ISSUE BRIEF

BSR

Good Jobs and the Changing Nature of Work

Emerging Issues and Opportunities for U.S. Business Leaders

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Introduction

Creating good jobs is an important economic and political necessity for the United States. Since the 1970s, the quantity of high-quality U.S. jobs has been diminishing. As a result of increasing pressure to lower costs, companies have undergone waves of restructuring that have led to the outsourcing of non-core functions and the replacement of high-paid and high-tenure workers with a precarious workforce of low-paid temporary and contract workers. This has resulted in job polarization, whereby one set of workers receives high wages, benefits, job security, and increased autonomy and flexibility, while another set of workers experiences lower earnings, falling living standards, disappearing benefits, and diminishing job security.[1]

Business is facing more pressure from all sides to create more good jobs for the U.S. workforce. Several legislative changes are going into effect or are in proposal stage that will significantly alter the nature of work in the United States. Beginning in 2017, U.S. companies may be required to report their CEO-worker pay ratios as part of their U.S. Securities and Exchange Commission (SEC) filings.[2] Several cities and states have passed or proposed legislation to raise the minimum wage and require businesses to provide predictable working hours and paid leave to hourly and low-wage employees. New federal rules are currently being proposed for contingent and digital platform workers. There is also growing public scrutiny and consumer awareness about businesses that pay less than a living wage. Campaigns such as “Fight for $15,” fast-food worker strikes, and social media campaigns highlighting which companies have full-time workers on public assistance programs have brought widespread consumer awareness to issues surrounding living wages for U.S. workers.

The 2016 U.S. presidential election represented a cry for change from large numbers of Americans who feel the existing economic system does not work for them. Over the next several years, politicians and activist groups are likely to increase their focus on issues such as living wages, trade policies, factory closures, outsourcing, and offshoring activities.

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[1] Kalleberg, 2011.

[2] Shumsky, 2016.

At the same time, the business case for creating higher-quality jobs is also growing. Over the last few years, several major companies have shown that by making strategic investments in their workforce to improve wages, job security, and working conditions, they can reduce turnover, improve operating performance, and increase shareholder returns.

Collectively, this means U.S. business leaders should make it a top priority to create better jobs that provide a living wage, job security, predictability, and opportunities for growth and professional advancement for all employees.

WHAT IS A GOOD JOB?

The OECD has identified three dimensions for advanced economies to measure the quality of a job:[3]

1. **Earnings quality:** This is the extent to which the *level* of earnings and other benefits that are received by workers allow them to have good material living standards and personal well-being, and the extent to which the *distribution* of earnings is shared equitably across members of a workforce.

2. **Job security:** This is the relative security of a job, including the probability that the job will be lost and the economic costs incurred to the individual when the job is lost.

3. **Quality of working life:** These are the noneconomic factors that contribute to worker well-being, such as working-time arrangements, physical health and safety, learning and advancement opportunities, autonomy and control to make decisions, and cooperative and positive relationships and communications between the workforce and management.

Companies have direct control over these job quality dimensions, and they can make strategic choices about how to invest in workforce development. Examples can be found across all industries and occupations of both high- and low-quality jobs. The choice of whether to provide good jobs is also mediated by government regulations and policies that offer incentives to companies to provide benefits, paid training, and programs the can prevent layoffs.

This brief explores the core issues around good jobs in the United States, and the emerging areas that require action by U.S. business leaders.

[3] OECD, 2016.

Five Key Issues and Opportunities for Business Leaders

BSR has identified five key issues related to jobs that require action by business leaders. While this paper focuses only on the situation in the United States, these issues are affecting all advanced economies. There are many opportunities for all countries to learn and explore potential solutions.

These issues are:

1. Overcoming Income Inequality and Wage Stagnation
2. Managing Workforce Skills, Automation, and Displacement
3. Creating Good Jobs for the Contingent and Digital Platform Workers
4. Creating Good Jobs for the Lowest-Paid Workers
5. Enhancing Diversity and Inclusion of the Workforce

This brief provides a high-level overview of each issue and summarizes the current challenges and opportunities for business leadership. Each section includes key questions and opportunities for engagement that business leaders can consider as part of their sustainability strategies. Future briefs in this series will provide greater depth on each issue, with examples of innovations companies are using to address them.

OVERCOMING INCOME INEQUALITY AND WAGE STAGNATION

While some income inequality is both necessary and beneficial to a functioning market economy, the U.S. economy is facing levels of inequality that haven't been seen since before the Great Depression.[4] Excessive income inequality levels have a corrosive effect on social and economic development. Economic inequality contributes to lower consumer demand, a lower tax base, and political instability—all of which hurt national competitiveness and the business environment.

There are several drivers behind the growth of income inequality in the United States. Some drivers are a result of government actions and public policy, including differential tax rates on income earned by labor versus capital, and investment levels in education, health, and basic infrastructure.[5] Some of the increase in inequality has arisen because of changes in household structure, as more women entered the workforce and more high-wage earners married each other.[6] Yet much of the rise in income inequality has been due to the choices made by businesses about compensation levels of their executives and employees. Two trends have had a particularly strong effect on income inequality: CEO-median worker pay and wage stagnation.

CEO-median worker pay: The disparity in pay levels between executives and other workers inside companies grew exponentially over the second half of the 20th century. In 1965, CEO pay was 24 times the average worker's pay;[7] in 2010, CEO pay grew to 343 times the average worker's pay.[8] While some level of income inequality and pay-for-performance is necessary to provide sufficient incentives for employees to perform well, [9] a growing body of evidence is showing that too much dispersion in

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[4] Stanford, 2011.

[5] Stiglitz, 2016.

[6] Greenwood et al., 2014.

[7] Stanford, 2011.

[8] AFL-CIO, 2011.

[9] Connelly et al., 2016.

compensation levels can generate performance problems for companies. High dispersion in pay between top managers and workers can lead to negative customer reactions through perceptions of unfairness.[10] The perception of unfairness in compensation can also hurt employee morale and satisfaction, which contributes to problems with product quality and higher rates of employee turnover.[11] These issues have been linked to lower financial returns for shareholders.[12]

Wage stagnation: Since 1973, wage growth has decoupled from growth in productivity. There are different explanations for why this has occurred, including the decline of unionization and collective bargaining, new technologies that require fewer workers to produce the same level of output, and the trend among companies toward allocating financial rewards to shareholder dividends and increasing pay at the highest levels of an organization rather than broadly distributing those gains throughout the organization.[13] Over the same period, wages between organizations also have become increasingly polarized. According to one study, virtually all of the difference in wage dispersion between 1978 and 2012 could be accounted for by a shift of some companies paying much higher wages and other companies paying much lower wages for employees doing the same type of work.[14] Although there has been some recent growth in wages, the primary mechanism employees used to gain that growth was from resigning from their current employer and moving to a higher-paying one.[15]

Wage stagnation, and, more generally, a lack of career growth and promotion opportunities, may pose some significant challenges for company performance. A 2016 Gallup study revealed that the primary reason employees leave is to pursue better opportunities for professional advancement and wage growth.[16] This suggests that companies may be able to improve attraction and retention of talent through investments in career paths. Recent evidence also has shown that by increasing the use of employee profit-sharing programs, businesses can see significant boosts in productivity and an increase in shareholder returns.[17]

Key questions and opportunities for engagement:

1. **CEO-worker pay, transparency, and reporting requirements:** How should businesses respond to increasing pressure to disclose CEO-worker pay ratios and other reporting requirements for workforce pay and benefits? What types of reporting and indicators would be useful for companies and shareholders to evaluate workforce-related issues that affect operating performance? How can businesses rethink their compensation structures to achieve greater pay equity, while boosting operating performance and shareholder returns?
2. **Profit-sharing, compensation structure, and career paths:** What can businesses do to ensure that their employees are sharing in the financial rewards of the business and are experiencing meaningful pay raises and career growth that is commensurate with improvements in their productivity?

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[10] Mohan, Norton, and Deshpandé, 2015.

[11] AFL-CIO, 2011.

[12] Edmans, 2011.

[13] Bivens and Michel, 2015.

[14] Song et al., 2015.

[15] Johnson, 2015.

[16] Robison, 2008.

[17] O'Boyle et al., 2016.

3. **Social contracts and the role of business:** How should businesses define their social contract vis-à-vis the government's role in providing social safety nets, insurance, retirement, and job security?

MANAGING WORKFORCE SKILLS, AUTOMATION, AND DISPLACEMENT

Technologies that improve connectivity and efficiency have generated consistent productivity gains across the U.S. economy over the last several decades. However, this often has meant the substitution of technology for human labor and the displacement of workers to different types of jobs.

Over the next few decades, automation of routine tasks—cognitive as well as manual—will replace both high-skill and low-skill workers in a wide range of industries. The growth of artificial intelligence, intelligent robotics, additive manufacturing, remote connectivity, advanced analytics, and the Internet of Things to manage the production of goods and delivery of services has already begun to transform the role of the workforce in many sectors.[18] Digital technologies also are being harnessed for diverse tasks across multiple industries, including reviewing medical imaging, managing warehouses, and taking orders at fast-food restaurants.

These new technologies likely will have a profound impact on the quantity and types of jobs available. According to some estimates, the total rate of displacement of workers by automation technologies will be as high at 47 percent[19] over the next few decades. Other estimates have placed the rate of displacement as low as 9 percent of the U.S. workforce.[20] While some jobs may be eliminated completely, in many cases, employee roles will shift to different activities that may require different skills. A McKinsey Global Institute analysis of more than 2,000 job activities and tasks found that 45 percent of those tasks could be automated. However, less than 5 percent of U.S. jobs could be fully automated over the next five years, based on technologies currently in the marketplace or in an R&D lab.[21] The long lead time for the development and commercialization of automation technologies gives businesses ample time to plan for this transition by retraining workers before new technologies are rolled out. There are two challenges that businesses will need to manage as part of the transition to automation: skills for the automation future and managing worker displacement for automation.

Skills for the automation future: The types of skills demanded in the labor market are likely to shift dramatically with automation. Tasks that are routine and repetitive are more likely to be automated, while those requiring more complex perception and manipulation, or high levels of creativity or social intelligence, will prove more challenging to substitute automation for the human labor.[22] Additionally, automation will require different types of skills that many of the workers who currently perform these tasks possess. In manufacturing, demand for workers with the hard skills to manage, maintain, and work alongside robots will grow, as will demand for workers with soft skills like creativity, flexibility, openness to

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[18] BSR, 2015.

[19] Frey and Osborne, 2013.

[20] Arntz, Gregory, and Zierahn, 2016.

[21] Lohr, 2015.

[22] Frey and Osborne, 2013.

change, teamwork, and interest in continual learning.[23,24] Engineers and programmers will be needed to design and implement new technologies, and industrial data scientists will be needed to analyze data and improve processes.[25]

Managing worker displacement from automation: Workforce displacement is part of economic change and progress, and jobs are churned each year as businesses adapt new technologies, exit and enter new markets, and make other changes they need to stay competitive in the global marketplace. Around 50 percent of Americans currently work in jobs that didn't exist 25 years ago, and 25 years from now that figure may be even higher.[26]

While these transitions are often necessary for a company's competitiveness and for overall economic progress, they can be enormously difficult for the workers affected by them. From 2008 to 2013, almost one in four working adults in the U.S. experienced at least one layoff (due to both efficiency improvements and because of the recession).[27] Research into U.S. workers who have been laid off has shown that they experience considerable stigma and discrimination in the job market, and receive fewer calls for interviews than currently employed applicants.[28] Because the period of unemployment is often several months long, they experience high levels of stress from both depleted self-esteem and from mounting financial pressures. Once they are re-employed, they earn an average of 30 percent less in income than they did in their previous job.[29] Some workers, especially those whose jobs were made obsolete by technology, often have to retrain for a new occupation, which can require additional months out of work and thousands of dollars of investment in education.

Additionally, people who are laid off and experience a period of unemployment are at a much higher risk of developing substance abuse issues (including opioid and prescription drug abuse), alcoholism, depression, and physical health problems.[30] Workers in small towns and remote communities with few employment alternatives are often the most vulnerable to a negative outcome, particularly if they are unable to relocate to another state due to family obligations. The majority of these workers end up dropping out of the labor force or relying on social security disability.[31]

Research on layoffs conducted in advanced economies has shown that a well-planned transition process can help workers avoid unemployment and can prevent negative social and health outcomes. Companies could provide several months of notice and extensive support in career counseling, retraining, and job searching while the workers are still employed.[32] These programs also help improve the operating performance of the business in the years following a restructuring of the workforce through improved employee recruitment, satisfaction, and retention.[33]

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[23] Lorenz, Rüßmann, Strack, Lueth, and Bolle, 2015.

[24] Selingo, 2016.

[25] Jamwal, 2016.

[26] Spiegel, 2014.

[27] Szeltzner et al., 2013.

[28] Ghayad, 2013.

[29] von Wachter, Song, and Manchester, 2008.

[30] Goldman-Mellor, Saxton, and Catalano, 2010.

[31] Foote, Grosz, and Stevens, 2015.

[32] Brenner et al., 2014.

[33] Datta et al., 2012.

Key questions and opportunities for engagement:

1. **Developing skills for the 21st century economy:** How can businesses help their workers prepare for the new skills they will need as their work flows increasingly become automated? How can businesses engage with K-12 schools, vocational schools, universities, and digital platform education providers like massive open online courses (MOOCs) to ensure that the next generation of workers have the skills necessary to succeed in the 21st century economy?

2. **Assisting displaced workers and local communities:** What roles can businesses play to help workers and local communities affected by automation and other business changes minimize periods of unemployment and ensure they have a prosperous economic future?

CREATING GOOD JOBS FOR CONTINGENT AND DIGITAL PLATFORM WORKERS

The rise of part-time and contract work is dramatically changing the U.S. employment landscape.[34] Participation in independent or contract work soared by 50 percent over the last decade.[35] The U.S. Government Accountability Office (GAO) reported that "core contingent workers"—agency temps, on-call workers, and company contract workers—made up 8 percent of the workforce in 2010. However, a broader definition of contingent work that also includes independent contractors and standard part-time workers would categorize 40 percent of the 2010 U.S. workforce as contingent.[36] This trend is likely to grow. A Deloitte study reported that more than half of executives plan to increase their use of contingent workers in the next five years.[37] Research from Intuit estimates that contingent workers (broadly defined) will make up nearly half of the U.S. workforce by 2020.[38]

There are four important challenges business leaders will need to address with the precarious workforce: whether to use independent contractors and temporary agency workers, and how best to integrate them into the workplace; how to provide more predictable hours and scheduling practices for part-time and hourly workers; how to provide good wages and working conditions for digital platform workers; and how to address requests for better communications, contract conditions, collective bargaining, and benefit coverage for contingent workers.

Independent contractors and temporary agency workers: Using contingent workers has some positive benefits for companies. By hiring independent consultants and contractors, companies can access high skill and specialized talent for short-term projects at a lower cost. For lower-skilled work, contingent workers, particularly those sourced from temporary agencies, can allow companies to adjust to fluctuating levels of demand without resorting to layoffs and overwork of their core workforce. Additionally, because these workers aren't paid for time not worked, such as downtime, sick leave, or vacations, the overall direct cost of labor can be lower than having work performed by regular full-time employees.[39]

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[34] Weil, 2014.

[35] Katz and Krueger, 2016.

[36] U.S. Government Accountability Office, 2014.

[37] King and Ockels, 2016.

[38] Intuit Inc., 2015.

[39] HCMWorks Inc., 2015.

Yet contingent work also provides some significant challenges and risks both to workers who provide it and to the companies that engage them. Contingent workers without full-time employment status tend to have lower incomes, benefit coverage, and job security. If they are in their positions involuntarily, they may also have significantly lower job satisfaction and morale. Around 56 percent of temporary agency workers are involuntary and would prefer regular full-time employment, while only 9 percent of independent contractors describe themselves as involuntary.[40] Because they have less training, experience in the role, and organizational knowledge, contingent workers are more likely to experience work-related illnesses such as back pain and are twice as likely to be involved in workplace accidents as regular employees.[41]

Contingent work also poses some additional challenges to businesses. Businesses must take precautions for what type of work these people perform so they do not face costly lawsuits and regulatory challenges for worker misclassification. Because these workers turn over quickly, there are increased risks of leakage of intellectual property and transfer of know-how to competitors. The presence of temporary agency workers inside a workplace can also sometimes lower the engagement and morale levels of permanent employees due to perceived levels of inequality and job insecurity in their workplace.[42]

This suggests that by looking at ways to either reduce the use of contingent workers, or to invest in ways to improve their training, working conditions, and wages and benefits, companies could see improved operating performance.

Part-time workers and predictable scheduling: Part-time work, like other forms of contingent work, helps businesses meet flexible labor demands and lower costs, but it can present many challenges for workers and for businesses. At least 10 percent of the U.S. workforce has variable work schedules, and the lowest-paid workers often have the most irregular schedules.[43] Of part-time workers in the United States, about one in four are classified as “involuntary part-time” workers, who would prefer a full-time position but are unable to secure one.[44] Many hourly workers experience uncertainty and variability in the number of hours they are scheduled to work. The use of sophisticated software to do just-in-time scheduling of employee hours based on fluctuating customer demand often contributes to unpredictable schedules and last-minute changes. A national survey of part-time workers found that 83 percent of workers reported a variation in scheduling in the previous month, and the average variation in weekly working hours was 87 percent.[45] These constant, high-magnitude, and unpredictable scheduling changes can pose significant challenges for workers in managing their personal finances, in addition to creating higher levels of stress around arranging transportation to work, child care, and other work-family conflicts.[46]

Some cities have taken up the challenge of unpredictable hours. San Francisco passed legislation in 2014 that restricts the ability of employers to use unpredictable schedules, and several more states and

[40] Pedulla, 2013.

[41] Cummings and Kreiss, 2008.

[42] Wilkin, 2012; Pedulla, 2013.

[43] Golden, 2015.

[44] Valletta and van der List, 2015.

[45] Lambert et al., 2014.

[46] Golden, 2015.

cities have introduced similar legislation.[47] Some companies have publicly announced their intention to make their scheduling practices more predictable and consistent. IKEA reported plans to provide more full-time schedules, and the company shares employee schedules three weeks in advance.[49] Several other companies have committed to providing one or two weeks of notice about schedules.[50] In 2015, Walmart started offering store employees the option of choosing “fixed shifts,” which guarantee the same weekly hours for up to six months, or “flex shifts,” which allow associates to choose their hours. According to Walmart, this switch enabled some employees to move from part time to full time by arranging their own schedule.[51]

Digital platform workers: A new type of contingent work is being generated through the proliferation of online digital platform companies such as Lyft, Uber, and Task Rabbit. While it is still small, the growth of the online platform economy is quickly becoming a more important part of the U.S. workforce. Online platforms offer many benefits for workers and are giving workers more diverse options for flexible or supplemental work—both for professional knowledge workers and for workers who provide services like caregiving, repairs, and transportation. Most workers use online platforms to provide income during transition periods between jobs or as an additional income supplement.[52] According to a survey by Intuit, 80 percent of workers using online platforms work only part time.[53] Workers benefit from the flexibility online platforms provide to create their own schedules and choose their projects or tasks. These platforms also create more opportunities for people to work remotely, which has increased geographic flexibility.

At the same time, some digital platform workers, particularly those without a permanent full-time job, need additional safety nets and supports. However, uncertainties related to employee classification (i.e., W-2 versus 1099 tax status) have led online platform creators to be very cautious in providing benefits to those who use their platforms. Lyft, for example, has worked to provide its drivers with access to health insurance marketplaces, retirement planning, and tax preparation. Yet companies creating digital platforms are careful not to provide direct benefits such as health insurance or retirement contributions due to concerns about worker classification.

Classification, benefits, and social safety nets for contingent workers: All types of contingent work arrangements raise one important question: How can companies and workers capture the benefits that alternative working arrangements provide—flexibility, access, and supplemental support—while ensuring that contingent workers have access to the predictability and safety net provisions that are largely limited to conventional full-time employees? A number of potential solutions are currently being explored. One proposal is to create a third category of workers for federal tax purposes, in addition to employee (W-2) and independent contractor (1099). The Hamilton Project proposes the category of “independent worker” for those in the gray area between worker and contractor, who have some elements of an independent business and some of an employee-employer relationship.[54] Under this proposal, independent workers engaging with (often multiple) intermediaries would have expanded legal protections and benefits such as

[47] Boushey and Ansel, 2016.

[49] IKEA, 2015.

[50] DePillis, 2015.

[51] DePillis, 2016.

[52] Farrell and Greig, 2016.

[53] Intuit, 2015.

[54] Harris and Krueger, 2015.

tax withholding and the freedom to organize and collectively bargain, and the intermediary would be allowed to provide benefits such as insurance without risking being considered an employer. This approach would help alleviate the systemic uncertainty over employee classification that currently hinders the provision of benefits to workers in the platform economy.

Another solution is the use of a “portable benefits pool,” which would allow independent contractors to own their own benefits, such as worker’s compensation or unemployment insurance, while their various employers contributed coverage at a level proportional to the hours worked. The Aspen Institute has proposed possible features of such a mechanism, and describes existing models to learn from, such as the Black Car Fund for livery drivers in New York City, or the group insurance offered through AARP.[55]

Key questions and opportunities for engagement:

1. **Classification and working conditions of contingent workers:** How should businesses respond to proposed changes in the legal status of independent contractors, interns, and other contingent workers? What additional models for contingent employment could be developed that would provide fair pay, predictable hours, and better working conditions while still allowing for flexibility?
2. **Benefits and social safety nets for contingent workers:** What supports and safety nets will businesses need to provide to contingent and digital platform workers? What roles can partnerships with insurance companies and other benefits providers play in supporting access to social safety nets?

CREATING GOOD JOBS FOR THE LOWEST-PAID WORKERS

In the United States, more than 43 million people live at or below the poverty line.[56] In 2013, the “working poor”—individuals who usually work in full-time jobs yet are below the poverty line—accounted for 4.4 million individuals, or around 7 percent of the U.S. labor force.[57] These individuals and their dependents accounted for almost 75 percent of federal assistance dollars paid out in programs such as SNAP (food stamps) and Medicaid. This accounted for what was, in effect, a US$150 billion subsidy to company wage bills.[58]

In addition, lower-wage workers are less likely to have access to paid leave and social safety nets such as health insurance and retirement benefits. The bottom quartile of workers are two to four times less likely to have paid holiday, sick time, vacation, or family/maternity leave as the top quartile of wage-earners.[59] Similarly, workers earning less than US$32,000 were less than half as likely to have an employer-paid health care plan or employer-sponsored retirement plan as workers earning above US$53,000.[60]

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[55] Clark and Bryant, 2016.

[56] Proctor, Semega, and Kollar, 2016.

[57] University of California, Davis, 2016.

[58] Cohen, 2015.

[59] Shierholz, 2015.

[60] Georgetown University.

There are two important challenges business leaders will need to address related to low-wage workers: how to manage increases in the minimum wage and ensure that workers are earning a living wage for their geographic area, and how to transform business operations to provide higher-quality jobs.

Minimum wage laws and living wage increases: Pressure from legislatures, activists, and consumers related to job quality and low-wage work are growing and likely will continue to do so. In 2015, Oakland, San Francisco, and Seattle raised the minimum wage, and other proposals are under consideration at the city, state, and federal levels. California and Connecticut also are beginning to publish lists of which companies are receiving public assistance for their workers.[61] While government will play an essential role in addressing these systemic challenges,[62] positive business action also is needed to define and disseminate better models for managing low-paid and low-skilled work.

Some businesses are developing the living wage concept to set the baseline for employee wages. This is gaining traction as a tool to ensure that employees earn enough to meet basic needs in the cities in which they live—which is not always a guarantee with city or state minimum wage levels. Several companies, including Bayer, Cummins, and Novartis, have made commitments to pay all of their direct employees at least a living wage, calculated based on local cost-of-living data.

Research shows that increasing wages among the lowest-paid workers also may have some positive results for the business. Raising wages of low-paid jobs reduces the rate of hires and separations. Employees who are happier with their compensation level are less likely to move to another job just for higher pay,[63] meaning that companies benefit from lower costs of recruitment and training new hires. Gap reported a double-digit increase in the number of applicants for retail positions after the company announced that minimum wage would go up to US$10 per hour.[64] Starbucks COO Troy Alstead said the company's wage increase will help Starbucks attract and retain staff.[65] IKEA reported that raising wages for employees based on the MIT Living Wage Calculator in June 2014 reduced turnover by 5 percent, and the company raised wages again one year later.[66]

"High road employment" and good jobs: Some companies have adopted human resource systems called "high road employment systems," in which wage increases are coupled with additional interventions that improve workplace culture, job design, work processes, training, worker empowerment, and quality control. Several U.S. companies that have adopted these systems—including Costco, Southwest Airlines, The Container Store, and QuikTrip—have been able to improve wages and working conditions.[67] Research also has shown that companies that have successfully adopted these systems and experienced improved engagement as a result outperform analyst expectations and produce higher shareholder returns than their peers.[68] However, improving job quality among low-wage workers can be challenging to implement. In addition to the challenges inherent in implementing workplace cultural transformation and reform of multiple work processes, they sometimes also require that businesses make

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[61] Cohen, 2015.

[62] U.S. White House, 2013; Oxfam, 2013.

[63] Boushey, 2014.

[64] Stock and Bhasin, 2015.

[65] Kaufman and Che, 2015.

[66] IKEA, 2015.

[67] Ton, 2014.

[68] Edmans, 2012.

substantial investments in training and in programs that help employees reduce their overall stress levels outside of work, including programs to improve managing personal finances and health behaviors, as well as access to affordable child care and transportation to work.[69]

Key questions and opportunities for engagement:

1. **Living wage and social safety nets:** How should businesses respond to pressures for increases in minimum wage laws and encourage industrywide voluntary adoption of a living wage for all employees across U.S. operations? How can businesses provide better benefits coverage and paid leave for their lowest-paid workers?
2. **Productivity and mobility of low-wage workers:** How can more businesses be encouraged to develop high road employment systems? How can businesses partner with other businesses, civil society organizations, and government to help low-wage workers make better choices around their health, personal finances, and education to improve their performance at work and put themselves on a path toward a more sustainable future?

ENHANCING DIVERSITY AND INCLUSION OF THE WORKFORCE

Research on diversity and inclusion in the workforce has shown that efforts to reach broader segments of the population for recruitment and hiring are beneficial for both business and local communities. Companies that successfully address diversity and inclusion enjoy a competitive advantage on innovation and recruitment[70]—with more diverse companies calculated to be 15 percent to 35 percent more likely to financially outperform industry peers.[71]

Companies can gain other benefits to business competitiveness by improving access more broadly, which deepens the pool of potential talent to hire, adds a diversity of experience and perspectives to the workforce, and expands the economic benefit of employment to broader sets of the population, helping boost purchasing power and consumer demand.

While hiring and retaining a diverse workforce with the right skill sets is an established priority for many companies, there are many challenges to implementation. With the current transformations of the employment landscape due to demographic, technological, and economic shifts, business has a unique opportunity to respond to new employment challenges by improving the tools and processes used in recruitment, hiring, and workforce development.

As the U.S. employment landscape has changed over the last few decades, some groups have made important gains in workplace representation but still face challenges in securing and maintaining employment opportunities. Low-income and low-skill workers are at the highest risk of displacement due to automation, particularly in occupations that require highly routine work.[72] Women also are paid disproportionately low wages, with 5 percent of women earning at or below the federal minimum wage, compared to 3 percent of men.[73] Similarly, there are gaps in employment rates among different groups. Unemployment rates among black people have remained consistently double the unemployment rates

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[69] Meuris and Leana, 2015.

[70] Abreu, 2016.

[71] Hunt, Layton, and Prince, 2015.

[72] Arntz, Gregory, and Zierahn, 2016.

[73] U.S. Bureau of Labor Statistics, 2014.

among white people.[74] Youth unemployment and underemployment also remained higher than the overall unemployment rate, as did the rates of those who have been unemployed long term.[75] Despite federal legislation and extensive hiring-assistance programs, the labor force nonparticipation rate (i.e., the rate of people who are unemployed or are not actively seeking work) for people with disabilities was around 80 percent in 2016.[76]

Extensive programs and company partnerships have been established to improve access to employment for people from disadvantaged backgrounds. While these programs frequently are successful in getting individuals hired, they struggle to keep these workers employed long term. Challenges related to long-term financial insecurity mean these workers frequently miss work when a child is sick or when a car breaks down. Increasing representation and developing the careers of workers from disadvantaged backgrounds often requires additional investments in financial counseling and other support programs that help them stay in the workforce long term.[77]

There are two important challenges related to diversity that business leaders will need to address: how to incorporate more workers with challenges not currently widely addressed in company diversity programs, and how to manage the diversity challenges that accompany the use of recruiting software platforms.

Emerging diversity trends: While diversity and inclusion efforts targeting gender and racial gaps and the inclusion of those coming from socioeconomically disadvantaged backgrounds will continue to be an important challenge in the coming years, several U.S. groups face significant employment barriers. These emerging groups include older adults, ex-convicts, immigrants and refugees, and workers with neurodevelopmental challenges.

> **Older workers:** Around 80 million Baby Boomers will reach retirement age between 2010 and 2030.[78] Many of these workers report that they will have to delay their retirement due to insufficient savings in their retirement accounts.[79] Older workers face many challenges, including discrimination when applying for work, lack of familiarity with new technology, and the need for skills retraining.[80]
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> **Workers with criminal records:** Around 65 million Americans have criminal records, accounting for about 30 percent of the U.S. labor force. The majority of these crimes were for minor and nonviolent offenses. Around 600,000 people are released from prison each year. They face an average of one year of unemployment after release. Around two thirds will return to prison within three years, in part because they failed to establish secure employment and a stable living situation in the community.[81,82] Ex-convicts are currently barred for life from more than 800 occupations based on requirements for licensing and job application screens.[83]

[74] Glinton, 2016.

[75] Hauck, 2016.

[76] U.S. Department of Labor.

[77] Rubinger.

[78] Colby and Ortman, 2014.

[79] Brown, 2013.

[80] U.S. Department of Labor.

[81] Walshe, 2013.

Immigrants and refugees: Skilled foreign-born immigrants to the United States face high barriers to employment. While the unemployment rate differential between U.S. and foreign born low-skilled workers is 1.8 percent, the differential for high-skilled workers is 32.8 percent. This is due to hiring managers' undervaluation of skills and experience gained abroad, as well as language skills and cultural differences.[84]

Neurodiverse workers: There is an increasing awareness around neurodiversity and the need to incorporate people with neurodevelopmental conditions such as autism, dyslexia, and ADHD into the workforce. Acceptance and inclusion of neurodiverse people has been called the next civil rights frontier for the United States.[85] Around one in six U.S. children currently has a neurodevelopmental disorder. From 1997 to 2008, the rate of children with developmental disorders grew 17 percent overall, while those diagnosed with autism grew 289 percent.[86] The rate of autism is estimated to be as high as 1 in 50 children. As these children turn 18 and enter the workforce, they face increased challenges being hired and maintaining employment due to difficulties with social interactions not related to their technical abilities.[87] The nonparticipation rate in the workforce for adults with autism was around 90 percent, the highest of any disability group.[88] Several technology companies, including Apple, Microsoft, and SAP, currently have programs for incorporating neurodiverse workers.[89]

Technology and recruiting: Technology can be a major asset in improving access to employment, and it is already being used to connect people to traditional employment via online platforms like LinkedIn. These platforms can enhance recruitment processes through software and online content that develops the skills of the current and future workforce. These platforms also can be used to create new employment models via the gig economy. At the same time, technology can hinder efforts to improve inclusive access to employment. Some groups face disproportionate barriers to accessing technology, or they are less likely to use certain platforms. Just 18 percent of Hispanic internet users access LinkedIn, compared to 28 percent of black people and 29 percent of white people.[90] Certain groups of job seekers, such as middle-aged and older workers, may lack the skills to use technology. As more companies use sophisticated algorithms to vet job candidates, many talented applicants are being eliminated.[91] The design and evaluation of such tools should explicitly address the potential for unintended outcomes. The new technologies and business models currently being tested have the potential to break down structural barriers and biases that have excluded certain workers from full participation in the workforce. Smarter

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[82] Blanks, 2014.

[83] Rodriguez and Emsellem, 2011.

[84] Yildiz, 2010.

[85] Lewis, 2014.

[86] Centers for Disease Control and Prevention, 2015.

[87] Boston University, 2013.

[88] Erbentraut, 2015.

[89] Maxwell, 2016.

[90] Krogstad, 2015.

[91] Capelli, 2012.

tools and approaches are now available to help identify, recruit, train, and employ workers—and these can be designed and deployed with the specific goal of broadening access to jobs while helping employers meet their hiring needs.

Key questions and opportunities for engagement:

1. **Emerging diversity trends:** How can businesses incorporate emerging groups with special challenges—including neurodiverse workers, older workers, workers with criminal records, and refugees and recent immigrants—into hiring and career-development programs?
2. **Role of technology in recruiting and promotion:** How can software systems such as résumé databases, screens, and performance-management tracking account for and promote diversity in the workplace? How can these platforms be used to reach underserved groups and promote inclusion?

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