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# Main Spotlight: Beyond COVID - Workforce as the Next Big Challenge for Main Streets

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In 1989, the New York Times ran their now famous (for us Main Street old-timers) article entitled “When Wal-Mart Comes to Town.” Featuring Wal-Mart’s arrival to Independence, Iowa, this article predicted the doom of small-town downtowns when big business competitors move into commercial districts. Twenty years since the article’s publication, I think we would all agree that—like so many competitors and economic shifts before—Main Streets found their competitive advantage by offering a unique, experiential retail to consumers.

Today, we find ourselves once again looking at a similar cast of competitors, but in a much different way. Main Street retail and restaurant owners find themselves competing with new jobs created in the warehouse and logistics sectors of larger retail agglomerations. Given the robust online sales of large national retailers, these corporations are now offering a growing number of these supply chain occupations ranging from warehouse packers to delivery drivers. Wal-Mart alone has stated that they plan to hire 20,000 new warehouse and fulfillment positions to gear up for the holidays—a move that will only further strain efforts from Main Street retailers and restaurants to retain and hire needed workers in a post-COVID retail environment.

Place professionals and those engaged with small businesses have been hearing and seeing first-hand the challenges of hiring and retaining labor in this early post-vaccine rollout era. The most common reasons typically focus on a lack of childcare and/or concerns of sending students back to schools, a smaller recruiting pool for entry-level positions, the increased quit rates in industries often associated with lower pay, and the rise of the Delta variant and additional health concerns for workers (especially those in the restaurant and retail sectors who experience close proximity to unmasked customers). Additional trends discussed include:

- **An increased rate of retirement.** Oxford Economics reports that in the 15 months since the pandemic began, about 2.5 million Americans retired. That is about twice the number who retired in 2019, which means there are essentially 1.2 million fewer people in the work force over the age of 55 than would otherwise be expected.
- **Raised pay rates across the board.** While many small businesses have raised pay rates, it has been difficult for them to compete with national chains and other industry sector positions that have also raised pay rates much higher in order to compete.
- **Unexpected impact of unemployment benefits.** Some have argued that higher unemployment benefits have been a disincentive to work. However, a recent analysis published by the University of Massachusetts indicates that the first states to withdraw support for the extra unemployment benefits did not see a jump in jobs in the weeks following the withdrawal.

## From the August 2021 Bureau of Labor Statistics Employment Situation Report:

- Transportation and warehousing added 53,000 jobs in August, bringing employment in the industry slightly above (+22,000) its pre-pandemic level in February 2020.
- Employment in retail trade declined by 29,000 in August, with losses in food and beverage stores (-23,000) and in building material and garden supply stores (-13,000). Retail trade employment is down by 285,000 since February 2020.
- Employment in leisure and hospitality was unchanged, after increasing by an average of 350,000 per month over the prior 6 months. In August, a job gain in arts, entertainment, and recreation (+36,000) was more than offset by a loss in food services and drinking places (-42,000). Employment in leisure and hospitality is down by 1.7 million, or 10.0 percent since February 2020.

But what is often missed in the discussion is what might be a more systemic shift in the workforce: a dramatic movement of entry-level labor from retail and restaurants to supply chain-related jobs. As just one example, earlier this fall I was in Sterling, Illinois, working with the community on refining their entrepreneurial ecosystem. During our focus group, we learned that the local Wal-Mart distribution center was hiring 130 warehouse workers with a starting wage of \$23.00 and a \$3,000 signing bonus!

Wal-Mart is not an isolated example. Amazon, while riding the wave of what looks like a permanent 2.5% capture of total retail sales growth over the past 18 months, is hiring at starting wages north of \$20.00 and offering signing bonuses ranging from \$1,000 to \$2,000.

While Main Street businesses may have weathered the COVID storm relative to retail sales shifts to e-commerce, they now are faced with perhaps a much bigger issue: workforce development. For other past challenges—including COVID—we had tools in our toolbox and could quickly develop programs in the form of private-public partnerships to design solutions. However, we are challenged by the fact that workforce is not an issue commonly discussed amongst place professionals. And historically, state and regional job centers, community colleges, and other institutions whose primary mission is workforce development have primarily been focused in the areas of manufacturing and technology-related skills training.

## What Can Place Professionals and Small Business Owners Do?

While it's difficult at this time to fully predict if this is a short-term or systemic shift in the labor force, Main Streets and other resource connectors to small businesses should be more informed and use their creativity as an opportunity to create a new competitive position for what labor is seeking beyond a wage war. A recent Forbes article suggests the top considerations for job seekers and current employees are:

- Work/Life Balance
- Shared Values
- Career Progression Opportunities
- Benefits

While most small businesses may not be able to match the wage components, a good effort toward stronger wage growth could be coupled with other shifts that create new competitive advantages in working at a Main Street business. Let's review some potential areas for exploration:

### 1. Create Safe Workplaces

There is a large segment of the workforce that remains nervous about returning to work that may result in exposure to COVID. Maintaining a safe workplace with masks, hand sanitizer, and cleaning protocols as well as limiting interaction with customers may help to alleviate this concern—even if there is push-back to mask wearing from a customer perspective. I've been in a number of stores and restaurants lately where the workforce is wearing masks and consumers are not. This is tied to:

### 2. The Customer is NOT Always Right

The mix of COVID and politics has created a situation in which many consumers have become downright disrespectful to owners and employees, creating toxic work environments in industries ranging from local schools, airlines, and health care to restaurants and retail. This is further exacerbating the situation whereby employees are leaving these industries to others that offer a safer and more pleasant work experience. While we can't change peoples' reactions, we can create a zero-harassment policy that backs up our employees. And as place professionals, we can educate our district consumers about the importance of workers' and small business owners' safety in order to keep stores and restaurants open and offering that important Main Street community experience.

### 3. Sharing Employees

While limited on examples, Foster Coffee in Owosso, Michigan, has led an effort over the past couple of years centered on joint hiring among several restaurants to provide a highly qualified labor pool, while being able to offer better benefits, flexibility, and pay.

### 4. Selling Flexibility

As highlighted by COVID and the disproportionate number of women not reentering the workforce, understanding childcare and home-schooling needs while offering flexible work schedules by day can be a value-add to many workers.

### 5. Examine Health Insurance Benefits for Employees

Over the years, there have been a growing number of group health care plans for small businesses through member and/or trade organizations. A great example comes from the Kentucky Chamber that is working with local chambers to provide competitive cost group health care programs to member businesses.

### 6. Hire More Teens

Most recently, CVS pharmacies have eliminated the requirement of a high school diploma for entry-level workers. And in Medford, Oregon, the local McDonalds have gone as far as hiring 14- and 15-year-olds. Main Street programs have also been making efforts to get younger folks engaged in their local workforce. Earlier this summer, Livermore Downtown, Inc. in California hosted the Livermore Downtown Job Fair, an event open to folks of all ages but geared towards students. This job fair brought together over 20 local business managers to engage with young folks and gave students a chance to meet possible employers in person, fill out applications on the spot, and learn more about the work permit process. The Main Street program also worked with the local high schools to spread the word.

### 7. Create Return from Prison Programs

One of the top reasons for recidivism is the lack of job opportunities due to a felony conviction. A recent ABC news report out of California highlights staffing services eyeing inmates released early with good behavior credits, saying it could be a good source of workers to ease the shortage facing restaurants and other service sector businesses. There are 76,000 inmates eligible for early release from state prisons.

### 8. Which of your Business Activities can you Invest in Further?

Reduce is the current go-to for many businesses. Reduce menus, reduce hours, reduce days open, and reduce inventory. This is more of a cost-reduction strategy. I come from the school that long-term business strategy doesn't work with a pure cost reduction playbook. At some point, investment is necessary to grow. Some of this reduction can be offset by increases to online sales activity as well as enhanced delivery and pick-up services for restaurants.

## 9. Raise Prices and Offer an Experience

For example, as we saw in the beginning of the summer, consumers had bent-up demand for being out shopping and eating with friends and family. Leverage that demand, combined with limited supply, by raising prices. It is worth noting that demand is not the exclusive driver here. While notable, labor and supply increases are forcing price increases and thus the reality that margin increases may be minimal.

## 10. Support Launches of Childcare Facilities

As noted earlier, for younger children not in school or too young for the vaccines, childcare and the return to the classroom remain a concern. As place professionals, think of childcare programming as part of your overall recruitment/entrepreneurship support strategy. It may have more return on investment than nearly any other target business on your wish list.

## 11. What Can You Automate?

Using technology or process reductions to decrease employee headcount offers a potential solution. For example, many Wal-Mart stores have now gone to total self-checkout stations, reducing the need for checkout clerks. Some restaurants have moved to more fast-casual service, having consumers order and pick up at the counter while eating in the restaurant.

## In Summary

With COVID, like with so many other economic conditions that have accelerated trend patterns, the pain being felt in the labor market for retail, hospitality, and restaurant sectors is likely not a short-term shift in labor preferences. For place professionals, this represents a new challenge in our role in supporting entrepreneurs and small businesses to be better connected to potential solutions and resources to better position their workforce strategy in a competitive fashion. Consistent with other aspects of downtown and district revitalization, this challenge will also necessitate a strong public-private partnership to address systemic policy issues further exacerbating the labor market for Main Street businesses.



## Meet the Author

Matthew Wagner, Ph.D., Chief Program Officer serves as Chief Program Officer at the National Main Street Center, Inc. In this role, he is responsible for driving the Center's field service initiatives including the development and delivery of technical services for Main Street America and Urban Main programs, directing the Center's research agenda, as well as the recently launched New Business Development work to focus on national partnerships, brand leveraging and new business growth areas.