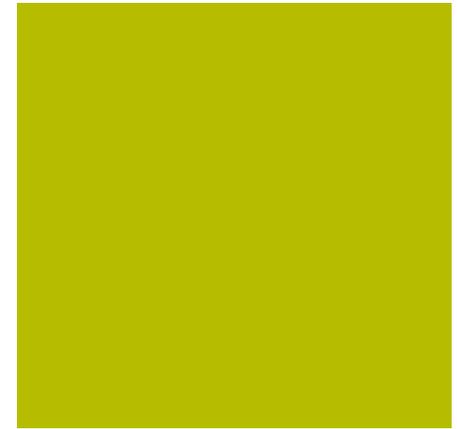


**In Search of the
Employment “High
Road”:
A Research Perspective
on Developing Good
Jobs**



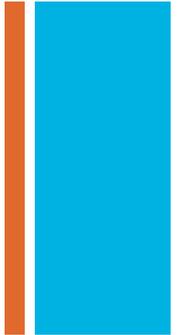
Good Companies, Good Jobs Initiative
at



Investing in
America's
Workforce

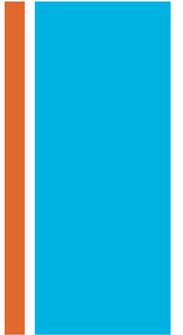
Improving Outcomes for
Workers and Employers

Logistics



- Dial: 1-888-625-5230
- Participant code: 2050 8684#
- Questions can be submitted using the ***Ask Question*** button
- ***Materials:***
 - Presentation
 - Webinar FAQ

Investing in America's Workforce



- A Federal Reserve System initiative to reframe workforce development as an investment
- Focus on improving outcomes for workers and businesses
- Wide range of resources available across the Federal Reserve System at www.investinwork.org
- This Job Quality Webinar Series presents leading organizations focused on three perspectives:
 - Employer
 - Worker
 - Research

Investing in
America's
Workforce

Improving Outcomes for
Workers and Employers



About the Good Companies, Good Jobs Initiative at MIT Sloan:

- The Good Companies, Good Jobs Initiative is about making work *work* for everyone in the 21st century.
- As advances in digital technology and artificial intelligence transform the very nature of work, we seek to discover, demonstrate, and disseminate business practices that both measurably improve the quality of work and enhance long-term business value.
- We concentrate on successful management practices at the intersection of people and profit and focus on:
 - **Practice-Driven Research**
 - **Active, Hands-On Learning**
 - **Communications & Engagement**

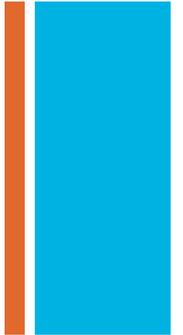


Barbara Dyer

Senior Lecturer, MIT Sloan School of Management

Executive Director of the Good Companies, Good Jobs Initiative at MIT Sloan

About Today's Webinar



- Draws on new research project, supported by the Good Companies, Good Jobs Initiative at MIT Sloan, that analyzes job quality in six industries employing many low-wage workers in the U.S.
- Research will result in book to be edited by Paul Osterman (MIT Sloan) and published by MIT Press, tentatively titled *Shifting to the High Road: Job Quality in Low-Wage Industries*
- In today's webinar, Osterman will first give an overview of some prior research, then discuss the specific case of job quality in the long-term care industry
- Françoise Carré (University of Massachusetts Boston) will then present an analysis of job quality in the retail sector
- We'll close with a Q&A Session



Paul Osterman

Nanyang Technological University
(NTU) Professor of Human
Resources and Management, MIT
Sloan School of Management

Co-Director of the MIT Institute for
Work and Employment Research

IN SEARCH OF THE EMPLOYMENT 'HIGH ROAD':

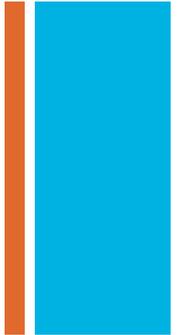
1. Research Overview

2. Industry Analysis: Jobs in Long-Term Care

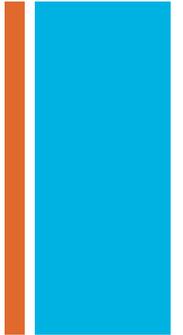
ADDRESSING THE CHALLENGE OF LOW-WAGE/LOW-QUALITY JOBS

- **Education and Training**
- **Labor Market Standards**
- **Countervailing Power**

- **We want to add an additional approach: Incentivizing firms to improve job quality by understanding the nature of the industry and the leverage points therein.**



BUT “HIGH ROAD” STRATEGY FACES SOME QUESTIONS

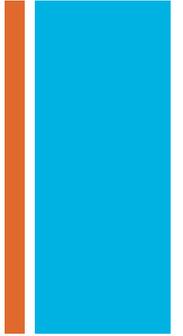


Is it in employers' interest to create better quality jobs?

**Does “doing well by doing good” mean that employers could
be just as profitable if they shifted employment practices?**

**Or does it mean that they could do well but still give up
some profits in return for creating better jobs and meeting
social goals?**

THE LOGIC FOR THINKING ABOUT THIS

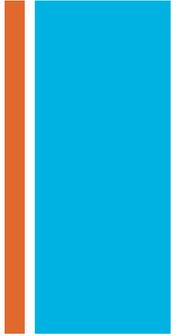


Is choice possible?

Does the “High Road” exist?

In general, is there a relationship between employment systems and economic performance?

COMPLICATIONS



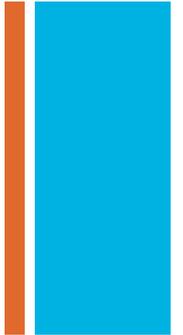
Methodological challenges

Distinction between

Intermediate impacts (almost all the literature)

Profit impacts (what firms care about)

EVIDENCE AND POLICY IMPLICATIONS



EVIDENCE:

- **Is choice possible:**
- **Does the “High Road” exist:**
- **Intermediate and final benefits to the firm:**

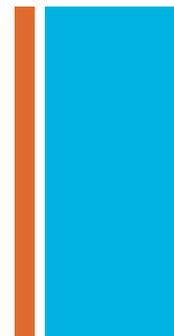
POLICY IMPLICATIONS:

Depends on conclusion regarding profitability

If equally profitable, then...

If not equally profitable, then....

THE LONG-TERM CARE WORKFORCE



Number of Homecare Aides 1,958,000

+ Number under the table 301,000

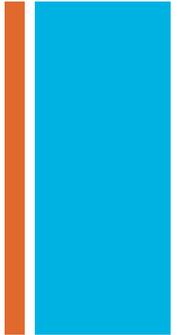
Number of CNAs 1,112,000

TOTAL 3,371,000

**2016 annual earnings,
Homecare Aides** \$17,700

2016 annual earnings, CNAs \$21,000

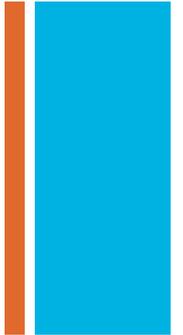
WHERE CARE IS PROVIDED



- **11 million people at home**
- **1.4 million people in nursing homes**
- **1.0 million people in assisted living and continuing care retirement communities**

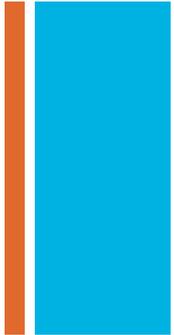
Direct Care Workers are employed in all of these settings and often move between them

REIMBURSEMENT RATES DRIVE LOW WAGES



- **This is the standard story, with considerable truth**
- **But, consider that while 61% of Skilled Nursing Facility residents are on Medicaid, only about 20% of Assisted Living/Continuing Care Retirement Community residents are on Medicaid.**
- **Yet wages for CNAs and Homecare Aides in SNFs and AL/CCRC are basically the same. The average hourly wage for AL/CCRC Home Health Aides was \$11.37, for Personal Care Assistants \$11.11 and CNAs \$12.37.**
- **Therefore reimbursement cannot be the whole story**

RETURN TO SKILL IS LOW



- **An earnings regression with controls for personal characteristics: annual earning gains for having at least some college**

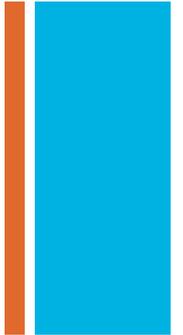
Direct Care (CNA and HHA) + 6%

Retail sales + 15%

Waiter/waitress + 22%

- **Why? Little opportunity to be productive!**

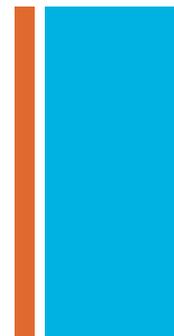
LIMITATIONS



Can't be more productive because cannot do more

- **Not part of care team**
- **Scope of practice**
- **Culture of medicine**

ATTITUDES AND POLICY IGNORANCE



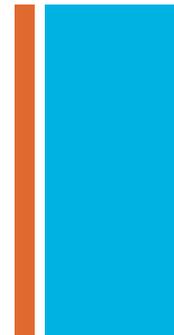
ATTITUDES:

- **“These are minimum wage people”**
- **”What if they put the cat’s eye drops in the client’s eye?”**
- **“Most people, when they hear we’re a Home Health Homecare Aide, they look at us like we’re the scum of the earth. I’ll try to tell them certain things about the client and they act like they didn’t hear anything that I said ...”**

POLICY IGNORANCE:

- **No serious homecare demonstrations**
- **Policymakers do not understand the system**

THIS IS NOT VIABLE GOING FORWARD

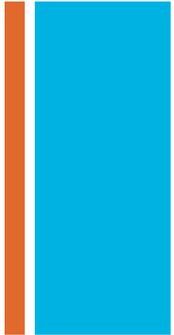


- **Baby boom ages**
- **Family caregivers less available**



Shortages of Direct Care Workers

A LOOMING SHORTAGE



**Growth of Paid Direct
Care Workforce**

**Growth of
Population 65+**

2016-2030 **+6.3%**

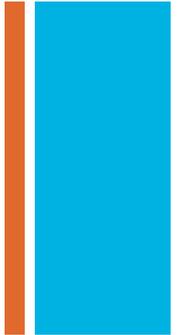
+50.4%

2016-2040 **+13.1%**

+60.8%

**Even this may be
too optimistic...**

DECLINING IMMIGRATION



COMPETING JOBS WILL BECOME MORE ATTRACTIVE



Money

U.S. +

Business

Markets

Tech

Media

Personal Finance

Small Biz

Luxury

stock tickers



1 million Walmart workers get a raise on Saturday

by Chris Isidore @CNMONEY

RETAIL • MINIMUM WAGE

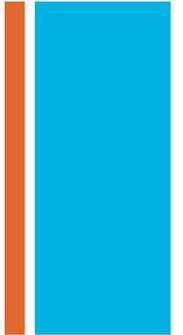
Target Is Raising Its Minimum Wage and Is Making a Big Pledge for 2020



WILL TECHNOLOGY SAVE US?



SOME IMPORTANT STEPS



- **Raise and enforce labor standards**
- **Collective bargaining**

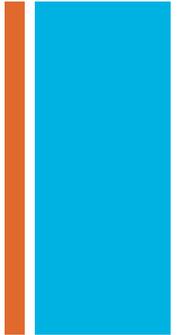
But there are limitations:

Employers and payers are able to adjust hours

Hostile Supreme Court decisions

Even higher minimum wages are too low

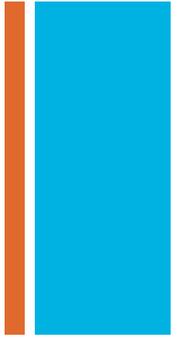
STRATEGY



- **Expand scope of practice**
 - **Train**
 - **Shift work to aides, saving the system money**
 - **Claim a share of the savings for aides**
- **Point: Find a way to make the powerful system players believe it is in their interest to improve the jobs**

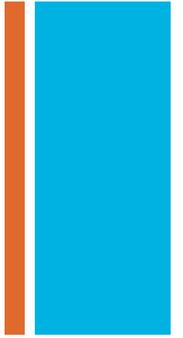


CONSISTENT WITH EMERGING HEALTH CARE REFORMS



- **Managing chronic conditions**
- **Managing transitions**
- **Teams and “working to the top of the license”/ patient centered medical homes**
- **Greater use of non-licensed personnel, e.g. Medical Assistants and Community Health Workers**

IF AIDES' SCOPE WAS EXPANDED ALONG THESE LINES



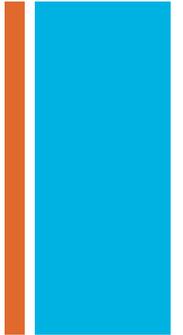
Save money

- **Chronic conditions do not become acute**
- **Avoid 911**
- **Avoid re-hospitalization**
- **Keep people at home**
- **Shift some work from nurses to Aides**

Improve quality of life

- **Better trained Aides and CNAs**

EVIDENCE



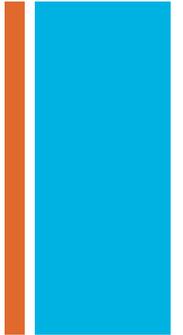
HEMOCARE AIDES:

- **Small demonstrations with Aides**
- **Mt. Sinai Visiting Doctors**
- **Evidence on comparable occupations: Community Health Workers, Medical Assistants**

NURSING HOMES:

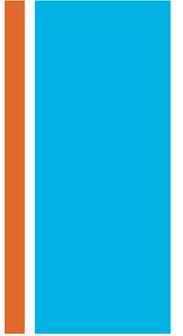
- **Culture Change and Green House**
- **PACE**
- **HSL Senior Resident Assistant**

THE POWER PLAYERS SHOULD BE INTERESTED



- **Managed Care, for all its problems, is the way to get traction because Managed Care's interest is not protecting scope of practice but rather meeting health needs as cheaply as possible**
- **State Medicaid programs should have a similar incentive: save the system money by enhancing the role of Aides**

THE POLITICS



- **Changing scope of practice limits**
- **Underfunding and misaligned Medicaid incentives**
- **Negative attitude in health care/medicine towards long-term care**
- **Disability Community and training**

BUT ON THE PLUS SIDE

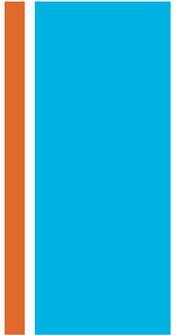
Pressures For Change

- **Projections of shortages that will hit the middle class**
- **Opportunities to save money**
- **“Muddling through” will be increasingly dysfunctional**

Makes broad sense

- **Quality of care for consumers will improve**

AN OPPORTUNITY



Long-Term Care is an opportunity awaiting political leadership. There is an opportunity for a coalition of consumers and workers.



Françoise Carré

Research Director, Center for Social Policy, University of Massachusetts Boston McCormack Graduate School of Policy and Global Studies

Retail Jobs: What Pathways for Improvement?

- Joint research with Chris Tilly, UCLA
 - Under what conditions do retailers offer better jobs?
 - Is adoption of better practices sufficient for broad diffusion?
- Some conditions in which retailers provide better jobs (Carré and Tilly 2017): 16 companies in food and consumer electronics
- But competitive conditions and other characteristics of retail are such that better jobs practices won't diffuse by adoption
- Policy changes needed to support better jobs in retail

Industry structure

- Segments
 - Income based: e.g., dollar stores to Whole Foods, Wegmans
 - Product categories? Quite fungible → impacts competitive conditions
 - Oldest sector- Groceries – largest till recently- now General Merchandise
- Sources of pressure on job quality
 - Labor intensive: Low-price competition → Labor cost cutting → wages, benefits, labor hour budgets ↘
 - Some responses: ↗ quality, variety; services packaging (higher value added)
- Important trends
 - Consolidation ↗
 - Declining private ownership; ↗ private equity
 - Market saturation in some sectors

Retail Jobs and Workers

- Relative **wage** 70% (90% in 1972); Low **entry-level** credentials
- Rationing benefits (part-time)
- Rationing hours: short-hour PT (15 hours); low FT (32-35hrs) → fluctuating schedules
- Mobility? Hiring at part-time (front end, sales, customer service) → full-time → supervisor (small department “lead”) → large department head → assistant store manager → manager and up
- But: High turnover – 50% average – 70-100% in entry-level PT and ↗ credential requirements
- Young workers and parents (short, fixed PT). Adults (PT up to 40hrs).
- Minority representation at national average; likely over-represented in “back of store,” convenience stores.

“Better” Rather Than “Good” Jobs

Homestyle	The Market
Compete with quality/variety	Compete with quality/variety
“Number 1 with variety + merchandising...Largest purveyor of wine...Nicer look”	“Much more specialized work:...custom cut meats, fresh seafoods, scratch bakeries”
Pay rates near top of sample, 5-10% above union scale (though non-union)	Starting pay \$9, near top of grocery sample
Only 40% part-time	60% part-time (still below most), + part-timers get health benefits, time-and-a-half above 35 hours
Increased initial training	Striving for regular schedules for part-timers
Only 50% turnover	?

Contrasts Among Warehouse Formats

	Bargain Warehouse	Megamart
Entry-level wage	Higher than sector average	Slightly above min wage
Sunday pay	Double	Fixed premium – few dollars
% full-time	50%	20%
Health insurance	85% covered; family coverage to FT and some PT	85% covered; Individual coverage-HMO
PT minimum	25 hrs	No guaranteed level
Strategy	Quality+price, higher income mkt	Cost cutting
Turnover	20%	40%

Better Jobs Practices: Diffusion?

Conditions for Better Jobs – Study Cases

- Sheltered regional market: zoning; state minimum wage
- Private ownership; family leadership
- Higher income customers
- Collective bargaining – better compensation
- + Operational efficiency measures

Better Practices Matter – But limits to industry-wide diffusion

- Costco dwarfed by size and growth of Walmart. (about $\frac{1}{4}$ WM's sales)
- Efficiency wages? Diffusion of “good” practices may dilute effects.
- Higher income customers: insufficient market

→ Restore floor of employment conditions: Policy action needed

Policies

Industry operations

- *Financial regulations*: Limiting extractive practices of private equity
- *Limiting “hours arms race”*: diminishing returns
 - Hours regulations targeted by geographic area, type of store (not full “blue laws”)
 - Control cost + help reset customer expectations

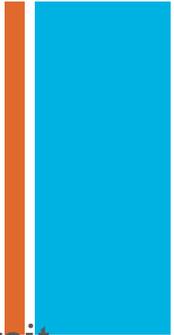
Labor standards and employment policy

- *Restoring real value of minimum wage to 1970s levels*:
 - retail=1/4 of min wage workers; 12 states at federal minimum
- *24/7 opening hours disincentives*: pay premium for overnight/late shifts and holidays → limits hours arms race
- *Scheduling*: Local ordinances and some state laws- advance notice mandates. Have some public support
 - 1 – 2 week notice (Oregon, San Francisco, Seattle)
 - NYC: 72 hours, no change/cancellation in that time, no “on call” shifts
 - Mandate necessary: managers do not adhere to voluntary policies due to incentives

Labor Policies – Cont'd

- ***Paid time off: likely activism at local level***
 - Paid sick days: 9 cities and 31 other jurisdictions - mandated minimum
 - Paid parental leave: Debate on *how* to fund it
- ***Benefit parity for part-time and short-term hires:***
- ***Viability of ACA exchanges and subsidies crucial***
- ***Try supply-side policy: Industry-wide skill enhancement systems***
 - By itself, training insufficient to raise job quality
 - But industry-wide structures for broader training in several retail functions → Reduce reliance on vendor-provided training; Reduces liability of workforce churn
 - Financing by tax (or earmark) levied on payroll → Industry-wide training structures or spend the earmark
- Better ***enforcement***
- ***Representation and collective bargaining:*** Have led to higher compensation

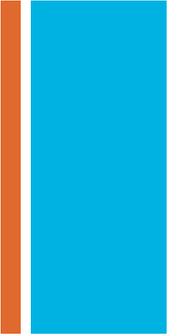
Conclusions for industry in turmoil



- Incentives to treat labor as the number one shock absorber too great to wait for diffusion
- Institutional changes relevant as industry undergoes: Omni-channel shopping; shift in balance between store level employment and warehousing; and ongoing changes in consumer shopping patterns
- Job shifts to “back of the store” and warehouses + monitoring jobs coupled with greater use of automated processes in cashiering, stock replenishment + deliveries

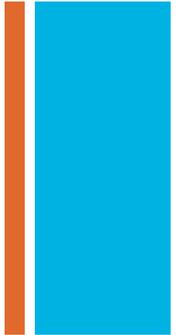
→ Likely continued pressures for labor cost control

- “Omni-channel” and delivery experiments rely on complex networked contracting arrangements (multiplicity of products and services) → Tend to come with severe cost-cutting pressure on satellite or subcontracting firms.



Discussion and Questions

Webinar Contacts



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