

## Employer-Provided Transportation

Christopher LeFlore

Southeast Michigan suffers from both a high cost of transportation and low labor force participation. I investigated the relationship between these two problems. I hypothesize that these two problems together create a vicious cycle of individuals who cannot afford to get to the workplace to improve their economic situation. Businesses also lose out on talent needed to improve profit margins. Through my investigation, I conclude that in order to raise the economic situation of the entire region, businesses should invest in their employee's transportation.

### **Problem**

Prior to the current economic recession, many employers in Southeast Michigan complained about a lack of talent.<sup>1</sup> There is a skills gap in our labor market and a need for additional workers. Our region has the lowest workforce participation rate of any major metropolitan area in the United States.<sup>2</sup> One of the most often cited reasons for being unable to work is the lack of transportation.<sup>3</sup> Not only does the lack of transportation prevent individuals from getting to the workplace, it prevents them from accessing educational opportunities as well, leaving our workforce unskilled and our businesses unable to reach their highest profit margin. Southeast Michigan's economy cannot afford to leave money on the table.

In order to confirm the hypothesis that transportation difficulties were depriving businesses of employees, the different chambers of commerce through out Southeast Michigan were contacted for comment. The specific target was Western Wayne County. Communities in this area boast successful businesses and high employment numbers. However, by and large, these communities do not fund public transit, and is very difficult for transit-dependent job-seekers to reach this area. While I received a diverse range of responses, most of the chambers in Western Wayne held that public transit was indeed a major contributing factor to the labor shortage. Wes Graff, President of Plymouth Community Chamber of Commerce, answered, "Yes (worker transportation) is a problem. We see commuting issues in hotels, restaurants, and production level manufacturing jobs." Southern Wayne County Regional Chamber of Commerce President Ron Hinrich also issued a press release in 2018 in favor a regional transit millage. "A strong regional mass transit plan is a must as we work to identify effective strategies to attract the talent that is needed for our business community in the Metro Detroit region. One of the most significant concerns among our chamber membership is the ability to recruit and retain talent to help our businesses grow. An effective transit plan is a necessary investment that will not only bring new jobs, but will assist in attracting the talent that is critical for a thriving business community."

Dan West, President of the Livonia Chamber of Commerce was a bit more skeptical about the effect regional transit has on the ability of his businesses to attract workers. "There's a handful of businesses that could pick up a couple more workers, but there's no huge outcry for traditional bus service from the business community." However, I received contradictory reports from an HR Director from the Amazon Fulfillment Center in Livonia. The company has a large issue with worker turnover.

---

<sup>1</sup> Katz, Lisa. "Dissecting Southeast Michigan's Skills Gap." Crain's Detroit Business, 16 Apr. 2013.

<sup>2</sup> Gallagher, John. "These Detroiters Aren't Looking for Jobs. Why Might Surprise You." Detroit Free Press, Detroit Free Press, 8 June 2018.

<sup>3</sup> Ibid.

Many associates have poor transportation options and cannot maintain good attendance. The company currently relies on the Lyft app to assist with worker commutes, which is very expensive. According to the Chamber, the fulfillment center is the ninth largest employer in Livonia with over 1000 jobs. Many of these associates come from outside of Livonia, including the city of Detroit and all throughout the metro area. These jobs have few employment requirements and are accessible to those with little previous education and/or a criminal history. Our team asked Dan West whether the Chamber was aware of the transportation issues at Amazon. He responded, “We asked if transportation was going to be an issue. They were trying to hire 1000 people really quickly. They said there is an HR sensitivity to that issue and couldn’t ask that question. We said if there were any issues contact us, but we never heard back from them.” Mr. West continued on the role transportation plays in the skills gap. “Overall, the shortage of talent is a big issue for Livonia companies, but the shortage stems from education and experience more than transportation... The biggest issue (in sustaining a strong workforce) is education and qualifications, for example in the skilled trades and the IT sector.”

Worker turnover is costly to businesses. Depending on the job, estimates for the cost of turnover ranges from 50% to 400% of the lost employee’s wage. Worker turnover due to transportation is extremely common in warehouse logistics jobs, such as the Amazon Fulfillment Center in Livonia. According to Kane is Able, a third-party logistics consulting firm, the cost to simply rehire and retrain a warehouse worker is around 25% of a salary. The average warehouse employee makes \$28,000 a year, so the replacement cost is estimated at \$7,000. However, when indirect costs are factored in, such as lost productivity and missed hours, it is estimated to be 150% of a salary.

While transportation, distribution, and logistics remain one of regions growing economic sectors, warehouse jobs are an extremely difficult job to maintain. Many workers suffer health problems due to the toll the job takes on the body. According to the US Bureau of Labor Statistics, in 2017 warehousing and storage workers had a higher illness and injury rate than coal mining, construction, and logging. Warehouse jobs require employees to walk tens of miles each day while picking up and setting down large objects. If businesses wish their employees to maintain productivity, they should invest complements to productivity. Transportation and labor are complementary goods. Investing in worker transportation would expanding the labor pool, retaining talent, and maximizing the productivity of the workforce. It would be a huge benefit to both the business and the worker.

## **Solution**

In recent years, Detroit has emphasized public-private partnerships to solve the wicked problems that have haunted the region. Perhaps no company has become more synonymous with this idea than Bedrock Detroit, the largest real estate developer in the city. Bedrock has applied the Public-Private Partnership model to solving its employee’s transportation needs. I spoke to Kevin Bopp, VP of Parking and Mobility for Bedrock Detroit. Bedrock recently announced a partnership between the Bedrock family of companies, the City of Detroit, and Scoop Technologies, a carpooling app that “provides inexpensive and reliable transportation to and from the workplace”. While this report was motivated by the lack of transit options locking many people out from opportunity, Bedrock’s mobility partnership is motivated primarily by another concern — the cost of parking. “We’re leaning in on these innovative technological solutions because you cannot meet demand for people moving to an urban environment if you have to deliver parking for everyone. There is no city in the world that does this because it is not possible. These are contradictions.”

While Bedrock is emphasizing new mobility options, it remains to be seen whether this will be applicable to fight the skills gap plaguing Southeast Michigan companies. Scoop Technologies is only available in the Greater Downtown area, so it is not currently an option for individuals seeking training in the skilled trades. When asked about the possibility of carpooling to aid recruitment to the trade unions, the Program Director and Training Coordinator for Detroit Plumbers Local 98, Paul Baker replied, "People do carpool... Journeyman will pick up apprentices, but that's not something you can rely on. (Providing transportation) is a change in philosophy. You must show up to get the job. You have to be reliable to get to work on time every day."

Whether this new technology can be applied to those who are transit dependent will be a test of whether P3s and mobility innovation are the solution. It will be up to industry leaders to be conscious of equity. Matthew Webb remains optimistic of the future. "As more mobility technologies become available through the private marketplace, they can fill gaps in our region's public transit network, especially if public transit and private providers align their services properly. Ensuring that the public and private sectors coordinate services is essential to filling current mobility gaps and improving the transportation options for seniors, and persons with disabilities. These gaps exist for making first and last mile connections, accessing jobs and services that require crossing geographic boundaries, and simply meeting daily mobility needs such as getting to the local grocery store."

In order to make worker-provided transportation feasible, it will coordinate public-private partnership. Workers will first need to utilize the existing public transportation to flow into designated pickup locations for businesses. Businesses can work with transit agencies to get worker shuttles directly from a transit terminal to the workplace. Transit agencies can also use this relationship to increase their ridership through employer-provided transit incentives. This is not a novel idea, but an idea that would take effort and patience for a worthwhile end. The initiative of local policy makers and business leaders is critical to solving this problem, but their work could provide our region with a solution to a problem that has plagued us for decades.