Supporting Employees and Maximizing Profit: The Case for Workforce Development Focused on Self-Regulation

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Low-wage workers often experience high rates of job turnover and difficulty advancing to better jobs. Employee retention problems can have consequences for an employer’s bottom line and can contribute to employees’ struggle to make ends meet. Human service agencies and employers have a common interest in developing a qualified and productive workforce. This brief presents evidence for developing the self-regulation skills of low-wage labor market participants in order to improve their outcomes and employers’ profitability.

About this Brief

This brief was developed under the Goal-Oriented Adult Learning in Self-Sufficiency (GOALS) project on behalf of the U.S. Department of Health and Human Services, Office of Planning, Research, and Evaluation (OPRE). Under this project, Mathematica Policy Research explored how emerging insights from psychology, neuroscience, behavioral science, and goal achievement can inform workforce development programs for low-income adults. Several project activities contributed to the development of this brief, including (1) a literature synthesis that identified self-regulation skills that may be most relevant for attaining employment-related goals and the environmental influences that can support or inhibit optimal use of these skills (Cavadel et al. 2017), (2) telephone calls and exploratory site visits to document how programs for low-income populations are trying to improve and support use of self-regulation skills and goal attainment (Anderson et al. 2018), (3) the development of a conceptual framework for understanding the relationship between self-regulation, goal attainment, and employment outcomes (Anderson et al. 2017), (4) evidence-informed quality improvement activities in TANF programs implementing new interventions focused on self-regulation and goal attainment (Derr et al. 2018), and (5) telephone interviews with employers that have engaged in public-private partnerships for workforce development.

This brief was written by Jacqueline Kauff of Mathematica Policy Research. The opinions expressed are those of the author and not necessarily those of OPRE.

Employers and human service agencies have compatible goals with respect to workforce development among low-income populations. A critical mission of many human service programs is to prepare their clients to successfully obtain and maintain jobs. One of the primary programs within the U.S. Department of Health and Human Services (HHS) that focuses on preparing low-income parents for work is the Temporary Assistance for Needy Families (TANF) program. An HHS strategic objective for fiscal years 2018–2022 is to “encourage self-sufficiency and personal responsibility, and eliminate barriers to economic opportunity.” One of two performance goals related to this objective is to “increase the percentage of adult TANF recipients and former recipients who are newly employed.” At the same time, employers want to hire workers who will be successful. They also want to retain them. According to a recent report by the Work Institute, 29 percent of employees, irrespective of income level, will voluntarily quit their jobs in 2018, and about 40 percent of this turnover will occur in the employees’ first year of employment. Such turnover comes at a tremendous cost to employers. The report notes that, “employee turnover is anticipated to hit record highs and cost U.S. companies more than $600 billion in 2018,” and “will continue to affect the ability of organizations to sustain profits and grow revenues.”
Sentiments from employer interviews on reasons for quick turnover among entry-level workers

"Most lack interpersonal skills, can’t meet availability, or lack transportation. Most of the time they’re being fired for...time and attendance issues or getting into a fight with a customer.”
- Director of human resources for a supermarket chain

"They lack soft skills and coaching around basic workplace etiquette.”
- Vice president of operations for a small diverse business

"Some people don’t know how to behave at work. They just call out for a shift or just disappear.”
- District manager for a discount retailer

Workforce development efforts that enhance the capacities of low-income adults in the labor market can improve the odds that human service agencies and employers will meet their goals. Such efforts have traditionally focused on helping potential or new employees gain hard skills. Hard skills are “those achievements that are included on a résumé, such as education, work experience, knowledge, and level of expertise.” A large body of evidence suggests, however, that employers are increasingly seeking employees with strong soft skills. Soft skills are “character traits, attitudes, and behaviors—rather than technical aptitude or knowledge,” and they are not limited to a particular profession. Employers sometimes refer to these skills as people skills or interpersonal skills. In one large survey of hiring managers and human resource professionals, over three-quarters of respondents reported that soft skills are just as important as hard skills when evaluating a job candidate. Other research suggests that “employers rate soft skills highest in importance for entry-level success in the workplace,” and that “hiring individuals who possess soft skills is instrumental for high-performing organizations to retain a competitive edge.” Indeed, the benefits of strong soft skills in the workplace are well documented in the literature. Benefits to employers include enhanced productivity, quality and profit. Benefits to employees are enhanced personal interactions, job performance, and career prospects. In fact, soft skills are strong predictors of success in the labor market.

Research has documented the soft skills that employers value most and that are correlated with success on the job. In 2014, researchers for the World Bank developed a taxonomy of soft skills that employers look for in employees by reviewing the literature on employer-demanded skills and comparing it to related literature in psychology, economics, and education. They identified eight major categories of skills and associated sub-skills. Table 1 shows the percentage of survey respondents from three studies in particular who rated specific skills as very or extremely important to success in the workplace or indicated that they look for these skills when hiring. Some of the skills identified in the World Bank taxonomy that the surveys in these studies did not inquire about include perseverance, the ability to focus attention, and the ability to delay gratification and control impulses. Another skill featured prominently in the research as valued in the workplace is emotional intelligence. Often described as the ability to understand and manage the emotions of oneself and others and thereby relate to others, emotional intelligence drives other skills such as communication, teamwork, conflict resolution, and the ability to give and receive feedback effectively. Emotional intelligence has been shown to influence job success twice as much as IQ or technical skills. According to interviews with employers, lack of these soft skills is often a reason for quick turnover among entry-level workers.

The soft skills that employers seek when hiring and that increase the likelihood of success on the job are akin to what psychologists and neuroscientists call self-regulation skills. Self-regulation skills are cognitive and emotional skills and personality factors that allow people to intentionally control their thoughts, emotions, and behavior. A core set of foundational skills enable higher-order skills that people use to set, pursue, and achieve personal goals. Key examples of these skills are listed in Box 1.
Table 1: Soft skills rated important to success in the workplace

<table>
<thead>
<tr>
<th>Soft skill</th>
<th>Business educators in Study 1 (N=149)</th>
<th>Business educators in Study 2 (N=57)</th>
<th>Hiring managers and human resource professionals in Study 3 (N=2,138)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time management</td>
<td>97</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Problem solving</td>
<td>89</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Interpersonal skills(^a)</td>
<td>92</td>
<td>84</td>
<td>NA</td>
</tr>
<tr>
<td>Flexibility</td>
<td>NA</td>
<td>77</td>
<td>51</td>
</tr>
<tr>
<td>Work ethic(^b)</td>
<td>NA</td>
<td>75</td>
<td>73</td>
</tr>
<tr>
<td>Organization</td>
<td>NA</td>
<td>NA</td>
<td>57</td>
</tr>
<tr>
<td>Composure under stress</td>
<td>NA</td>
<td>NA</td>
<td>57</td>
</tr>
<tr>
<td>Confidence</td>
<td>NA</td>
<td>NA</td>
<td>46</td>
</tr>
</tbody>
</table>

Sources: Study 1—Mitchell (2010); Study 2—Robels (2012); Study 3—Ricker (2014)

\(^a\) In Robels (2012) this is defined as nice, personable, sense of humor, friendly, nurturing, empathetic, has self-control, patient, sociability, warmth, social skills; in Mitchell (2010), this is defined as business etiquette.

\(^b\) In Robels (2012), this is defined as hard working, willing to work, loyal, initiative, self-motivated, on time, good attendance; Ricker (2014) does not define work ethic.

Box 1. Self-regulation skills

**Foundational self-regulation skills:**

- **Executive function** helps people (1) stop automatic or inadvisable actions in favor of more appropriate behaviors (through a specific skill called inhibitory control), (2) remember critical information while conducting complex tasks or activities (through a specific skill called working memory), and (3) hold multiple ideas at a time and switch between them as necessary (through a specific skill called cognitive flexibility) (Zelazo and Muller 2002; Alvarez and Emory 2006).

- **Selective attention** helps people focus or hone in on a particular activity in the face of other thoughts, information, and actions that may distract them (Zelazo et al. 1997).

- **Metacognition** allows people to reflect on their own thinking and actions (Flavell 1979).

- **Emotion understanding** allows people to recognize emotions in themselves and in others around them, which helps them form strategies or actions based on those feelings (Cole et al. 2009; Gross 2013; Murray et al. 2015).

- **Emotion regulation** helps people make emotions manageable or useful—for instance, when someone cools down after an argument, or revs themselves up before a big event (Gross and Thompson 2007; Giuliani et al. 2008).

- **Motivation** is what drives people to pursue, persevere, and accomplish tasks (Maslow 1943; Bandura 1986; Harackiewicz 2000; Ryan and Deci 2000).

- **Grit** refers to the perseverance and passion that help people persist in striving toward long-term goals despite challenges (Duckworth et al. 2007).

- **Self-efficacy** describes people’s belief in themselves that they can perform at a high level (Bandura 2012).

**Higher-order self-regulation skills:**

- **Planning** is forward-thinking about the activities and steps needed to achieve a desired goal.

- **Reasoning** is thinking in a logical or sensible manner.

- **Problem solving** is thinking in an orderly manner to derive a solution to a problem.

- **Task initiation** is the ability to independently begin a task or activity.

- **Prioritization** is the process of ranking tasks in order of importance or urgency.

- **Organization** is taking an efficient, systematic, and orderly approach to handling a task.

- **Persistence** is the act of continuing on a task or down a path despite challenges or setbacks.

- **Time management** is the ability to exercise conscious control on the amount of time spent on different activities to accomplish a goal or to increase efficiency or productivity.
Table 2 presents the correspondence between the soft skills that research suggests are most valuable in the workplace and the foundational and higher-order self-regulation skills that help people set, pursue, and achieve employment-related goals.

**Both human service agencies and employers can foster self-regulation skills in low-income adults in the labor market.** Research suggests that self-regulation skills develop most rapidly in early childhood, but that they continue to develop in adulthood. In fact, some suggest that these skills “are continually developed through practical application during one’s approach toward everyday life and the workplace.” Research also suggests that self-regulation skills can be improved in adulthood through intervention and that supports can help people use their self-regulation skills optimally.

*TANF programs are beginning to look to the research on self-regulation to identify strategies they can implement to strengthen participants’ skills with an eye toward improving participants’ employment outcomes and proactively responding to the needs of the business community.* Two recent Mathematica publications describe strategies that have rigorous evidence of effectiveness in strengthening adults’ self-regulation in contexts other than workforce development programs, and how some workforce development programs for low-income adults have applied these strategies in practice.

Employers can provide training opportunities and mentoring to develop employees’ self-regulation skills. Employers can provide in-house training on self-regulation skills by sending selected staff to training sessions to learn to train others on these skills using existing curricula or by hiring outside trainers. Employers should not expect a one-off training course on self-regulation to be a panacea for their employees, however, and some skills may take longer to develop than others. As described in one business strategy publication, “Just as courses on dieting aren’t enough for people to lose weight, and classes about lung cancer aren’t enough for them to quit smoking, mining on emotional competencies isn’t enough for employees to become emotionally intelligent. Instead, employees need a plan and a lot of practice and support.” Employers can help employees practice skills with or without formal

<table>
<thead>
<tr>
<th>Soft skills research suggests are most valuable in the workplace (from Table 1)</th>
<th>Self-regulation skills that help people achieve employment-related goals (from Box 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time management</td>
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</tr>
<tr>
<td>Problem solving</td>
<td>Problem solving</td>
</tr>
<tr>
<td>Interpersonal skills</td>
<td>Emotional understanding; emotion regulation; executive function (inhibitory control); metacognition</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Executive function (cognitive flexibility)</td>
</tr>
<tr>
<td>Work ethic</td>
<td>Motivation; grit; task initiation; time management; prioritization; persistence</td>
</tr>
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<td>Organizational skills</td>
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training through mentoring or coaching. Mentees can learn both technical and soft skills from mentors who model behaviors and provide support and feedback.

*The investment employers make in their employees can have profitable returns.* Though developing employees’ skills in these ways requires time and resources, “there are hard data to show that…companies stand to benefit” and that “the impact of softer skills on [return on investment] much more than justifies the money spent on training.” In his book, *Working with Emotional Intelligence*, Daniel Goleman presents data from studies in more than 500 organizations that demonstrated that factors such as self-confidence, self-awareness, self-control, and commitment can create both more successful employees and more successful companies. Box 2 summarizes the returns that one company enjoyed from investing in soft skills training.

*Public-private partnerships can help employers remain profit-driven while supporting their employees.* Since 2008, human services agencies and employers have been collaborating on an innovative approach to workforce development that benefits both employees and employers. Employer Resource Networks (ERNs) are consortia of small- to mid-size businesses created to “share the resources and expense of building the skills and capacities of their entry-level, often disadvantaged, workers…many of whom are receiving public assistance.” ERNs forge partnerships and contract with social service agencies, workforce development agencies, community and technical colleges, and other nonprofit organizations or public agencies to provide training and other services to employees. Services often include soft skills training and coaching on

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### Box 2. One company’s return on investment from self-regulation skills training (Adhvaryu et al. 2016)

The Personal Advancement and Career Enhancement (P.A.C.E.) program was designed and first implemented by Gap, Inc. for [unskilled and semi-skilled] female garment workers in low-income contexts. The goal of this 80-hour program was to improve life skills through training modules on communication, time management, successful task execution, and problem-solving. Workers participated in two hours of training per week—one management-approved hour of work time and one hour of their own time. The program was evaluated using a random assignment design; almost 2,000 women were assigned to the treatment group which participated in the program or the control group which did not. Impacts on workplace and other outcomes were measured using three data sources: (1) company administrative data on hourly-level production per worker, demographic characteristics, attendance, tardiness, tenure, and salary; (2) a survey of treatment and control group members in the month after program completion which asked, among other things, about what the researchers labeled personality characteristics (including conscientiousness, locus of control, perseverance, extraversion, and self-sufficiency), mental well-being (including self-esteem, hope/optimism, and psychological distress), and self-assessments on productivity relative to peers; and (3) a pre-post assessment of treatment participants’ soft skills. The evaluation revealed that “participants had low base-line stocks of soft skills and improved their stocks of these skills dramatically through the training…in the neighborhood of 85-110 percent.” Moreover, treatment group workers were more likely to use the skills taught in training in the workplace. Overhead costs of the program included the costs of hiring two trainers, additional support time from human resources personnel, printed materials, food, and limited equipment. Variable costs included lost production hours, and the marginal increase in wages for treatment group workers who excelled on the job. Together, these costs were roughly $95,000. Benefits of the program were calculated based on greater employee retention and higher worker productivity. By the end of the 12-month program, the net rate of return on investment was 73%—that is, “costs had been entirely recouped by the firm, plus 73 percent additional returns.” Twenty months later, “post-program productivity impacts helped generate a net rate of return of 258%.”
topics such as problem solving, time management, and conflict resolution. Employers pay membership fees and participate on a governing board that shapes the ERN's goals and activities. Although ERNs have not been rigorously evaluated, ERNs in Michigan estimated an average return on employers’ investment of 150 to 200 percent in 2010 and up to 628 percent in 2018. Among the three ERNs in one New York county, employers saw a 92 percent retention rate among 1,500 employees served (over 15 percent of their combined workforces), and a return on investment of 299 percent. The benefits to employers of sharing the costs of training and service provision include increased job retention, reduced absenteeism, and increased productivity, as well as reductions in training and recruiting costs. To date, 26 ERNs exist in 7 states and ERNs are in development in another 3 states.

Recognizing the critical role that self-regulation skills can play in labor market success can help policymakers and human service agency administrators design more effective workforce development programs and help employers support their employee’s productivity, job tenure, and advancement. Ultimately, innovations around the development of these skills holds promise for enhancing financial well-being among both low-income populations and businesses.
ENDNOTES


5 Ibid.


13 Ibid.
16 Ibid.
19 Ibid.
REFERENCES FOR BOXES, TABLES, AND SIDEBARS


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