your industry experiences a downward trend.

When productivity slows, companies need to hire more workers to create the same amount of output. This increases the prices of goods and services, lowers wage growth, and leads to market stagnation.

But what has driven this shift?

Productivity Killers
(Outside the Pandemic)

The global pandemic has caused high levels of uncertainty for the labor market and the entire economy. It has contributed to everything from employee burnout to a weakened labor pool to people exiting the workforce altogether.

But productivity was slowing long before 2020, and that slowdown can be attributed to several factors:

Technology Innovations Are Slowing

According to Robert Gordon, author of The Rise and Fall of American Growth, the productivity payoff of technology peaked between 1996 and 2004 – the era of the PC boom. There was a slight bump in the rise of smartphones and cloud technology, but that has since stagnated and can impact productivity growth.

Issues With Measurement Itself

Like Gordon's point alludes to, the measurements themselves could be skewed, and some economists believe it is not being measured properly. They argue that the BLS is still too focused on the production of physical goods, with less focus on the shift we've seen away from the production of goods to the delivery of services.

Stagnation in R&D Investments

After the Great Recession, many companies hoarded cash, and corporations paid investors through stock buybacks. This left less money for investments in research and development and has meant that there has been less innovation in factors that could help workers become more productive.

Low Wages and a Weak Labor Market

When wages are low and the labor market is weak, people are forced into taking low-pay, low-productivity jobs. As we've seen productivity drop, we've also seen wages stagnate. This has meant more people are working in retail and service jobs rather than more productive jobs.
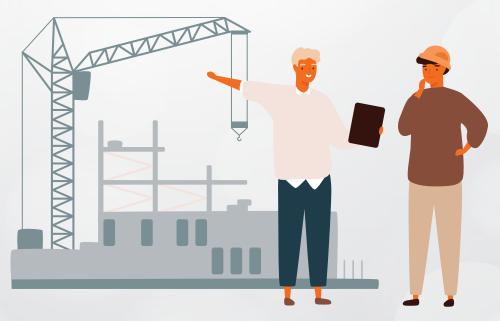
Regulatory Restrictions

The government regulates many industries, and those regulations have contributed to lower rates of innovation across several sectors.

Remote Work Challenges

When companies were initially forced to go remote, employees stepped up considerably. But as remote work dragged on, people became fatigued. That fatigue has led to a dip in employee engagement and productivity among remote employees.

Company Culture

When your culture is poor, production will be poor, employees will disengage, and turnover will increase.

Don't Sweat the Things You Cannot Control; Influence Those You Can

When it comes to employee productivity, answers and solutions are rarely black and white. With so many external forces influencing productivity, can you really make a positive impact on your employees?

Absolutely.

While factors like regulatory issues and the pandemic are entirely outside your control, you can provide your employees with the work environment, management, and support they need to get back to maximum productivity.

A New Normal Means a New Contract With Your Team

At this point, it sounds a bit cliché to say that the pandemic has forever changed the way we work – but it's true.

And while your employees have an obligation to try their hardest every day, employers also need to meet their teams in the middle. Moving forward, companies will need to adapt to change and help their employees succeed in this ever-evolving "new normal."

Now is the time to create a "new contract" with your employees to show that you understand these changes.

What Should Be Part of Your New Contract for the New Normal?

Health and Well-Being

Helping employees manage their mental health, physical health, and overall well-being can increase productivity by 11% while demonstrating that the company cares about them.

Focus on Communication and Transparency

In every work environment, whether a factory floor or high-rise office suite, communication and transparency have a huge impact on productivity.

Give employees easy means for communicating with each other and their managers and prioritize transparency from the top down. Employees who work in high-trust environments are two times less likely to quit.

Be a Champion for Better Wages

In a post-pandemic world, people are simply not returning to low-paying jobs. If you are paying below-market wages, you'll attract low-performing employees. By boosting wages, you can attract applicants of higher quality who are much more likely to perform productively.

Don't Talk at Employees

An essential part of building trust through communication and transparency is two-way communication that involves listening.

Email blasts and company-wide updates should fall out of fashion in favor of face-to-face communication in which employees are encouraged to ask questions and express their concerns.

Build Remote Team Management Skills

Prior to 2020, managers could have quick, real-time chats with employees. But in remote and hybrid work environments, that type of impromptu conversation isn't possible.

Managers can improve remote experiences and boost productivity by:

- Individualizing employees' preferences regarding working from home, communication, etc.
- Setting clear goals and expectations
- Communicating regularly
- Regularly providing and asking for feedback

Eliminate Information Overload

While two-way communication and transparency are essential, it's necessary to strike a balance. Bombarding employees with information daily – much of which they probably don't need to know – will lead to overwhelm.

Too much irrelevant information will cause people to ignore future messages, and they will miss critical information.

Boosting Productivity Across the Organization

We've looked at high-level factors you can focus on to boost productivity, but what about more micro-level changes?

You can have a real impact on employees at all levels by focusing on their unique challenges.

Productivity Boosters: Entry-Level Employees

The Families and Work Institute (FWI) says that workplaces that empower and support entry-level employees are more effective companies.

Yet, these are the workers that companies so often forget about. Helping these employees become more productive can have a positive impact on the bottom line. According to FWI, companies that support their entry-level and hourly employees in this way enjoy a more engaged and productive workforce and see increased retention rates.

Employers can help hourly and entry-level employees do their best work by:
- Paying market rates.
- Offering more autonomy.
- Allowing them to participate in making decisions that directly impact their work.
- Offering flex time (ability to choose start and end times within a range of hours).
- Providing learning opportunities at work.
- Providing paths for advancement.
- Offering fringe benefits and perks.
- Promoting and supporting work-life balance.
- Encouraging the use of sick and vacation time.
- Leveraging temporary and contract workers to reduce overtime and burnout.

Productivity Boosters: Underperforming Employees

Employees underperform for a variety of reasons. They may disengage because of issues going on at home. They may feel disconnected from their work. Perhaps they don't mesh well with their manager.

Don't write off employees who have slipped. Instead, give them the opportunity to improve. By investing in current employees, even if they are underperforming, you can save yourself the cost of turning over those workers and having to hire new people. You can help underperforming employees in a variety of ways:

- Talk to the employee as soon as you notice their performance starts to slip.
- Establish the root cause of the issue.
- If the issue is personal, encourage taking some time off to regroup.
- Work together to set goals to get back on track.
- Have an open discussion about what type of support the employee may need in achieving those goals.
- Check in regularly and provide positive feedback to keep the employee encouraged.
- Reward significant improvements.
- As the employee makes significant strides, consider providing them with a new responsibility to show you trust them.

Productivity Boosters: Remote Employees

For every study that says remote employees are highly productive, there's one that says they are not. The fact is, not everyone is cut out for remote work, but millions of people have suddenly become remote workers and will likely stay that way at least part of the time.

At the start of the pandemic-related lockdowns that forced remote work on almost every company, people were initially highly productive. The situation was novel. People wanted to do a good job. They were concerned about the future of their companies and worked extra hard.

But as reality set in, as homeschooling continued, as people spent more time indoors with their families, as the general stress of lockdowns began to weigh on Americans, productivity shifted for many employees.

Moving forward, managers will need to focus on keeping remote teams engaged and productive. Here are practical tactics to help move the needle:

- Have structured weekly check-ins.
- Ensure that every team meeting has a purpose. If that purpose is unclear, don't hold the meeting.
- Provide clear, non-ambiguous work expectations.
- Be clear about your availability expectations for them.
- Be available to your team.
- Be clear about processes and the non-negotiable aspects of the job, like turning things in on time, following a set workflow, adhering to quality standards, etc.
- Be flexible where you can. If an employee is performing well, does it matter the precise hours they work?
- Offer encouragement and support. Working from home comes with its own stresses. Show you understand those stresses and provide support.
- Provide and solicit feedback. Let employees know how they are doing and regularly ask them what they need from you or the company so they can do their best work.

Productivity Boosters For EVERYONE!

There are some best practices that you can apply across the board to help boost productivity for everyone.

Improve Training Processes

Ongoing training helps employees to improve and grow continuously over time. Training should be conducted regularly in short, 45-minute to one-hour sessions. Make the sessions conversational and use the time to reinforce good habits, introduce new processes, and help employees build new skills.

Incentive Pay

Well-planned incentive pay for performance can help boost productivity. Incentive programs should apply uniform standards to performance, ensuring everyone who meets the threshold is rewarded in the same way. It is essential to set up incentive programs in a way that ensures you're only paying bonuses for increased productivity so that the program can pay for itself.

Maintain Equipment

Workers need their technology, tools and equipment to work every single day. When something breaks, it can halt operations. It's easy to neglect maintenance, software upgrades or check-ins with remote teammates about the quality of their tech, but a little bit of proactivity can prevent a lot of costly downtime.

Listen to Employees

No one knows better where productivity is slowing, or which processes create redundancies than the people on the front lines. In weekly staff meetings, encourage employees to present their suggestions for improvements and listen to what they have to say. Consider rewarding people whose ideas are implemented to encourage others to speak up in the future.

Be Flexible

In a market rife with changing pressures and demands, a flexible workforce is vital for productivity. Balanced personnel ratios ensure you can meet fluctuating demands at any time.

Don't Be a Scrooge with PTO

Burnout is very real. People need to be able to take time away from work to recharge their batteries. Make sure employees know they can take sick days when needed without fear and they can take personal days and vacation days without being looked down upon.

Mental Health and Well-Being Impacts Productivity

It's important for employers to recognize the impact that mental health has on productivity. While employers are certainly not responsible for employees' mental health and well-being, they should be aware of trends in the workplace and can help employees find relief and solutions.

Prior to 2020:

- 61% of teams said they were burned out at their current jobs.
- Over 30% of people said they felt high levels of stress at work.

Throughout the pandemic, these numbers only increased. Stressed employees do not do their best work. They make more mistakes and are likely to get sick more often.

You Can Help Employees Manage Stress

Employers that help employees prioritize wellness see an 11% boost in productivity. You don't have to invest a lot of money in a formal wellness program. You can start to help your employees right now by:

- Allowing and encouraging employees to take a 20-minute break mid-morning and mid-afternoon.
- Working with your health plan provider to promote the wellness perks of your program.
- Make employees feel like they can take sick days when they need to. Don't punish people for using their PTO.
- Encourage employees to use their vacation time.
- Discourage employees from answering work emails and messages after hours or on weekends.
- Start a "walking club" for employees to walk as a group for 20 minutes before work, at lunch or after work.
- Start company sports teams.
- Bring in skilled temporary workers or contractors to help pick up some slack, so employees don't have to work regular overtime.

Ready To Overcome the Productivity Crisis?

As you navigate a post-pandemic landscape and attempt to boost productivity, a strategic staffing partner can make all the difference.

The right partner can help you:

- Access on-demand, skilled, temporary workers
- Create strategic workforce plans so you can adapt quickly to future changes in demand
- Control overhead and risk
- Reduce overtime and burnout
- And so much more.

If you're ready to boost productivity, talk to your staffing partner today.

Resources

https://www.bls.gov/opub/mlr/2021/article/the-us-productivity-slowdown-the-economy-wide-and-industry-level-analysis.htm

https://www.bls.gov/opub/mlr/2018/article//multifactor-productivity-slowdown-in-us-manufacturing.htm

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