

# 6

## Now or Never

### Heeding the Call of Labor Market Demand

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For 45 years, I have worked to create better jobs for low-income workers. I have supported African American enterprises in rural Virginia and North Carolina, worker buyouts of threatened factories in New England, and large-scale service cooperatives in the inner cities of the South Bronx and Philadelphia.

In those 45 years, I have never witnessed a labor market as tight as today's: Hilton Head hotels in South Carolina are bussing workers with five-hour commutes to meet tourist industry demands (Heffernan, Livingston, and Lauderdale 2017). In Wisconsin, one out of seven direct-care positions is vacant, forcing nursing homes to turn away elderly clients or, in several cases, close completely (LeadingAge Wisconsin 2016). And this past summer, President Trump's Mar-a-Lago Club requested U.S. Department of Labor approval to hire 70 foreign workers, stating they could not find enough U.S.-based cooks, waiters, and housekeepers (Fahrenthold 2017).

This isn't just an opportunity for workforce developers, it is a call to action. The self-interests of low-income job seekers and employers are now wholly aligned—a once-in-a-generation convergence. To take lasting advantage of that alignment, job *quality*, not just job placement, must become the primary goal of our workforce field.

For years, many in our workforce community have hesitated, not wanting to talk about “quality jobs” for fear of alienating employers. Yet, those same employers now face arguably the greatest challenge of a generation in finding workers. Workforce practitioners must now help those employers invest in, and leverage, their frontline workers—helping businesses not only create quality jobs but also achieve “operational excellence” to secure and defend their competitive business advantage.

This chapter argues that workforce leaders, and their funders, must fundamentally redefine the very workforce services we offer. We must bridge the gulf that still separates employing low-income job seekers from the building of competitive businesses—by taking equal responsibility for both. And in doing so, we must fundamentally redesign ourselves.

It would be easy to dismiss this historically tight labor market as temporary. After all, the U.S. economy is heading toward an unprecedented ninth year of recovery, and the media are awash in “End of Jobs!” headlines about technology making workers obsolete. However, many labor economists, such as MIT’s Paul Osterman, dismiss this “obsession with robots” by underscoring—as has been true since the Industrial Revolution—that technology will change employment, not obliterate it. Today’s labor market challenge is not the disappearance of jobs, but rather the need to increase the skills of today’s workers so that they can adapt to the high-skill requirements of tomorrow’s occupations (Osterman 2017).

On the labor supply side, profound demographic trends in the United States are now weakening the ability and willingness of individuals to enter the workforce. Since 2007, the participation rate for working-age individuals has dropped from 66 percent to 62.7 percent (Federal Reserve Bank of St. Louis 2017). If participation rates had remained stable since 2007, today nearly eight million additional people would be employed or seeking work (Bureau of Labor Statistics 2017).

The inevitable retirement of the baby boomer generation accounts for more than half that drop in available workers. Yet there are other, more troubling causes as well, including the incarceration of more than 2.3 million individuals—with consequent employment barriers for ex-offenders—and an opioid epidemic metastasizing throughout our communities (Schwartz 2017; Wagner and Rabuy 2017).

One more factor cannot be ignored: the deteriorating quality of frontline jobs. Why would anyone remain committed to a company that pays less than \$10/hour, with unpredictable schedules—resulting in an unpredictable paycheck—few benefits, difficult or unsafe working conditions, inadequate training, and poor supervision? Not to mention perhaps a long, expensive commute and an hourly cost of child care that rivals their paycheck? Offered such punishing daily penance within the

formal economy, turning to public assistance or disappearing into the underground economy looks for many to be an entirely rational choice.

If we cannot forge common cause between workforce practitioners and employers in *this* unprecedented labor market, we never will. Today's insatiable demand for labor offers more to our workforce field than ever before—and it requires in return a fundamental shift in the type of organizations we lead, the strategies we pursue, and the very nature of how we finance our operations.

## **REDESIGN OUR ORGANIZATIONS**

It is now up to us to reenvision a new generation of leading workforce intermediaries—not as conventional training and placement organizations, and not as conventional business consulting agencies, but as a true fusion of the two that will serve the mutual self-interests of both workers and employers.

What would such an organization look like? Unlike most of today's workforce organizations, this new intermediary will require leadership hailing in equal parts from both the business and workforce communities. That means hiring at least as many leaders and professionals who have direct and extensive business experience as those who have traditional workforce backgrounds. The messenger matters: the resulting intermediary must not be perceived as “belonging” exclusively to either the workforce world or the business world, but rather as embodying the combined wisdom of both.

Conceptually, the next generation of lead workforce developers must integrate the power of both sectoral *and* place-based strategies. By focusing on a specific occupational sector, we can develop a depth of sophisticated business and policy expertise that provides genuine, practical value to both workers and employers. And more so than most current sectoral initiatives, the next generation must also deeply identify with a specific region—embracing it as “home” and committing to its prosperity. The deepest knowledge, and the broadest relationships, will be crafted within this fusion of sector and place.

Functionally, the new intermediary must provide both workforce and business consulting services in equal measure, helping employ-

ers invest in *and* leverage their frontline staff. Most importantly, the intermediary must offer not only workforce expertise in redesigning better-quality jobs, but also operational expertise in how to leverage those investments—to forge “operational excellence” into a competitive business advantage.

This unique balance of workforce and business services will distinguish our new intermediaries from mainstream business consulting firms. And be forewarned: those conventional consulting firms are, even now, rushing in to meet the labor needs of the business community, but without any commitment to, relationship with, or true expertise in assisting low-income workforce constituencies.

## **REDESIGN OUR WORKFORCE DEVELOPMENT STRATEGY**

Workforce development leaders must now pursue a comprehensive strategy of employer practice, policy/advocacy, and public narrative—and they must do so in close coordination with allied stakeholders. This new strategy must be designed with the following goals in mind.

### **Help Employers Improve Job Quality**

In this current labor environment, it is tempting for workforce leaders to stay the course, primarily offering employers a more diverse pool from which to draw their workers. Indeed, placement rates from job prep and training programs should soar in this market. However, the next challenge is to help employers not only attract but also retain a more diverse workforce by fundamentally restructuring how they employ their workers.

One critical cautionary note: when selecting which employers to assist, we must not set an exclusive bar. Though minimum standards should be required of any employer—a clean labor law and safety record, and wage rates that are at least average for the industry—insisting on a *static definition* of job quality will prove counterproductive. A definition that is too restrictive will foreclose assisting the thousands of workers who are employed within a range of low-wage sectors, and many companies that would love to improve their job quality but

face considerable challenges—such as start-up entrepreneurs or publicly funded service agencies—may well feel unfairly branded as “bad employers.”

Workforce leaders should instead craft a *dynamic definition* of job quality, one that starts wherever a willing employer might be, and over time helps that employer along a continuum of improvement. Since job quality extends far beyond wages and benefits, this dynamic definition should include the countless ways in which a job can be improved. Those additional job quality elements fall within a hierarchy of needs, and Figure 6.1 offers an extensive, though far from exhaustive, list of job design components.

The power of a dynamic job quality definition allows workforce practitioners and their allies to employ strategies that are practical, gradual, and tailored not only to particular sectors but even to specific businesses within those sectors.

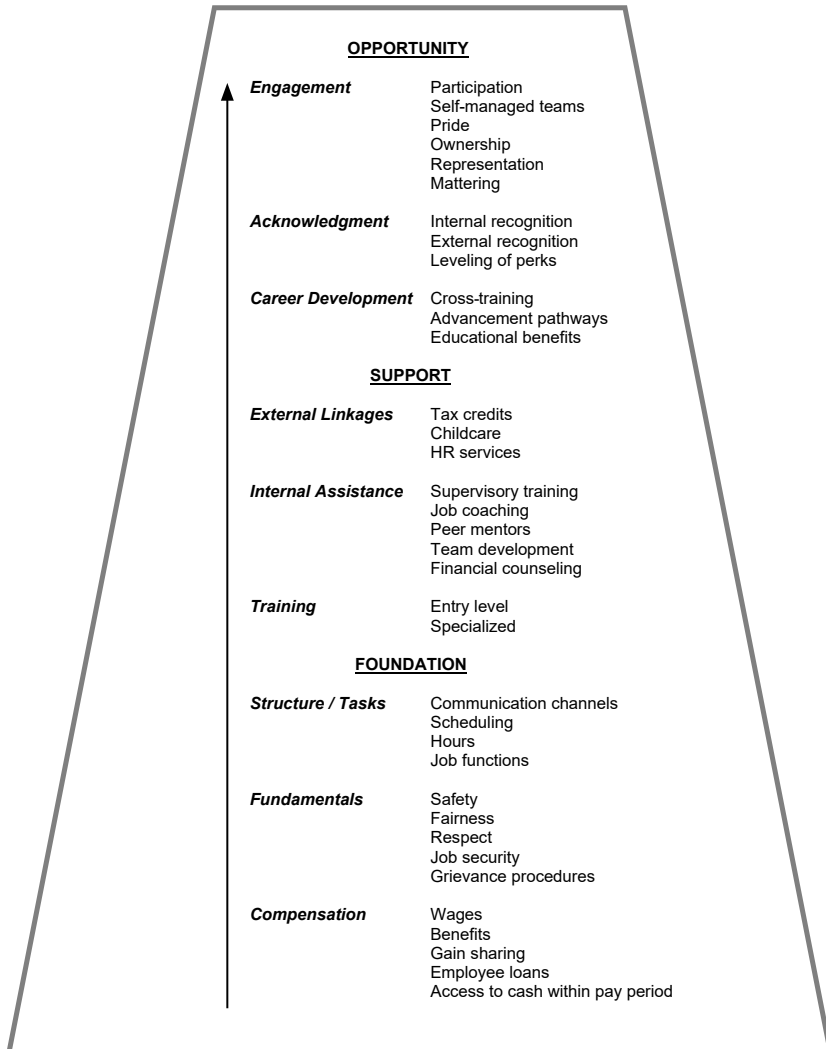
### **Fight for Policies That Encourage Job Stability and Retention**

The United States long ago abandoned any serious commitment to workforce policy. Federal funding has been reduced by more than 20 percent in real dollars since 2010, and even though the Trump administration has proposed an expansion of worker apprenticeship programs, the president has called for a further 40 percent reduction for all federal training programs outside apprenticeship funding (Gillespie 2017; National Skills Coalition 2017). At the time of this writing, the resolution on these budget proposals remains unresolved but follows a long history of disinvestment in traditional, federally funded workforce development programs.

Given that the labor market squeeze is now so visible—just search the Internet for “massive job fair” and scroll through the multiple listings from across the country—it is perplexing that many politicians continue to call for policies as if business demand was still the problem, when what limits us now is labor supply.

For example, New Hampshire’s newly elected governor announced that in his first 100 days he would meet with 100 out-of-state companies in an attempt to lure them over the border into a state where the unemployment rate hovers at just 2.7 percent, and local employers can’t fill current contracts due to widespread labor vacancies (Office of Governor Christopher Sununu 2017). Nationally, the Trump

**Figure 6.1 The Job Design Hierarchy**



NOTE: Read from the bottom up. This job-quality hierarchy is more a menu than a mandate. Not every element is relevant for every business: a quality job in a start-up bakery will be very different from one in a mature food processing plant, which in turn will differ from a child care center or a seasonal hotel. And workers within each of these enterprises may well value these elements differently—a good job for me may not be a good job for you.

administration is insisting on immigrant deportation policies, forcing some workers underground and out of the formal economy, further destabilizing essential U.S. sectors such as agriculture, manufacturing, and construction.

Instead of policies designed to spur demand and disrupt labor, we should articulate a comprehensive strategy that does everything possible to encourage the availability, and stability, of our nation's workforce. And since so many states rely wholly on federal dollars for their workforce programs, our policy agenda should include not only resisting federal cuts but also insisting that state and local policymakers commit their own tax monies to workforce programs, generating additional funds free of federal restrictions.

### **Change the Public Narrative about Employer "Success"**

Unfortunately, today's image of a savvy employer remains a businessperson who minimizes labor costs. Despite decades of evidence to the contrary, that image is still embraced not only by the public but by many employers as well.<sup>1</sup>

When labor was abundant, perhaps that image was justified. If your competitor down the street is paying \$9.00 an hour for store clerks—scheduling those workers with "just-in-time" software, and failing to train them adequately—why should you do anything differently? That is, as long as neither of you is having trouble recruiting workers. The calculation changes, or at least should change, when the labor market tightens and people are no longer lining up for your jobs.

Workforce organizations can reverse the prevailing public narrative about what makes a smart businessperson: today's successful entrepreneur is one who creates a market advantage by building a quality workforce. Today's smart employer not only invests in her workforce, but then leverages that investment to maximize productivity, efficiency, and market share.

The second half of that equation—knowing how to leverage investment in the frontline workforce—is all too often forgotten. As Zeynep Ton of MIT has emphasized, compensating and supporting frontline workers well is essential but insufficient. To leverage those investments, the wise employer must also redesign other core operations, from information systems to inventory control, and from cross-training to front-

line decision making. Only then will the costs of higher investments in job quality be justified by generating the efficiencies and opportunities necessary to secure higher productivity and profitability (Alvarez and Ton 2017).<sup>2</sup>

Simply paying people more, but then failing to create “operational excellence,” is exactly what gives job quality strategies the reputation for being softhearted, if not simply softheaded. Our workforce field must instead articulate and drive a hard-nosed, sophisticated public narrative that emphasizes both sides of the job quality equation. Essential to that narrative will be profiling small- and medium-sized employers who are already implementing successful job quality strategies. There are several examples—such as the 200-worker Universal Woods manufacturing company headquartered in Louisville, Kentucky—and we must position these pioneers to share their own stories directly with other employers (see, for example, Dawson [2017]).

### **Strengthen Coordination with Other Key Stakeholders**

Finally, our workforce community cannot hope to respond to this call alone. We must assume leadership in organizing other stakeholders to join together in improving job quality. At the top of the list should be community development finance institutions (CDFIs), which have long played a role in providing capital to local businesses to create and save jobs.

In fact, several pioneer CDFIs have already gone beyond counting simply the number of jobs they save or create. Pacific Community Ventures of California,<sup>3</sup> Coastal Enterprises, Inc. in Maine,<sup>4</sup> the New Hampshire Community Loan Fund,<sup>5</sup> and the ICA Fund Good Jobs of California<sup>6</sup> are all taking the lead in pursuing job quality strategies. Those strategies range from offering borrowers a discounted interest rate when quality-job targets are achieved, to CEO roundtables where entrepreneurs explicitly help each other become labor market “employers of choice.”

Community foundations should be next on the list, particularly those that are redesigning their strategies to be “100 percent mission driven”—dedicating not only their grant budgets but also their investment portfolios and program staffs toward their place-based strategies. One powerful example is Encourage, the community foundation of



southern Wood County, Wisconsin, which is combining program leadership, grant dollars, and investment funds to generate high-quality jobs through its “Workforce Central” initiative.<sup>7</sup>

Workforce leaders must enlist other stakeholders as well: for example, the 50-state network of federally funded Manufacturing Extension Partnerships provides quality-improvement consulting services to small and medium manufacturers. Taking the lead among them, the Illinois Manufacturing Excellence Center (IMEC) has launched the “Genesis Movement,” which focuses explicitly on job quality through a set of “people, process, and product” assessments and redesign interventions.<sup>8</sup>

And certainly, we must reach out to our full range of allied workforce stakeholders. For example, worker centers—such as the National Guestworker Alliance, formed in New Orleans in the aftermath of Hurricane Katrina—organize worker-rights campaigns targeted in low-income communities.<sup>9</sup> These centers not only raise the floor of job quality but also plug holes in that floor by monitoring labor law violations, including wage theft and employee misclassification. And in those regions where organized labor has retained a strong presence, workforce leaders should join forces with union training and education funds such as the SEIU 775 Benefits Group, which today provides training services to more than 45,000 home care aides annually in Washington State.<sup>10</sup>

## **REDESIGN OUR FINANCING**

The workforce field can no longer rely primarily on philanthropic and government sources to remain the primary funders of our lead workforce organizations. At a minimum, we must acknowledge that the old model of “philanthropy incubates, governments adopt” is no longer reliable—at least not in this political environment. Funders must now pursue a very different approach: to help build a next generation of workforce intermediaries that can take root and prosper within a competitive, fee-for-service marketplace.

Let us face the reality that the business community does not always see the value in the services of workforce development organizations.

The business community often appreciates those services, but appreciating and valuing are two very different things. In some ways, that failure to value workforce development services is unfair. The workforce field offers important expertise in how workers can be sourced and prepared. But to the extent that the business community appreciates those services, they haven't had to value them because government and nonprofits have offered them for free. And free rarely gets the credit that, in this case at least, it fully deserves.

The business community undervalues workforce services because, at best, we are solving only half of the equation. While we help businesses find and train employees, most workforce organizations have not learned how to help businesses redesign their operations, leveraging their investments in their frontline workers so that they can achieve operational excellence.

Public agencies and philanthropies will always have an important role, funding services that remove employment barriers for low-income job seekers. Yet, philanthropy, in particular, must now undertake an additional role: rather than incubating organizations designed to be handed off to government—or perpetually subsidized by philanthropy—foundations must help create a next generation of intermediaries designed to become primarily market oriented and market supported.

Only when the “market leaders” of the workforce development community become truly market based will we ever bridge the divide between the workforce community and the business community. Only when lead intermediaries are staffed by both business and workforce leaders—not simply advised by businesspeople on their boards—will they engender trusted employer relationships. And only when lead intermediaries offer job redesign services that help companies fully leverage their investments in frontline staff toward operational excellence will they be able to demand market rates for their exceptional job quality expertise.

It is fair to ask if the entire workforce field is prepared to assume such a challenging role. Clearly, for the majority, the answer will be no. Most workforce organizations are simply not structured, not staffed, and not funded to move beyond the already demanding role of training and placing their constituents. Engaging employers in a discussion of job quality—and then offering practical value in helping employers

redesign their internal operations—requires an entirely different set of skills, experience, and relationships.

Fortunately, changing the entire field is not required, or even desirable. There is still much important work to be done by job recruiters, trainers, placement experts, and job coaches across the country. Instead, the call here is for a new breed of *lead* intermediaries, one that would dramatically redefine the type of operational services the workforce community can deliver to employers—personified by a new blend of staff leadership and expertise.

Some of this new breed will likely emerge from sophisticated intermediaries that already have strong employer relationships, and others must be created. Undertaking such profound change, within an environment of reduced public funding, will require hard choices by organizational leaders and funders alike.

We may now be seeing the creation of just such a new “market-leading, market-embedded” intermediary in the form of Semper Fidelis Young Adult Leadership Academy. Launched in September 2017, Semper Fidelis will train military veterans and young adults within a leadership development program tested and refined for 15 years within the corporate sector. The organization’s founders—Paul Ortega, former director of training and development of the international Swiss Post Solutions corporation, and Lou Miceli, former executive director of the nonprofit JobsFirstNYC—reflect an important blend of business and workforce development expertise. Their goal is to contract their leadership and training programs on a fee-for-service basis to a wide range of business, government, and philanthropic clients.

Semper Fidelis and its affiliate, Motivation Check, will be headquartered and dedicated within the New York City region, and will combine their placed-based strategy with a sectoral strategy targeting the retail and business services industries. Their core focus will marry exemplary customer-service training with leadership development that emphasizes “servant leadership.” And on point to this chapter, the new intermediary will consult closely with its employer clients to redesign frontline occupations into quality jobs. In fact, Semper Fidelis intends for much of their job quality redesign impact to come from the veterans and young adults themselves, as they begin to assert their servant-as-leader roles.

Given the repeated cuts in funding for training and employment services, it is clear that public policymakers have placed less priority on workforce development. Yet jobs are now the central issue of our time. Look no further than the deteriorating quality of jobs over the past decade to explain the depth of insecurity and fear within our communities.

Job market uncertainty will increase unless having a job once again means securing stability, dignity, and self-worth for workers and their families. And no other strategy is more central to achieving that goal than our own efforts within the workforce field to create quality jobs. Workforce organizations can and should be at the very center of our nation's efforts to achieve economic security and community prosperity.

To seize that mantle of leadership, however, those in the workforce field cannot continue to stand apart from the employer community—appreciated but not valued. We must redesign how we structure and staff the next generation of lead intermediaries, fusing workforce and business expertise into services that create both quality jobs and operational excellence.

Our country's unprecedented demand for labor offers an extraordinary opportunity. It is a call not only to reshape the field of workforce development, but to reposition our organizations into the vanguard of national economic reform. It is a call to action. Nothing less will fully serve our employer customers, or fully benefit those who first drew us to this field—our low-income constituents.

## Notes

This chapter is adapted from the sixth paper in the Pinkerton Papers series, available at [http://www.thepinkertonfoundation.org/paper\\_type/job-quality-series](http://www.thepinkertonfoundation.org/paper_type/job-quality-series).

1. See <https://www.greatplacetowork.com/> (accessed June 28, 2017).
2. The research of MIT's Zeynep Ton, author of *The Good Jobs Strategy*, has been essential in emphasizing this second half of the equation. Most recently, Alvarez and Ton (2017) wrote a compelling article for MIT's Sloan School, titled "Whole Foods CEO's Poor Excuse for Poor Performance." In it, the authors write that "Whole Foods may be paying its employees more than competitors do, but it has not created an operating system that leverages that investment."
3. See <https://www.pacificcommunityventures.org/> (accessed June 28, 2017).
4. See <http://www.ceimaine.org/> (accessed June 28, 2017).

5. See <https://www.communityloanfund.org/> (accessed June 28, 2017).
6. See <https://www.icafundgoodjobs.org/> (accessed June 28, 2017).
7. See <https://incouragecf.org/> (accessed June 28, 2017).
8. See <http://www.imec.org/genesis-movement-launched.cfm> (accessed June 28, 2017).
9. See <http://www.guestworkeralliance.org/> (accessed June 28, 2017).
10. See <http://www.myseiubenefits.org/> (accessed June 28, 2017).

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