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## Strategies to Advance Job Quality

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Economic inequality poses a crucial challenge to our economy, our society, and to the American ideal. It is critical that effective practices and policies be adopted to enable people to make a living through their work. Most families rely on earnings from work to sustain themselves, but for many, earnings have stagnated as the economy has grown. Sixty percent of people in the United States do not have sufficient savings to cover an unexpected \$1,000 expense (Tepper 2018). Eight years after the Great Recession, unemployment is below 5 percent, but wage growth remains modest at best. In 2000, median earnings among working people in the United States were \$35,243; by 2016 median earnings had risen only to \$36,586, less than a 4 percent increase in real terms,<sup>1</sup> whereas U.S. GDP per capita grew more than 16 percent.<sup>2</sup> Although household earnings edged up only slightly over the past few decades, major household expenses such as housing,<sup>3</sup> health care,<sup>4</sup> and higher education<sup>5</sup> moved up at a brisker clip, at a rate at least as fast as the rest of the economy. That leaves working families in a tightening budgetary bind.

Irregular earnings compound the problems caused by insufficient income, and recent research highlights irregular work schedules (Smith-Ramani, Mitchell, and McKay 2017) as a key driver of income volatility. Changing work arrangements—on-demand scheduling, subcontracting, and platform-mediated independent work—changed the experience of work for many hourly wage and self-employed working people. For some, these arrangements can offer flexibility or an opportunity to supplement income from a primary job, but for others, especially those unable to juggle multiple jobs, income irregularity associated with these arrangements exacerbates the challenge of managing household expenses and puts saving for emergency expenses or future needs out of reach.

Of course, wages are only one component of compensation. Paid family and medical leave, paid time off, retirement savings support, and

a variety of insurances, including health, life, and disability, are valuable to working people. In many other countries the government plays a central role in providing health insurance and other benefits, but in the United States, working people and their minor dependents typically access these benefits through their employment. However, the proportion of U.S. households that receive these benefits from their employers has declined in recent decades. Today, low- or moderate-wage workers are much less likely to have these employment benefits than higher-wage earners (Bureau of Labor Statistics 2015).

Skills and credentials can help some advance into more economically rewarding work. Therefore, one strategy organizations resort to when assisting individuals who struggle in unsustainable employment is to offer them opportunities to attain further education or training in order to improve their skills. Education and training are important, and over the past decade, there has been an increase in the rates of high school graduation and college attendance, and in job training strategies that better align with industry demand. Continued work to improve access to education, reduce costs, and improve quality is certainly important, but education on its own will not change the nature of work or automatically lead to better job quality. Over the past two decades, underemployment among college graduates hovered around 33 percent, and as of September 2017 it remained the case that one in three college-educated workers holds a job that does not require a college degree.<sup>6</sup> However, for recent college graduates in particular, a second trend has emerged: the diminishing quality of noncollege jobs. The Federal Reserve Bank of New York finds that a declining proportion of college graduates in non-college-degree jobs are in “good” jobs, and an increasing proportion are in low-wage jobs, such as those in the service sector.<sup>7</sup>

The service sector’s role in providing employment to college graduates is not surprising. The economy has been transitioning from production based to service based for quite some time. In 2006, 15.1 percent of jobs were in the goods-producing sector and 77 percent were in the service sector. By 2016, the proportions shifted to 12.6 percent and 80.3 percent, respectively, and the Bureau of Labor Statistics projects that by 2026, goods-producing industries will account for 11.9 percent of jobs and services for 81 percent.<sup>8</sup> Service-sector employment exceeds goods-producing employment several times over and will continue to do so for the foreseeable future. Although there are well-paying jobs in

the service sector, large segments—such as restaurants, retail, hospitality, child care, and elder care—are mostly low-wage jobs. These service jobs are not declining, either—9 out of every 10 jobs added in the next decade will be in service-sector industries (Bureau of Labor Statistics 2017).

Popular conception of these jobs is that they are low skill and therefore low wage, but they need not be designed that way. Some business leaders are reimagining the structure of work in these industries, finding paths that yield work that simultaneously is more rewarding for workers and drives better results for businesses. Noted researcher Zeynep Ton (2014) has highlighted companies like QuikTrip, a chain of gas stations and convenience stores, that offer jobs with a compensation package that includes decent wages, reliable schedules, health benefits, and profit sharing. These companies combine a more committed workforce with strategic operational choices, resulting in an improved bottom line. Recently, several large corporations have been moving in this direction—Gap, IKEA, Aetna, and Walmart announced increases in their minimum wage. Walmart and Gap are also developing policies and systems that provide more predictable and stable schedules for their employees (DePillis 2016; Scheiber 2018; Shock and Thurman 2017).

Although the public announcements of major corporations are welcome, it is important to note that these quality jobs strategies can work for smaller companies, too. Relatively small businesses like the restaurants Plum Bistro in Seattle or Zazie in San Francisco offer above-minimum wages while also providing paid sick leave and other benefits. Initially, these businesses were concerned about what such policies might cost when implemented; instead, they found that the policies actually helped their businesses—they reduced turnover and helped stabilize their workforces, which in turn helped them grow their businesses.<sup>9</sup> The Hitachi Foundation also documents dozens of mainly small- to medium-sized firms in the health care and manufacturing sectors that are outpacing their peers in business and financial performance while offering workers greater stability, improved pay, quality benefits, training, and career advancement (Levine, Popovich, and Strong 2013). As these examples demonstrate, businesses must be involved in creating transformational strategies that can both advance working people and support strong businesses to address the challenge of inequality.

Voluntary change by businesses or workers themselves will be helpful but are likely to prove insufficient to address an economy that has profoundly shifted and where the quality of work and jobs has declined so precipitously for so many. Rahmandad and Ton (2018) demonstrate how a “labor cost minimization” strategy, which relies on low wages and poor quality jobs, can coexist in a competitive market with an “employee productivity and involvement maximization” (EPIX) strategy, which is similar to what Ton describes as a “good jobs strategy” in her earlier work (Ton 2014).<sup>10</sup> In particular, Rahmandad and Ton find that companies applying the EPIX strategy—by investing in their workers’ compensation and designing jobs with “task richness” to maximize productivity—can boost profits and succeed in a competitive market. However, the same can be true for companies that minimize compensation and design jobs to require as little knowledge, skill, or experience as possible. What we learn from this is that we cannot rely on market forces and competition to ensure that “good jobs” business models win the day. Policy change, too, is needed to align business incentives with the public interest in quality jobs. Policy direction can shape a competitive ecosystem such that the economic playing field is tilted toward the advantage of business models that provide good jobs.

Policy has played a major role in improving the quality of work historically in the United States. The Fair Labor Standards Act of 1938 established a minimum wage, child labor standards, and rules for overtime compensation, among other labor regulations. This base was strengthened through further amendments, regulations, and rulings, and resulted in a world of work in which children went to schools instead of factories, and many more workers could enjoy weekends and time with their families. Later, the Occupational Safety and Health Act of 1970 promulgated a set of standards to protect workers from mechanical, chemical, or other dangers and generally promote work environments free from hazard.

Today, a variety of policy approaches aim to improve the lives of working people. Some update existing standards, such as adjusting the minimum wage or eligibility rules for overtime pay. Others advocate new policy standards to address issues that have emerged in a service-oriented economy. For example, a large proportion of the service-sector workforce is working hours that look highly irregular when compared to the industrial era. Fair scheduling legislation can ensure more input

from workers in setting schedules, give them more advanced notice, and limit practices such as “on-call” scheduling, giving working people more control over their time and better ability to balance personal and family obligations with work.

In addition to rules and regulations, governments can incentivize and reward the creation of higher-quality jobs in their role as a purchaser of goods and services and in their work to encourage the development of jobs for its citizens. In procurement contracts, governments can set job quality standards and do business only with companies that meet those standards. Living wage ordinances, such as those passed in San Francisco and Miami-Dade County, are an example of this approach to raising employment standards. Governments can also establish preferences in procurement contracts for a broader range of job quality characteristics. For example, companies that offer employee ownership or profit sharing or meet a certain standard compensation ratio in comparing a CEO to a typical worker could receive extra points in a bid scoring process. In public works projects, governments can also include local hire preferences and incentivize an investment in worker training that promotes local goals of hire and inclusion. Investments in economic development and job creation can include clear job quality standards, with a system to recover investments if targets are not achieved.

Public policy can address rising economic insecurity among working people through the provision of benefits. As mentioned above, it is common that a variety of benefits come from work, but the government can play a role—and has in the past—in helping manage risks of illness, disability, and job loss. For example, the risk of poverty in old age was greatly diminished through the establishment of Social Security and then later, Medicare. Today, many are looking at what government’s role should be in establishing new social insurance systems that can help working people manage risks of ill health, injury, or job loss. For example, California, Washington, and New Jersey have developed paid family leave programs that provide paid time when extended leave is needed for health or family reasons. Benefits could be financed through fees or taxes from a variety of employers: platform companies such as Uber and Handy, which operate technology platforms that match workers with customers looking for a particular service but do not classify their workers as employees; companies that rely on independent or “gig” workers; and companies that have regular employees

on payroll and thus could structure contributions with the current labor market dynamics in mind. Rather than the need for health insurance or other employment benefit guiding employment choices, the provision of benefits allows working people to choose jobs that are the best match for them and thus can lead to a better functioning labor market overall.

Within the context of policy choices, the roles of institutions begin to evolve. What are the roles of organizations that are working to help economically struggling groups connect to quality jobs? How should they work to encourage the creation of jobs that offer a sustainable livelihood? Since there are different operational choices business can make to compete in their industry, what is the role of workforce development, worker advocacy, social investors, and public policymakers in encouraging industry practices that support high-quality jobs and high-quality businesses?

The chapters that follow describe strategies that a variety of different organizations are pursuing to boost job quality. “One Fair Wage: Supporting Restaurant Workers and Industry Growth,” by Teófilo Reyes, describes how worker advocates can affect policy change to improve the quality of jobs. Reyes describes the perspective of Restaurant Opportunity Centers United, a series of worker centers in major urban areas across the country. He makes the case for eliminating the subminimum wage for tipped work, allowing these workers to receive reasonable paychecks rather than depending on tips to compensate them for their labor. Reyes points out that the 19 percent of food service workers in states that preclude subminimum wages fare better economically; they depend less on government assistance when gainfully employed and work in an industry that is thriving as much if not more than that of their peers in other states.

Retention and engagement are noted as core challenges to businesses in Liddy Romero’s chapter, “Playing for Keeps: Strategies that Benefit Business and Workers.” Romero describes a variety of strategies deployed by companies across sectors that address these challenges while also increasing the quality of the jobs they provide. These approaches pay off in more engaged and stable workers, more productive workplaces, and increased returns to employers.

“National Fund Employer Profiles of Job Quality,” by Steven L. Dawson and Karen Kahn, exemplifies the opportunity for companies to choose business strategies that promote high-quality jobs. This

chapter features two case studies of employers addressing a range of job quality issues—leading-edge optics manufacturer Optimax and Kentucky-based materials manufacturer Universal Woods. By investing more in their workers than peer firms, and by designing jobs that engage their workforce and encourage and reward their contributions to firm performance, these companies are benefiting from the high rewards of building a “trust culture.”

Community development financial institutions (CDFIs) are well positioned to incentivize job quality standards, and Donna Fabiani’s chapter, “How CDFIs Promote Job Quality and Reduce Income Inequality” describes how these institutions could enhance their role as business lenders and investors. She also makes the case for ways CDFIs can be better supported to fully realize this potential to influence the quality of jobs.

The section closes with Steven L. Dawson’s call to action and agenda for change in “Now or Never: Heeding the Call of Labor Market Demand,” which outlines how workforce development system intermediaries can better position themselves to go beyond job placement to provide more value-added services to businesses and influence the quality of jobs businesses provide. Addressing job quality is important to all actors in a regional economy, and Dawson calls on a range of institutions to play a part in advancing job quality.

These chapters all offer ideas and, hopefully, inspiration to action. The urgent task before us is to build a positive future of work that enables all who work a chance to make a good living and build a good life for themselves and their families. Strategies focused on public policy, business practice, education and training, social supports, and access to credit all have a role to play. The task is not to discover which of these strategies is best, but rather, how to create synergies across them to get the effective and systemic solutions we need today. Success in this difficult task would offer millions more working people basic economic stability and the opportunity for economic mobility, which should be the hallmark of the American Dream.

## Notes

1. Author's calculation based on U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements. <https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-income-people.html> (accessed June 6, 2018).
2. Author's calculation based on the reported real GDP per capita in the United States, available from the St. Louis Federal Reserve at <https://fred.stlouisfed.org/series/A939RX0Q048SBEA/> (accessed June 6, 2018).
3. The State of the Nation's Housing 2017 report by the Joint Center for Housing Studies of Harvard University shows a decline in low-rent units and growth in high-rent units between 2005 and 2015 (Slowey 2016).
4. Kaiser Family Foundation data show that out-of-pocket health costs increased by 16 percent in real terms from 2000 to 2016 (Kamal and Cox 2017).
5. National Center for Education Statistics data show substantial increases in cost of tuition and fees at public, private nonprofit, and private for-profit higher education institutions. <https://nces.ed.gov/fastfacts/display.asp?id=76> (accessed May 1, 2018).
6. Data from the Federal Reserve Bank New York. [https://www.newyorkfed.org/research/college-labor-market/college-labor-market\\_underemployment\\_rates.html](https://www.newyorkfed.org/research/college-labor-market/college-labor-market_underemployment_rates.html) (accessed May 1, 2018).
7. Data from the Federal Reserve Bank New York. [https://www.newyorkfed.org/research/college-labor-market/college-labor-market\\_underemployment\\_jobtypes.html](https://www.newyorkfed.org/research/college-labor-market/college-labor-market_underemployment_jobtypes.html) (accessed May 1, 2018). According to the table note, "Good non-college jobs are those with a full-time average annual wage of roughly \$45,000 or more, while low-wage jobs are those that tend to pay around \$25,000 or less."
8. Data from the Employment Projections Program, U.S. Bureau of Labor Statistics. [https://www.bls.gov/emp/ep\\_table\\_201.htm](https://www.bls.gov/emp/ep_table_201.htm) (accessed May 1, 2018).
9. Information gathered when author participated on a panel with owner of Zazie, and when author hosted a 2014 panel with owner of Plum Bistro at the Aspen Institute. Video of Aspen Institute panel: <https://www.aspeninstitute.org/events/time-care-discussion-improving-paid-leave-policies-workers-businesses-our-economy/> (accessed May 1, 2018). More information about Zazie: <https://hoodline.com/2015/05/10-years-in-zazie-owner-jennifer-paillat-still-puts-employees-first> (accessed May 1, 2018).
10. Ton (2014) describes a set of operational choices that support good jobs and business success. The book profiles four major retailers that offer demonstrably better jobs than their competitors and have achieved excellent business results.

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