



WHITE PAPER: Employee Engagement Trends in the Cannabis Industry

July 2018

Synopsis:

Between October 2017 and May 2018, 180 employees in the cannabis industry completed an Employee Engagement & Satisfaction survey, created by Needle Consultants, LLC. The survey was promoted and sponsored by the National Cannabis Industry Association. The intent of the survey was to obtain national baseline data regarding cannabis companies' engagement of their employees and, potentially related, workers' overall satisfaction with their employers. The narrowly designed survey collected data on employee satisfaction, employee desires around benefits (traditional and nontraditional), and employee opportunities to engage in communities, as well as gathering general, anonymous demographic data. What follows is a summary of the data and some conclusions.

Executive Summary:

Over an eight-month period, 180 workers in the cannabis industry participated in this employee engagement survey. Although derived from a statistically small and weighted segment of the industry, certain data can be gleaned from the results. On its face, the data indicates that there is a predominantly satisfied workforce in the industry, and there are some very notable preferences regarding compensation/benefits and opportunities for employee and community engagement.

Specifically, in addition to greater compensation, workers desired a number of "non-traditional" benefits ranging from paid vacations to healthy lifestyle benefits, and even employee ownership opportunities. Interestingly, while the vast majority of workers felt strongly that it was vitally important to be working for companies that had productively and thoughtfully engaged in work in the community and/or had sustainability programs, most stated that they currently worked for companies that lacked such programs. Workers revealed what incentives would motivate their participation in such programs.

Demographics:

Gender: Fairly evenly split – 53% women; 44% men; 3% other

Age: The age distribution of respondents is typical of what is found in the cannabis industry in 2018. Skewing younger towards Millennials (approx. 66%), followed by Gen-Xers (29%) and finally Baby Boomers (4%), the responding data accurately reflects the demographics of the cannabis industry as it currently stands.

Education: Respondents to the survey were highly educated. The vast number of respondents either held college degrees (42%) or had some college experience (35%). The next highest numbers were from those

with postgraduate degrees (11%) or those who had started graduate programs (4%). Those who had only completed high school comprised 8% of survey participants, with the smallest percentage of respondents having some high school experience without graduating (1%).

Role in the company:

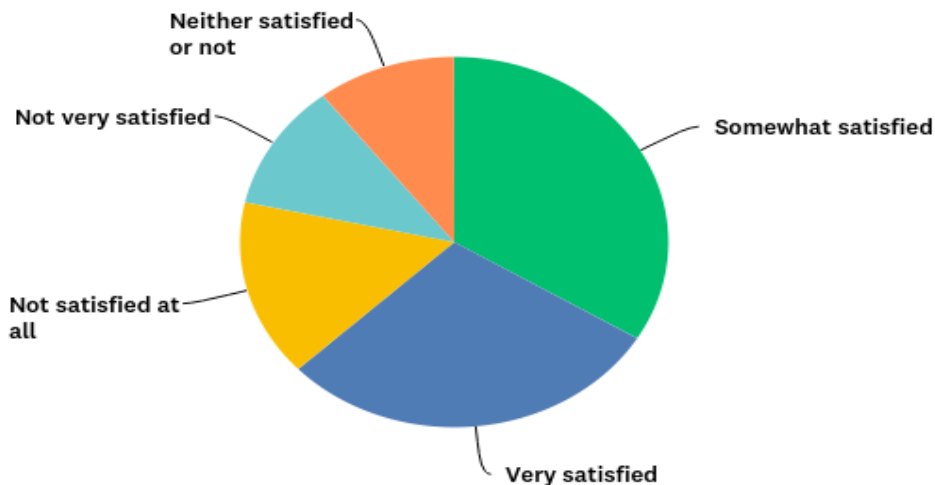
Respondents to the survey represented a well-distributed number of roles at individual companies, although skewed towards Management & Owners (42% combined), with 24% representing Sales, 15% Production, 10% Administrative, 8% Customer Relations, and less than 1% Human Resources. Other miscellaneous respondents work in roles ranging from compliance to accounting to marketing. Given the greater percentage of higher wage-earning respondents (owners/managers), one of this survey's limitations is that some of the data may be skewed by those respondents with vested and long-term interests in their companies.

Overall Satisfaction is Good

The good news is that most of the survey respondents were:

- Generally satisfied with their current employment situation;
- Anticipated staying with their current company for more than a year; and
- Felt comfortable bringing concerns to management.

Specifically, nearly three-quarters of all respondents were either Very (38%) or Somewhat Satisfied (36%) with their overall current employment situation (combined, 74%). In contrast, a quarter of all respondents (24%) were “not satisfied at all” or “not very satisfied” with their current employment situation. Regarding potential for advancement in their current companies, 63% of respondents were either “Very” or “Somewhat” satisfied with their career opportunities (though over a quarter of respondents were “Not Very Satisfied” (10%) or “Not Satisfied At All” (16%) with those same opportunities).



Given the overall satisfaction results, it's not surprising that the vast majority of respondents intended to stay with their current company beyond the next year (73% anticipated staying, while 27% did not). Similarly, 73% of respondents would recommend their company to others, while 27% would not.

Tied into this general satisfaction with the workers' current companies is the fact that 66% of respondents felt comfortable bringing concerns to management (vs. 34%, who did not).

On its face, the survey appears to indicate that current overall conditions in cannabis companies are positive for the vast majority of people. However, the fact that *nearly half of the respondents self-identified as managers/owners* with vested financial interest in their companies may be relevant to the disproportionate number of satisfied workers who responded. Further, as noted in the final section of this paper, there are a significant number of workers who are greatly dissatisfied with their respective company cultures.

Considering the statistically small sample of overall respondents, combined with the noted limitation as to respondents' roles in their respective companies, the significant number of specific comments regarding the lack of productive company cultures¹, it may not be appropriate to draw any firm conclusions about overall satisfaction.

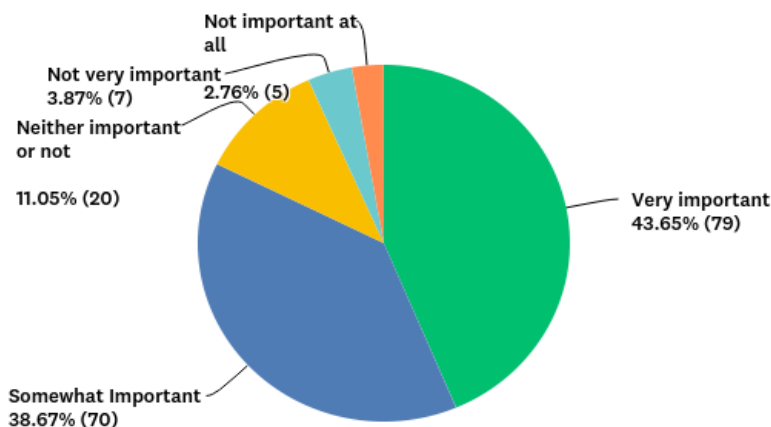
Areas of Satisfaction Broken Down

On a scale of 1 to 5, workers were most satisfied with their respective company's leadership (avg. 3.29). After that, they were satisfied with overall benefits (2.96) and then compensation (2.94). The areas in which workers were least satisfied were company culture, sustainability, and community engagement/volunteer activities.

Surprisingly, the areas that workers most **desired to change in their current employment situation** were: increased compensation (avg. 4.09); increased traditional benefits (healthcare, retirement, dental, vision) (3.37); and increased nontraditional benefits (3.10). Workers least desired to change efforts around sustainability (2.44) and volunteer/community engagement (2.24).

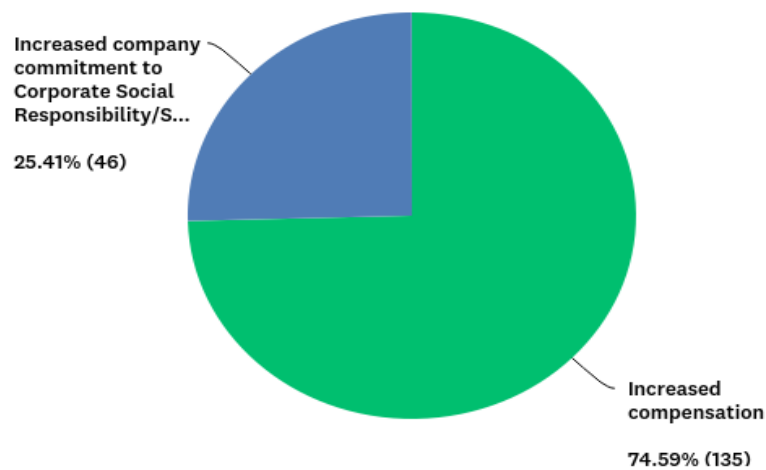
However, it is important to note that the importance of working for a purpose-driven company with a robust and authentic CSR and Sustainability Program scored exceptionally high for respondents (82%) with *one-quarter of respondents saying that having such a program was **more important to them than greater compensation**.*

Importance of Purpose-Driven Company



¹ See Comments, *infra*.

Which is More Important?



Some of the comments made regarding satisfaction revealed pain points:

"My only complaint about the industry as a whole is the salary. I am not able to quit my day job and work full time in the cannabis industry because the money is just not there yet. So I'm stuck working part time and suffering through an office job as well."

"I believe you can make money and also be socially conscious"

"Fair wages, benefits, and cooperative ownership ARE Responsibility/Sustainability/Community."

"Both [increased wages and CSR] are equally important, compensation should match the level of work and dedications, and a company should be fully committed to social sustainability and community."

"I have an amazing employer who fosters employee growth and aspirations."

"I am extremely fortunate in the arena that I work with a fantastic company, however most of the companies in the industry are not like the one I work with. If more business were to model themselves after the company I am a part of, industry success would sky rocket and employee satisfaction would increase across the board."

Workers Overwhelmingly Desire Benefits

A number of respondents felt very strongly about the need for greater benefits, in particular nontraditional ones. Regarding nontraditional benefits, the ones that strongly resonated with respondents were:

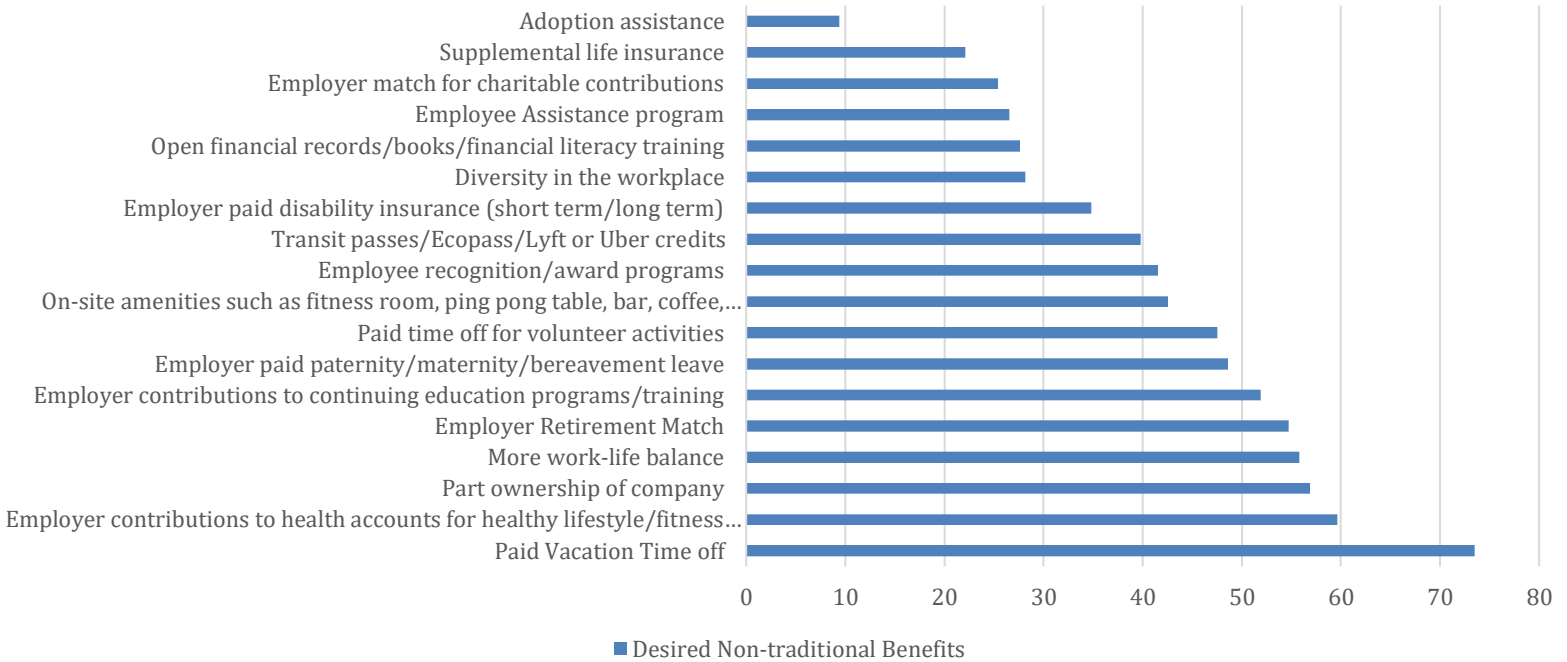
- paid vacation (73%);
- wellness/healthy lifestyle (health club memberships, ski passes, sports gear, yoga classes) contributions (59%);
- employee ownership of company (57%);
- more work-life balance (56%);
- employer retirement match (55%); and
- contributions to continuing education programs/training (52%).

Nearly half (48%) of respondents desired paid time off for volunteer activities as well as for paternity/maternity/bereavement leave.

Less important benefits were: adoption assistance (9%); Supplemental Life Insurance (22%); and employer match for charitable contributions (25%).

As far as additional, specific benefits desired, several respondents commented that they desired Family Medical Leave, 401(k) match options, and options to work remotely for technology roles in companies.

Desired Non-traditional Benefits



Regarding benefits, many were outspoken — workers offered praise and appreciation when these benefits were included in total compensation; others were quite critical when wages and benefits were not offered:

“My employer provides plans for life, health, dental, and I believe they have some extent of a 401k matching program. My company also encourages employees to join the management training program.”

“Financial records need to be open so it can be shown the unfair compensation between some of us who have been here over two years and how the people getting hired make more/ or make less than a raise less to start and our pay doesn't get touched.”

“There is no clear training program which is frustrating. The drastic, overnight policy changes and possible job loss from decreased sales average brings down morale. Job stability is based on fear-based compensation.”

“I truly love the company I work for and, although I find the job itself a bit tedious at times, the company seems to take good care of its employees and I really appreciate that.”

“My company is an industry leader in Colorado offering \$12 hourly starting wage as well as health, dental and vision benefits, in general.”

“Healthcare isn't taken very seriously because most of the workforce is young, so we're assumed to be healthy. [The] company I work for is kind about time off if you're sick, but you'll miss out on a big part of your paycheck.”

Community Engagement Programs are Needed

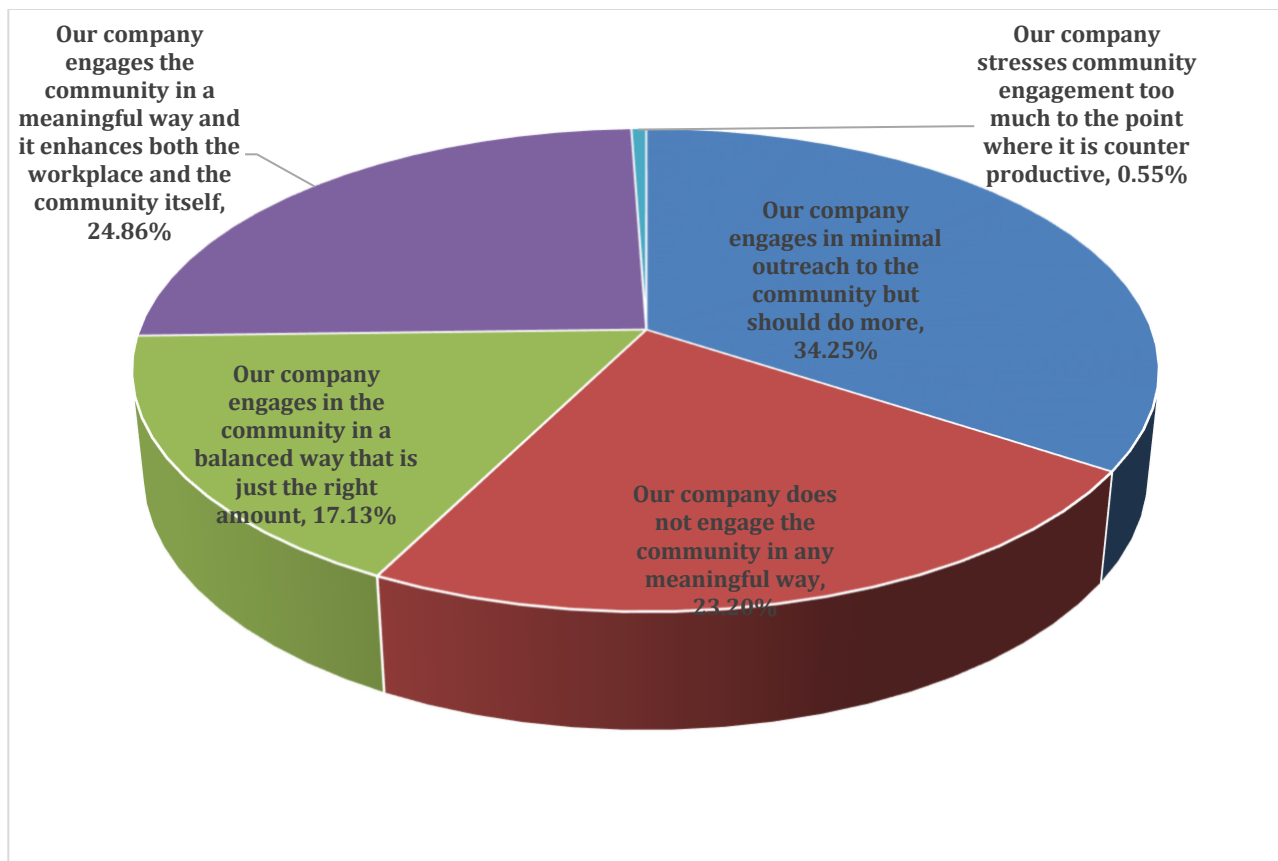
We know from studies of other industries that workers (Millennials (a/k/a Generation Y), in particular) crave opportunities to engage the community in the form of volunteerism and team building. Further, Millennials have a distinct and strong view as to what makes for a “good company.” As the [2017 Cone Communications CSR Study](#) details:

Consistent with 2015 results, Millennials are leading the pack in their expectations and actions of responsible businesses. They are the most likely group to seek out responsible products whenever possible (85% vs. 79% U.S. average) and are ardent in believing business should take the lead in the absence of government regulation (71% vs. 63%). Yet, Millennials may also be businesses most critical supporters. They are more likely to hold companies accountable for producing and communicating results of CSR efforts (88% vs. 82%) and are willing to take the time to look under the hood – over the past 12 months, half (51%) of Millennials have reported they have researched a company’s business practices (vs. 39%).

For Millennials, it’s not enough to just hear about CSR communications, they want to actively engage in the conversation. Seventy-nine percent say they would voice their opinions to companies about CSR efforts (vs. 69%) and 42 percent have actually done so in the past 12 months (vs. 32%). This generation is also the most likely to amplify CSR messages to their own networks, as more than half (54%) have told friends and family about CSR efforts in the last year (vs. 45%).

The results of this survey confirm these findings.

Over half of the respondents felt that their company does not engage the community in ANY meaningful way (23%) or does so with only minimal efforts (34%). **Only a quarter** (24%) of respondents felt that their company engages the community in a way that is meaningful and enhances both the workplace and the community.



Specific comments regarding their company’s engagement in the community:

“I love my company, and feel we are a leader in many important ways, from sustainability to community development, however it would be nice to have more authentic engagement within these practices. So often it is simply to sell our brand, and a lot is lost in that.”

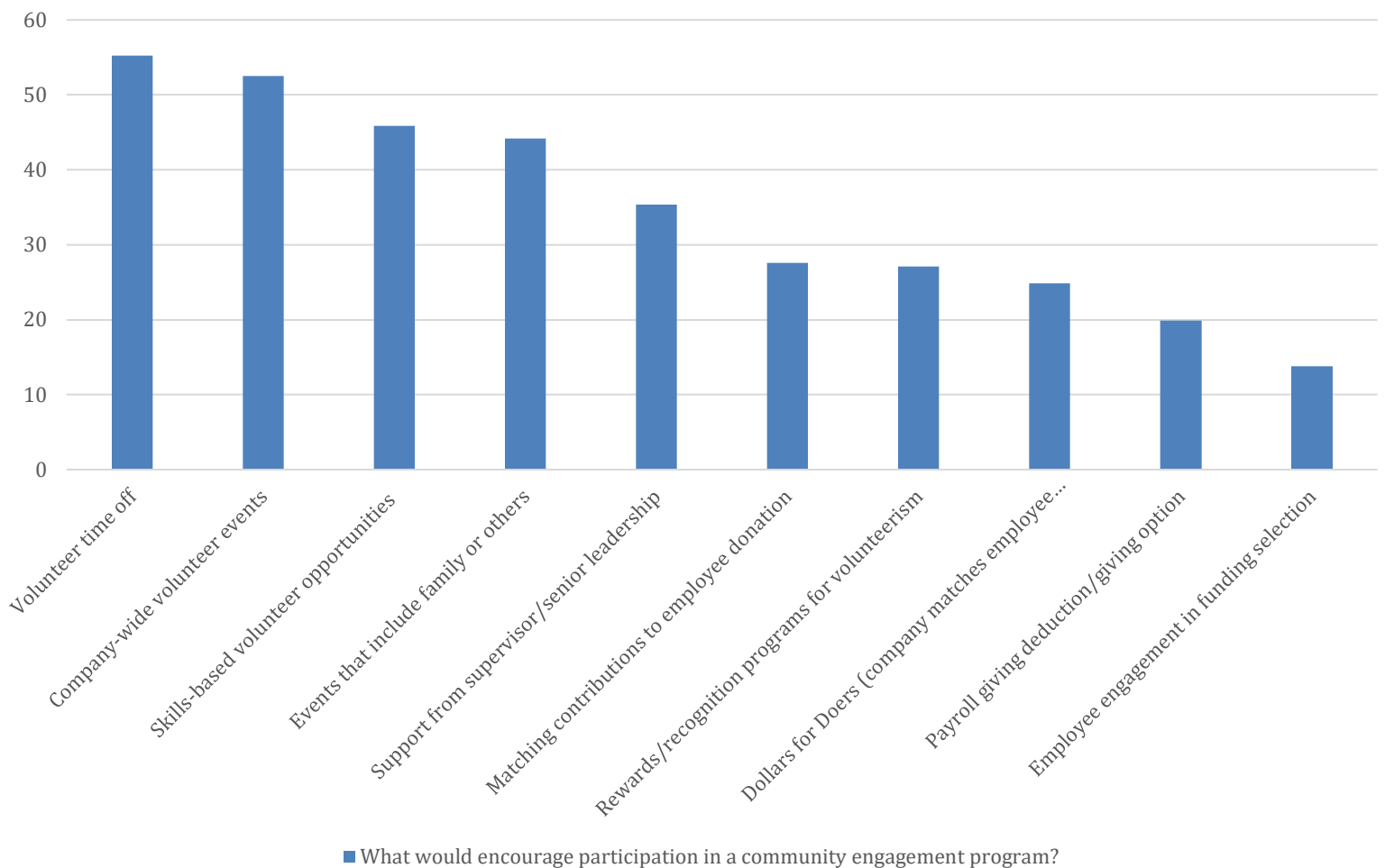
“I think my company is very good at employee engagement and volunteering and the traditional benefits are better than anywhere I’ve ever worked.”

“The company barely does any marketing, let alone community engagement. The employees are not appreciated so they are definitely not empowered.”

As far as what would encourage workers to engage the community, more than half of the respondents indicated that paid time off to volunteer in community engagement activities would be preferred (56%) while others desired that such activities be company-organized events (52%). Just less than half of respondents preferred to utilize their skills and apply them to community needs in skills-based volunteer activities (46%), while others (44%) wanted activities that included family and others from outside of the company.

The survey also revealed that workers did not favor community engagement activities that were traditional payroll giving deductions (19%) or mere cash grants in which employees had a say in the funding selection (14%).

What would encourage participation in a community engagement program?



Cultivating a Healthy Company Culture is Mandatory

Although this Employee Engagement Survey was not designed to evaluate company culture, the subject became a common and obvious theme in many of the comments, merely as a result of asking questions about satisfaction, benefits, and opportunities to engage the community. One of the subjects to which respondents repeatedly returned was that wages failed to adequately support workers. Others lamented the lack of opportunities for advancement (and, thus, earn higher wages). Still others cited great dissatisfaction working for companies with a lack of ethical leadership or integrity, while still more lamented their company's lack of community engagement and/or sustainability initiatives. In fact, even generally happy/satisfied workers with their current employment situations, took the opportunity to lament toxic work environments:

"My company is great in a lot of ways, and truly one I consider to be a leader in the local industry. However, it suffers from systemic problems, lack of accountability, and a toxic culture due primarily to the attitudes of a specific few key players. Perhaps not so coincidentally, I have experienced [the same issue] in other similar positions, however in this case thankfully to a less severe degree."

Some more pointed examples from respondents revealed general cultural deficiencies, a lack of opportunity for advancement, the lack of incentives, a dearth of emotional intelligence/mutual respect, and a need for mentorship:

"I feel like ownership is either completely hands off and does not engage in the business except to cash their checks or micro manages and verbally abuses employees when they see something done wrong or in a way they do not like. I would be 100% happier if my ownership learned how to properly communicate with employees instead of "are you fucking retarded that's not how I want this done, do you want to be fired?" It's never happened to me but I've seen ownership rag on a brand-new budtender who was never properly trained in the first place."

"One of the biggest things that needs to happen industry wide is a commitment to put the focus into the people behind the scenes helping all of the owners make the profits they are making. There should be much more appreciation throughout the dispensaries and grows that go into making the new Lexus and BMW that Joe Pot Shop Owner is driving possible. Without the people behind it, trimmers, grow techs, bud tenders, joint rollers, managers, supervisors, delivery drivers, packagers, extractors, techs, and janitors, none of that BMW would be possible."

"There is a huge rift between the old school workers and the way the new generations (millennials) work and that rift needs to be bridged. It is easy to do when you know what needs to be done to make that bridge, but difficult when you continue to fight it. Appreciation and a new way of working need to be generated and we are in the prime spot to do that. This brand, new industry can teach all those know it all industries around us how it's done instead of just falling in line with the rest and following their failing models."

"We're treated like unskilled labor when our positions require training and knowledge. People can buy the product anywhere, investing in the people who sell it will set companies apart in the future. Take care of your people so we can afford to live and eat in Denver and continue to serve your customers and patients without worrying about rent or where their next meal will come from."

"I'm more interested in the company engaging with me and encouraging engagement among the team and managers. Less concerned with opportunities to get involved in the community and more concerned with getting leadership personally involved with mid-level managers and staff."

"Employee of the Month is a good start for recognition, but something that is industry-wide to recognize skills, accomplishment and education is needed. Basically, a certification program."

"Cannabis industry is so heavily taxed that any profit for compensation left over immediately gets sucked up by the management and owners. Working in the production side of the industry you are simply a pawn on a chess game waiting to be replaced when your time is up. There are no future plans, incentives payouts or room to climb just a Groundhog Day, too cheap to improve anything unless production stops, Egyptian slavery style labor market and I cannot wait for the day that extracting concentrates with flammable gases using knowledge much higher than the standard norm, actually pays what it's worth compared to other departments in the industry."

"Mentor and engage your employees. Make learning portable and on-demand easy access. Build employee retention by CREATING lifelong learning fans and brand ambassadors that enjoy sharing their knowledge with others. Building COMPETENCE and CONFIDENCE."

In the end, this final comment provides both a warning and a solution regarding the necessity for a cultural shift in many cannabis businesses to address worker emotional needs:

“Talking about corporate responsibility in dispensaries MUST begin with the “lowest” workers, if it does not, it won't matter how much extracurricular good cannabis companies do because their workers will be stuck in a continued cycle of poverty that does not encourage generosity. I advocate for the simple principle that all employees be treated like human beings, a trend the industry has not seemed to move toward. I anxiously await other job offers and a chance to get out of the cannabis industry.”

Conclusion

Although a relatively small sampling of the cannabis industry participated in this anonymous survey and as such, any findings regarding overall satisfaction may be inconclusive, the responses provide relevant insight into the industry. Workers expressed a number of ways that cannabis companies could better engage their employees: from a wide range of non-traditional benefits to providing for (and incentivizing) community engagement opportunities. In addition, the survey indicates a careful and intentional cultivation of company culture is essential to worker satisfaction.

About Needle Consultants, LLC

Needle Consultants, LLC is a Denver-based Corporate Social Responsibility consulting firm. Marc Ross, Needle's Chief Instigator, is a 25-year attorney, with experience in the public, private, and nonprofit sectors. Mr. Ross helps to build purpose-driven businesses, specializing in community and employee engagement, strategic philanthropy, and sustainability. He is the former founder and Executive Director of Rock the Earth, a national environmental advocacy organization that works with the music industry, as well as former in-house environmental counsel to Alcoa Inc. He holds certificates in Corporate Social Responsibility from the University of Colorado, Leeds School of Business and Sustainability Leadership and Implementation from the University of Denver, Daniels College of Business, a Juris Doctorate from the Penn State Dickinson School of Law, and a Bachelors degree from the Pennsylvania State University.



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