

THAT MAKES CENTS



Season 3 Episode 6 Empowering frontline workers

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Bobby: Hi everybody, I'm Bobby Stephens, and welcome or welcome back to That Makes Cents. This is the podcast where we discuss consumer industry trends to explore their impact on both businesses and our everyday lives. Today's episode is all about empowering frontline talent, a crucial force for an organization's success.

You know, just when the demand for high-quality frontline workers was booming in early 2020, the pandemic threw us a curve ball; all major sectors, including delivery, airlines, hospitality, trucking, car rentals, and restaurants were hit hard, with significant impacts to frontline associates.

Well, with the consumer industry seemingly bouncing back towards normal, how

are companies reimagining their talent strategies, and how are they looking at talent acquisition and retention differently now that we're heading in that direction?

Well, we will take a look at this topic with the help of Barb Wallander, the senior vice president of Human Resources at FedEx Express, and Cathy Gutierrez, a leader in our Workforce Transformation practice here at Deloitte Consulting. Thank you both for joining us, and maybe first, you could tell our listeners just a bit more about your background and your current role. Barb, why don't you kick us off?

Barb: Sure. Thank you, Bobby. And I'm happy to be here today. After graduating from the University of Pittsburgh with my

bachelor's degree in mathematics and business, I started my career in Pittsburgh, Pennsylvania, with Roadway Package System, the predecessor company to FedEx Ground.

I spent 30 years with FedEx Ground in various engineering and operating roles, braiding company four years ago, and shifting roles to lead the human resources and communications division. In business, regardless of the functional area, it's all about people.

Bobby: Go ahead, Cathy. Love to hear a bit more about you.

Cathy: Yeah, great. And so, thanks so much for having me today, Bobby. So, really

excited to be here. I help clients across our consumer industry, across automotive, transportation, hospitality, and retail, really think through their frontline talent challenges, both across talent and diversity, equity, and inclusion in particular.

And so, I've been doing this for the past 15 years or so, advising clients on these two topics. I started off my career actually graduating from MIT with a degree in chemical engineering, I should say, and started off my career as a recruiter with Teach for America. And from there, moved into consulting.

I've also served as an HR executive for a few tech start-ups, so know what it's like to walk in the shoes of our clients, and I'm really excited to speak to you today about the challenges we're seeing across the frontline workforce. Thanks so much for having me.

Bobby: Awesome. Welcome to you both. I think hearing your backgrounds a bit more, I think the perspectives are going to be unbelievable. So, and as always, on the show, there is so much to cover, so we're going to jump right in.

We are currently seeing an unprecedented shortage of frontline employees that really continues to challenge us here in the U.S., on the consumer industries, probably globally, but we're really just looking at the U.S. today. Based on recent U.S. Bureau of Labor Statistics, there are 10.7 million unfilled job vacancies with only about 5.5 to 5.7 million unemployed workers to fill those jobs.

So, it doesn't take a degree in engineering from MIT to say that that math does not add up. So, Cathy, maybe we can begin with you. What are some of the trends you've observed in terms of supply and demand of frontline workers? And Barb, maybe you could follow up on that with how this shortage has impacted your operations and customer experience at FedEx.

Cathy: Yeah, it's a great question. I think we continue to see frontline worker

shortage as a major challenge across hospitality, transportation, auto, especially in manufacturing, I would say; food beverage, retail, you name it. And a lot of that does have to do with the fact that just in the U.S. alone, we estimate about 4 million workers are actually missing from the workforce compared to before the pandemic.

And so, what's interesting, too, is that even before the pandemic, that 10.7 million unfilled job vacancy number that you stated, that was actually about 7 million prior to the pandemic. So, we still had a shortage actually. And, of course, many people are hearing about the great resignation, people continue to quit and leave their jobs and not necessarily finding new jobs right away.

We've seen many people take early retirement and that's also contributing to this labor shortage. And then we're also hearing that others are reluctant to return to work because of health reasons. Especially, if they're concerned about having contact with others, and that really affects the frontline workforce in particular, in that they have to have so much face-to-face contact.

And so, I just think the challenge for employers right now is to meet this demand, while understanding kind of the changing priorities and new obstacles for the workforce. Employers really need to reimagine their talent strategies.

And we're seeing companies really think through new ways of attracting talent by adjusting the requirements of the jobs. They're looking for creative ways to find this talent, a much bigger focus on retention, especially as it relates to compensation and benefits and perks.

And that's really what we're seeing in the trends there.

Barb: So, during the pandemic, we saw a major change in consumer behavior as more people were shopping online and relying on companies like FedEx to deliver those shipments to their homes. And what we

saw within our own operations is that sort locations like the Memphis world hub in Memphis, Tennessee, we saw an enormous uptick in the volume we had to handle.

And at the same time, we were working with less staffing due to the various reasons that Cathy had pointed out. And having too much volume and not enough staff certainly was a challenge to providing the best service we could to our customers. And we had to manage through that.

So, we focused on getting the staffing into our locations as best we could. We left no stone unturned when it came to the initiatives that we took to attract the staffing that we needed.

We implemented pay premiums, we offered referral bonuses, we expanded our candidate pool to include Spanish-speaking and increased veteran recruitment. And we enhanced our educational assistance programs. We knew it was all hands on deck to get those people during the pandemic to join our organization.

At the same time, we had to be very mindful of the safety of our team members, and it's always been our top priority. And we had to constantly evolve to the directives from local and national health authorities and communicate the appropriate guidance on COVID protocols to all of our team members.

And finally, let me just say that, as Cathy mentioned, turnover was, is, and continues to be a challenge. People are leaving companies much quicker these days, which is why we must continuously evolve our employee value proposition to grow our talent.

Bobby: I don't know that I could have asked for a better segue to my next question, Barb. You hit on a bunch of things that you all have done at FedEx and sort of across recognition, retention, acquisition, hiring, all sort of elements of talent. And I'd like to dig in on that acquisition piece a bit, because it's clear that companies need to

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rethink their acquisition strategies to make up this gap between open roles and people looking for jobs.

So, maybe Cathy, I know you've done some research on this; what are some of the leading things that companies should consider when they're looking at talent acquisition?

Cathy: It's a great question. So, number one, I'm seeing companies rethink filling skills versus filling open positions. And what I mean by that is thinking less about hiring for a specific role and thinking more about truly the skills and capabilities that's needed in the organization at the time or in that restaurant, or in that store, for example.

And so, what that does, when you focus more on skills, what you do is you start to open up that talent pool and you start to see that more and more people actually meet the requirements of that talent pool. That's especially important as we're seeing more and more companies relax education requirements. And they're also relaxing the number of years of experience.

The other thing we're noticing, and Barb actually mentioned this, was thinking more about that employee value proposition and what the brand is for your employees, both internally, within your organization, and externally, and how can you leverage actually consumer brand, I should say, to really leverage your employment brand and help to improve that significantly.

And then the last thing I'd probably say is we're seeing more and more companies really simplify and accelerate with tech-enabled kind of hiring. So, they're using new technologies with automation, artificial intelligence to really help automate as much of the hiring process as possible. And so, they might even try to gamify some of that to attract more and more talent into their talent pools. I'm also seeing things like text-to-hire, text-to-apply, same-day hiring, anything to speed the process up so that you're able to beat out the competition in a way. Many of the frontline workers are

applying to multiple organizations. And so, you really want to be the first to offer employment to that individual.

Bobby: Yeah, I loved your first point about filling skill gaps, not just open positions. It's an interesting way to think about it. And maybe that brings me over to you, Barb, as someone who has changed roles and helped fill skill gaps throughout your career in ops and engineering and most recently, human resources; it sounds like you have some experience with this.

But I'd love to focus on your current role. This must be a pretty interesting time to lead HR for such a large organization. So, maybe you could just share with the listeners your philosophy on talent, setting the right culture for your employees, and especially a focus on those frontline workers, helping them thrive and succeed in today's environment.

Barb: Well, sure. There's a lot in that statement right there, Bobby, and it is very interesting times to be the leader of an HR organization. So, first, let me touch on the culture at FedEx overall, which I think is instrumental in us being able to grow as a company as we near our 50-year anniversary next year.

So, since the inception of FedEx, our founder, Fred Smith, created what we call a people service profit philosophy. And it's a full circle philosophy stating that if we take care of our team members, it results in outstanding service, which then allows us to earn a profit and reinvest in our team members.

Another important culture value at FedEx is that we take care of each other, and we really put safety above all. We don't compromise anything when it comes to safety, and we deliver purple promise, which is to make every FedEx experience outstanding. That's truly the basis of the culture at FedEx.

And through our education and communications and other resources, we

encourage our team members to maintain open dialogues and have an inclusive environment for our team members. We want to create a path—and Cathy mentioned this—we want to create a path to development for our team members, and we want to meet employees where they are.

So, we have different types of programs that are available from high school equivalency, all the way through college education and reskilling or upskilling. And we have a couple of programs that I'd like to specifically talk about, which we are very proud of.

First, let me start with our LIFE Program (Learning Inspired by FedEx). So, LIFE is a program that was developed in partnership with the University of Memphis. It provides 50,000 frontline, hourly employees at ramps and hubs in our network across 120 cities in the U.S. And it provides them a path to high school equivalency, an associate's degree, or a full college completion, regardless of where they are in their academic journey.

A key feature of the program is the direct billing of tuition to FedEx. So, it removes the upfront and out-of-pocket cost for our employees, particularly those frontline hourly employees. The program also clears barriers in the path to college admission by eliminating testing and fees, and provides a mentorship for team members through life coaches.

The program was designed and is delivered online, and that was designed in 2018 before the pandemic, so before online learning became a requirement. We're very proud of our accomplishments in this area. We have over 3,000 participants currently enrolled. We have 55 graduates to date who obtained their bachelor's degree, and we have even more graduating soon.

And of those graduates, 82% are still at FedEx and have moved into higher-paying roles. So, that is a success factor for us. And the program also addresses our need

to minimize turnover. And what we've seen there in terms of the results is 80% of people in the LIFE Program are less likely to leave FedEx.

And let me now turn to our LIFT Program (Learning Innovation For Tomorrow). And this speaks to the upskilling and reskilling that Cathy talked about. So, this is an employee development program where we provide analytical and technology-based skill development to drive the ever-changing needs of our customers. There's no cost for our team members to participate in LIFT; it's available on a mobile device, so team members can learn anywhere.

And we really focus the skills here on data literacy, power BI, SharePoint, business essentials, robotics, languages, and project management skills. That's what we've got going on in the areas of employee development and career advancement.

Bobby: Those are a great set of programs helping employee education, career development. I actually want to talk a little bit more about rewards and recognition, maybe a bit in the traditional sense, so to speak. Companies really, I think from the outside, it feels like companies spend a lot of time designing rewards packages for their salaried employees, the white collar, the folks who sit at headquarters.

However, at least traditionally, it may not be the case for frontline workers. With today's competition for frontline workers, it seems that companies will need to or are already getting creative to keep those frontline workers engaged and satisfied. How else besides some of the things you just mentioned should companies really be thinking about that thoughtful rewards package? Cathy, maybe we can start with you and, Barb, love to hear your take as well.

Cathy: Yeah, agreed. I think many companies spend a lot of time on the corporate kind of white-collared employees and don't spend as much time on this frontline talent, especially when it comes to

reward, and recognition in particular. I'll give a couple of examples.

I think we're seeing more and more companies create and just get a bit more creative with dynamic and personalized benefits and really helping workers see their future within the organization. And benefits not just from a monetary perspective, it's not a transaction necessarily, but I'm seeing really interesting things like clients offering benefits that were previously only reserved for their salaried workforce now.

I'm also seeing things like immigration coverage. If you've been with a company for over a year, we're going to invest in you and we want to keep you here.

Also, seeing continued support in learning and development, helping employees develop those transferable skills and capabilities, thinking more about career conversations, so sponsorship and mentorship for the frontline workers. I think that's another key component.

And then finally, I think recognition. And again, recognition sometimes powered by technology, but also, just finding creative ways to meaningfully recognize your employees, whether it's innovating on your cash compensation programs, doing spot bonuses, rewards, things of that sort so that you can really highlight the accomplishments of your frontline workers. It also increases and kind of reinforces a great culture.

Barb: And I'll just chime in there, Cathy, and you said it—frontline manager development programs that we are launching to really improve the engagement between that frontline manager and the hourly frontline worker. And we feel that's where it all begins and we want part of the team.

We offer the traditional items: healthcare benefits, sick time, 401(k) savings programs, and other programs to support their wellbeing. But one of the other favorite benefits to our team members is our discount programs with other consumer

products and services companies, such as the mobile phone providers, theme parks, movie theaters, the list goes on.

Team member feedback to us is really, really valuable. And we have multiple paths to engage with our frontline employees. We have annual surveys, we have team member networks, and that direct engagement allows us to understand what is on employees, minds what their concerns are, and what their expectations are.

And then, Cathy, you talked about recognition. And one of the things that we've learned is employees like swag—FedEx-branded t-shirts and other items that I described earlier. And showing them, showing our team members that we appreciate their hard work is really important.

So, we have a couple of different recognition programs, some formal, some informal. But one of the ones we have is we call it the Bravo Zulu Award. It's used in the Navy and Bravo Zulu is represented as the nautical signal flags and is referred to as BZ, which means well-done. This is a monetary award that our managers can award to either their employees or employees in other areas of the organization. And it's really about recognizing that extraordinary performance of the employee.

We also have a Safe Driving Award. So, our couriers venture out every day, they're on the road with the motoring public. And in order to foster that awareness of safe driving, we provide a variety of awards to our drivers. For example, we have a program that recognizes drivers for every year they operate at least 100 driving days a year without a preventable accident.

And a unique way that our drivers are recognized is by their managers hanging banners or pictures in their local station, stating how many years the employee has had of safe driving. And last year, we celebrated several of our drivers who reached a milestone of 40 years of safe driving. That's just incredible. Again, I said

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earlier, 50 years as a company, 40 years of safe driving. So, we really did it right. We flew them to our world headquarters here in Memphis for a special awards event and a visit with our CEO.

And then we have two other awards, annual awards. One is the Purple Promise Award and one is the Humanitarian Award. The Purple Promise Award is given to team members who go above and beyond to deliver superior customer support and customer service.

And an example might be, in case you're trying to understand what this might look like, it's a courier who walked over a mile to a recipient's address or recipient's home in order to deliver much-needed prescription medication. And they had to walk because the street was flooded and couldn't drive to the resident's address.

So, that's a big deal. That's an example of our Purple Promise, going above and beyond.

A Humanitarian Award is awarded to team members who reach out to others in times of need and really exhibit behavior that goes above and beyond basic community responsibility. A couple examples here are we had a courier who rushed into a burning house to save an elderly victim, and someone who drove their car into a lake, one of our drivers and couriers stopped and was able to rescue that driver from their car.

So, our employees are being heroes, saving lives and saving people in the community from personal tragedies and misfortune.

Bobby: Those are some amazing stories, and I really like that you have lots of different programs, such that there's a diverse set of awards, recognition rewards that you can provide such that one person can get multiple different ways of being recognized over the course of her or his career with FedEx. So, I think that's really, really cool.

I'm going to change the subject as we get near the end here. And repeat listeners to the podcast of That Makes Cents, you know that we usually close with a bit of a fun or even a forward-looking question. So, here goes, we're going to do a future question here.

We have spoken today at length about finding, hiring, retaining, and rewarding frontline workers in this complex environment and at a place like FedEx, where you're, I liked how you said they're out there with the motoring public on a daily basis.

So, how do you see that complex and ever-changing landscape evolving over the next five years? What is that landscape going to look like in the future? Barb, maybe we start with you and, Cathy, you bring us home.

Barb: All right, well, I guess, I'll start by saying that employees are going to continue to be drawn to a company that stands by its employees and gives employees something to believe in, and shows that they take care of their employees. Comp and benefits, those are table stakes. Those are expected, but workers, they're going to be attracted to the brand and trust the companies that have a good reputation.

So, I think the other thing that we are doing, FedEx is doing, is we are committed to addressing issues like climate change, and we've made a commitment to that as an organization.

I think the other area that we need to really focus on and we are focusing on it, we're ready to launch or soft-launched a program, to enable technology and meet people where they are. So, let me just close with that FedEx, we have a strong employment brand. It's allowed us to attract talent needed for our operations in the past, and we'll continue to be a top-of-mind employer for prospective candidates going forward.

Cathy: Great, great points there, Barb. I think when I look out into the future, Bobby,

I'm excited for how the frontline worker is going to evolve. I actually see, because of the talent shortage and the worker shortage that we're seeing, it's going to persist. It's not going to go away.

Economists have said it's a permanent kind of state that we're going to be in, in this shortage. And so, I see companies actually doing more to automate a lot of the work. However, there still needs to be that human interaction where it matters most when you're customer-facing.

And so, those soft skills, those enduring human capabilities is something we talk a lot about at Deloitte, are going to be even more important for the frontline workers.

The other thing I think we're going to see is less full-time workers and more workers wanting flexibility. I think that's one thing that was the top thing we kept hearing in talking to frontline workers around is flexibility with their hours, with their shifts, with swapping shifts. And because of that, I actually think we're going to see more of that gig economy.

And then finally, I think companies are starting to do this now, and Barb has given so many great examples of this, but really focusing on that experience for the frontline worker and having that be distinctive and putting more of a focus on that.

I'm already seeing clients put experienced leaders in place for the frontline workers. And they're dedicated only to this part of the workforce. So, I think we're going to see more and more of that as well. But I'm super excited to see what comes and see how we close the gap here on the worker shortage. I think it's going to continue to persist and be a tough one for us to manage.

Bobby: Totally agree. I mean, I'm rounding here, but the 11 million open jobs with only 5 or 5.5 million to fill it is a pretty stark number. It sort of proves the great resignation, as well as the demand for increased activity in the frontline, has been a

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combination that's been very difficult to deal with from a lot of angles.

So, what an interesting topic, and Barb and Cathy, thank you so much for sharing your views on this super, super critical topic. It's been unbelievable. For our listeners who are interested in learning more about our guests, Barb Wallander, Cathy Gutierrez, or even myself, Bobby Stephens, you can certainly find us on LinkedIn and feel free to connect directly.

If you're interested in learning more on the topic, you could search for Deloitte's frontline workers in transportation, hospitality, and services sector or check out our latest report on DEI for frontline workers. That's all for today. Thank you very much for listening in and we will see you on the next episode of That Makes Cents.

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