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THE GOOD JOBS SOLUTION

**MILLIONS OF JOBS ARE LOUSY, LOW-PAYING, DEMORALIZING –
AND BAD FOR THE BOTTOM LINE. IT'S TIME TO FIX THEM, FOR
THE GOOD OF WORKERS *AND* BUSINESSES.**

BY ZEYNEP TON



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THE CASE FOR GOOD JOBS

BETTER PAY AND MORE OPPORTUNITIES. YOUR WORKERS WANT THOSE THINGS. SO SHOULD YOU.

BY ZEYNEP TON

Yes, there are millions of jobs at retail stores, restaurants, call centers, hotels, and day cares — but most of them are lousy and have been for decades. They offer low pay, few benefits, and no career paths. Conventional wisdom holds that bad jobs are the unavoidable price of low-cost service. They are not — and some companies are realizing that the way they run their operations, including treating their employees as replaceable commodities, is not sustainable. In the past three years large companies including Walmart, McDonald's, GAP, and Aetna have raised wages. Walmart is investing more in training and is streamlining operations to help store workers be more productive. GAP is experimenting with more-predictable schedules. And Aetna is letting call center reps use more discretion to meet customer needs.

Together these moves may herald a radical shift. Why are companies investing in and empowering their workers after treating them so poorly for so long? Largely because of a new competitive landscape. Companies in saturated markets need more growth from their existing units. Those facing increased competition from brick-and-mortar and online rivals need to give customers a compelling reason to buy from

them. And companies are realizing that engaged workers are more productive, provide better service, and are less likely to jump ship — an especially big deal in retail and restaurants, where turnover in 2016 averaged 65% and 73% respectively.

Beyond boosting companies' competitiveness, improving service workers' jobs could have a huge impact on the U.S. economy. It would increase the earnings



THE AUTHOR

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and spending power of the working poor and reduce the enormous amount of public assistance they receive. In 2016 the median hourly wage of the country's nearly 9 million retail workers was \$10.37; it was \$9.50 for the more than 7 million restaurant workers. Both figures put employees below the poverty threshold for a family of four — even those working 40 hours a week, which many employers don't allow.

Just treating workers better, however, will not boost a company's competitiveness. A radically different operating system — one designed to better serve customers' needs and increase workers' productivity, motivation, and overall contributions — is needed.

That's a hard message for many executives in retail and services to hear. Radically revamping operations and investing *more* in labor seems counterintuitive, even dangerous, when profits are under pressure. Yet Mercadona, a Spanish supermarket chain with 1,620 stores and 79,000 employees, proved it can be done, and others are making the transformation.

I've been researching retail and other service operations, including Mercadona's, for more than 15 years. In a [2012 HBR article](#) I made a case for why good jobs — ones with decent wages, predictable hours, sufficient training, and opportunities for growth — are good for retailers. Since then I've studied and worked with a variety of retailers, call centers, and other service companies in various stages of adopting what I call the Good Jobs Strategy (GJS). I've accumulated volumes of evidence that this approach is not just a good idea; it works. In what follows — the first of a two-part article — I'll share what I have learned about the bad-jobs and good-jobs systems and how to assess whether your organization could benefit from making the transition to the latter.

ALIGNMENT BETWEEN HEADQUARTERS AND STORES

One basic difference between good-jobs and bad-jobs businesses is the way decisions are made vis-à-vis headquarters and customer-facing units. At good jobs retailers, functions at headquarters don't make decisions without considering the impact on the productivity of store employees and the level of customer service they can provide. Costco buyers [coordinate product introductions](#) so that new items are brought out at staggered times, smoothing out workloads at stores. Mercadona works with vendors to create shipments that can be quickly shelved (for example, olive oil is displayed in its shipping boxes, which open up in front). Its logistics department gives stores short delivery windows (15 to 20 minutes) so that receivers know exactly when to be ready and don't waste time. Logistics sends the same driver repeatedly to a given store so that the parties can learn to work efficiently

"Growing up in Turkey, I thought the United States was the land of opportunity," says Zeynep Ton. "If you worked hard, you would do well. And that was exactly the case for me. I came to the U.S. in 1992 on a volleyball scholarship to study engineering at Penn State. This country has offered me wonderful opportunities for success and growth."

Later, while conducting research at Harvard Business School — first as a doctoral student and then as a professor — Ton confronted a grim fact: The United States is not the land of opportunity for millions of workers stuck in low-wage, dead-end jobs, who often must contend with unpredictable schedules and chaotic conditions.

Ton and her fellow researchers initially wanted to help retailers achieve operational excellence. They found that supply chain problems were particularly large and expensive in the final stretch: Merchandise that should have been on shelves was still in the stockroom or on the wrong shelves, special promotions

weren't implemented correctly, and inventory data was highly inaccurate. While investigating the causes of these problems, Ton started talking with store employees. "It was heartbreaking to hear their stories," she says. "I was shocked by how their jobs were not working for them."

Ton spent years at Harvard and then at the MIT Sloan School of Management, where she is an adjunct associate professor of operations management, studying a vicious circle: Understaffing and high turnover lead to operational problems, which lead to low sales and profits, which lead to low labor budgets, which lead to understaffing and high turnover. Company executives lamented that they couldn't pay higher wages and invest more in training while maintaining the low prices that were necessary to compete in their cutthroat industry.

Then Ton came across some retailers in the United States and Spain that suggested this conventional wisdom might not be true. They were paying

their frontline workers decent wages, investing in training, and providing stable schedules and career opportunities — and their profitability was higher than their competitors'. Ton studied these companies, looking to understand how they could thrive and offer good jobs. She learned that they were devoted to operational excellence and were applying a radically different operating model, one that companies in an array of service businesses — retailers, restaurants, call centers, office cleaning — could replicate.

In this package Ton shares what she has learned about that operating model and how companies can make the transition from "bad jobs" to "good jobs." "My mission is to persuade companies, especially in low-wage service industries, to adopt what I call the Good Jobs Strategy," says Ton, who with Roger Martin cofounded the nonprofit Good Jobs Institute to further the cause. "I want to help change the narrative about what it means to run a 'good' business."

together. Such actions allow companies to give employees higher pay (thanks to increased productivity) and more-predictable schedules (thanks to a smooth and predictable workload) and to achieve low turnover (below 10% at both retailers above).

At good jobs companies, communication is two-way, and headquarters incorporates stores' input into decisions affecting frontline work. Mercadona uses frontline input when standardizing processes such as the handling of deliveries. If a store needs extra time because of its layout, the owner of the delivery process for the chain will adapt the process for that store. When Mercadona developed a new decentralized-ordering system, it implemented employee suggestions such as removing information that workers found irrelevant and confusing.

At bad jobs companies, functions at headquarters make decisions in silos and rarely consider the



AT GOOD JOBS COMPANIES, STORE MANAGERS FEEL LIKE OWNERS. TAKING CARE OF CUSTOMERS AND DEVELOPING EMPLOYEES ARE THEIR MOST IMPORTANT TASKS.

effect on employee productivity and customer service. They see stores largely as places that execute headquarters' decisions. Here are some things I have witnessed:

- **Six-hour delivery windows.** Large time frames probably helped logistics minimize transportation costs, but they made it hard for stores to plan resources to handle deliveries.
- **Big swings in the number of promotions.** Several sales one week would be followed by none the next. So labor needs varied, making it difficult for store managers to give staffers consistent hours from week to week.
- **Frequent display changes.** Employees spent most of their time moving products around; they had no time to help customers and often didn't know where items were. Employees would set up a display only to have to change it hours later. Seeing their efforts repeatedly go to waste made them feel there was little point to giving their all.
- **Mistakes in the prices sent to stores.** Store associates had to redo ticketing, wasting time and undermining morale.
- **Problems arising from coupons.** One associate said she had been instructed to follow the policies printed on the store's many coupons. But when she would not honor an expired coupon, the angry customer might appeal to a manager, who would often grant the discount. "You feel like an idiot," the associate said. "But you can't give it to them yourself; you can get fired for that."
- **Last-minute changes.** A typical example: Merchandising decides to move a promotion from Friday to Wednesday to stimulate demand. This doesn't seem like a big deal at headquarters. But the store manager must shift dozens of hours of labor from Friday to Wednesday, forcing employees to rearrange their lives, which in turn drives absenteeism and turnover. And employees have less time to set up the promotion and do their other work, so mistakes are more likely.
- **Inadequate staffing levels.** One chain based its staffing on time studies conducted at headquarters, which did not reflect realities in the field, such as different layouts from store to store and customers' asking for help from employees who were stocking shelves or pricing items. As a result, stores were

often understaffed and employees were brusque with customers.

EXPECTATIONS

When operations are designed to allow frontline workers to be productive, empowered, and customer-focused, companies and workers can expect a lot from one another — and at good jobs companies, they do. When operations are not designed that way — and chaos, low morale, and high rates of turnover and absenteeism are the norm — expectations all around are dismally low.

At good jobs companies, high expectations start with hiring — those companies are more selective. QuikTrip, a chain with more than 700 convenience stores in 11 states, centralizes recruiting in each city, and experts use structured interviews and cognitive tests. Even so, new hires must “graduate” from training; about 20% of full-time trainees and 14% of part-time ones don’t make it.

Once hired, QuikTrip’s store employees are held to high standards. For instance, they must initial each completed task. And peer pressure helps maintain standards, because part of everyone’s pay is tied to the store’s customer-service score, and full-timers enjoy profit sharing.

But it’s not a one-way street. Employees of good jobs companies expect to be rewarded for their productivity and contributions. The annual take-home pay of a new full-time QuikTrip employee is nearly \$40,000. All store managers are promoted from within.

Employees of good jobs companies also expect their employers to respect their time and knowledge and to allow them to shine in front of customers. QuikTrip sells a lot of coffee; if the coffee machine breaks, employees expect facilities management to fix it immediately so that they don’t have to disappoint customers. When frontline employees at Mercadona find that a product takes too long to shelve because it is badly packaged, they expect that buyers will work with suppliers to fix the problem. When I told the CEO of a good jobs company about the last-minute changes I’d seen at other retailers, he said, “Our stores would scream at us if we did that!”

Bad jobs companies and their employees don’t — and *can’t* — have such high expectations of one another; their operations and people are too unstable. Headquarters decisions that waste employee time and increase workload variability contribute to low wages and workforce instability. At several chains I observed, well over half the store employees worked part-time, and last-minute changes in, say, the timing of a sales promotion or the delivery of merchandise

meant that store managers frequently altered employees’ work schedules. Those are some of the reasons workers often called in sick, came in late, or left for better jobs. Annual turnover averaged 40% to 120%.

With staffing so unstable, it was hard to know who should do or had done what. When a display or pricing error was made or when a section was dirty, it was difficult to identify the source of the problem. Equipment was often inoperative or disappeared. I saw broken fitting-room and bathroom fixtures, water fountains, and wi-fi systems at numerous chains. Sarah Kalloch, my colleague at the [Good Jobs Institute](#) — a nonprofit organization I cofounded — [worked nine weeks at a large retailer](#). When shelving goods, she often didn’t even have a box cutter. How can you care about a company that cares so little about how well you can do your job?

STORE MANAGERS

Good-jobs and bad-jobs companies also differ radically in terms of store managers’ roles and attitudes. At the former, store managers feel like owners. They believe that taking care of customers and developing their employees are their most important tasks, and the operating system is designed accordingly. The Costco store managers we interviewed repeated cofounder Jim Sinegal’s mantra that 90% of their time should be spent teaching. They constantly walked the floor asking area managers open-ended questions such as “Why do we have five pallets of blankets here?” and “Why is this item not selling well?” The questions were intended to improve the store’s performance and help new managers develop. Almost all the store managers at good jobs companies were promoted from within, and they took great satisfaction when their employees got ahead. A store manager at Costco said, “There is nothing more satisfying to me than to see people move up in their careers.”

At bad jobs companies, store managers spend most of their time handling day-to-day crises and making sure the most immediate tasks get done. Because stores are often understaffed, they end up shelving merchandise, running cash registers, and performing other employee tasks themselves. Frequent staffing, equipment, and customer-service problems leave them no time to train workers or give feedback.

At one retail chain, employees often found themselves with no assignments; the store manager hadn’t had time to make them. One manager said he was caught in a vicious circle: High turnover meant he had to keep hiring new people. But all the firefighting meant he couldn’t devote much time to hiring, so the

new employees were often poor fits. Many would soon quit, increasing the time he needed to spend firefighting and looking for new people.

JUSTIFYING THE GJS STRATEGY

At the Good Jobs Institute, we developed a scorecard that can help you ascertain whether your organization needs the GJS. It begins with an assessment of front-line jobs. How well does your company meet employees' basic needs and foster engagement? Although such things as living wages, predictable schedules, and career opportunities may not in themselves be motivators, poverty-level wages, life-disrupting schedules, and a lack of opportunities make it hard to hire, motivate, and keep good people.

I've been surprised by how little corporate leaders know about the hourly jobs at their companies. Executives at one organization were startled to learn that most of their hourly employees worked fewer than 15 hours a week and that the average annual take-home pay was less than \$10,000. Executives at another company thought they were providing employee

schedules three weeks in advance — but some stores were scheduling just a week in advance.

The second element of the scorecard relates to the customer experience. How well does your company meet customers' basic needs and create conditions that engender loyalty? Efficient checkouts and clean floors may not generate an emotional connection with customers, but slow checkouts and dirty floors will drive them away.

The scorecard's final element involves data on operational problems, employee turnover and absenteeism, productivity, sales, and costs. Once you've collected that, the scorecard can help you identify potential gains from the GJS in the following realms:

Financial. An honest and factual discussion about current performance and what performance *could* be if your company operated differently will suggest the dollar value of adopting the GJS. At Quest Diagnostics, a provider of medical diagnostic services, 60% of call center reps left within a year, resulting in up to \$10.5 million annually in direct turnover costs. That was a compelling reason to implement the GJS in the call centers.

GOOD JOBS COMPANIES CAN ADAPT TO THE ECONOMY'S UPS AND DOWNS OR AN INCREASE IN THE MINIMUM WAGE BETTER THAN THEIR RIVALS CAN.



Working with a large retail chain, my students and I found that increasing a store's average employee hours from fewer than 15 a week to 30 (without increasing total hours), decreasing schedule variability, and reducing employee turnover by almost half could lift sales productivity by more than 20%. We saw strong correlations between indicators of bad jobs, such as high turnover and frequent last-minute schedule changes, and costly operational problems, such as stockouts, inventory shrinkage and inaccuracies, and low conversion rates (the percentage of customers who buy something).

Competitive. At Quest, the high turnover among call center reps undermined service. Patients and staffers in physicians' offices had to wait more than two minutes to have a phone call answered. And the inexperienced, undertrained rep who finally did pick up often couldn't field the question and transferred the call to someone else, resulting in more waiting. Quest had already lost important customers.

Brick-and-mortar retailers also have compelling competitive reasons to adopt the GJS. Consider the challenge from e-commerce: As of August, more than 6,300 U.S. store closures — one of the highest annual counts ever — had been [announced](#) in 2017, with competition

from online rivals a significant cause. Physical retailers that fail to create a compelling shopping experience and establish an emotional connection with customers risk the same fate. Another competitive reason is market saturation: Many chains can no longer profitably grow by adding stores. They should focus on [getting more out of their existing stores](#) — which requires the GJS.

Here's another competitive advantage of good jobs companies: They can adapt to changes such as the economy's ups and downs or an increase in the minimum wage better than their rivals can. Mercadona emerged from the 2008–2009 financial crisis with *higher* market share because it was able to cut prices by 10% while maintaining profitability. Many of its cost-cutting ideas came from employees. They knew their customers and were empowered to identify products and processes that could be improved or eliminated — and they knew top management would take their insights seriously. They also knew the company wouldn't use their cost-cutting ideas as an excuse for layoffs.

Moral. Many executives and managers don't like leading bad jobs companies; they would rather provide good jobs. Mark Bertolini, Aetna's CEO, found it unacceptable for a thriving *Fortune* 500 company to have employees on welfare. Costco's Jim Sinegal told my students, "We didn't want to build a low-cost business on the backs of employees." Although the GJS is likely to offer financial and competitive advantages to any low-cost service organization, doing right by your employees may be justification enough.

THE FOUR OPERATIONAL CHOICES IN A GOOD JOBS SYSTEM

OPERATIONAL CHOICE	EXAMPLE
Focus and simplify	Identify what problems you help solve for your customers and streamline products, promotions, and services to maximize customer satisfaction and employee productivity. Minimize last-minute changes to deliveries and promotions. Focusing and simplifying enables higher wages, more-predictable schedules, and higher motivation for employees; better service for customers; and higher sales and lower costs for companies.
Standardize and empower	Standardize routine processes (the unloading of trucks, shelving, and cleaning, for example) with input from frontline employees, and empower those employees to improve their work, provide input into merchandising (how much inventory to hold, which products to stock, how to display them, and so on), and solve customer problems. Standardization drives efficiency, while empowerment increases motivation and helps employees contribute to higher sales. Greater employee contributions make possible higher pay.
Cross-train	Train employees to perform both customer-facing and non-customer-facing tasks so that they can vary what they do depending on customer traffic — and train them in a way that ensures ownership and specialization. Cross-training means more-predictable schedules, higher motivation, better teamwork, employees who are more responsive to customer needs, and higher productivity (because there's less employee downtime when traffic is slow).
Operate with slack	Staff your units with more labor hours than the expected workload so that you can meet demand at peak times. Operating with slack lets employees do their work without making mistakes, deliver great service, and have time to identify and communicate ideas for improvement. It enables companies to cut costs and continuously improve.

A DIFFERENT SYSTEM

If company leaders conclude that the good jobs opportunity is worth pursuing, they will need to redesign their operations. The most important lesson I've learned is that the GJS is a *system* and all the parts must work together. The system consists of (1) investment in people in terms of hiring, training, compensation, high performance standards, and meaningful career paths, and (2) four operational choices you must make: focus and simplify, standardize and empower, cross-train, and operate with slack.

These operational choices require employee investment, but they also make that investment possible, by increasing employees' productivity and contributions.

To illustrate some of the dependencies that are crucial to the GJS, let's examine how Mercadona can offer employees stable schedules and supply them a month in advance even though customer traffic varies greatly throughout the day and week. (Daily transactions in one store ranged from 1,700 on weekdays to 3,000 on Saturdays.)

Understanding that stable schedules require stable workloads, Mercadona looks for ways to smooth

the latter out. It schedules activities such as deliveries, display changes, equipment maintenance, and product introductions when traffic is likely to be low. Operational simplification (fewer products, no promotions, predictable deliveries, and so on) and the standardization of routine processes (such as unloading trucks, shelving, and cleaning) further reduce variability and make it possible to more accurately forecast workloads. Mercadona knows where to simplify because there's clarity about what value it offers its customers: the best quality-to-price ratio, the highest level of service, and the ability to complete purchases quickly. Everyone is aligned on delivering that value.

Stable schedules require cross-training so that employees can shift between customer-facing tasks (such as helping people find products and manning the cash register) and non-customer-facing ones (cleaning, restocking, and so forth) according to traffic. Specialists in areas such as produce, bakery, and cosmetics are empowered to order products, talk to customers to understand their needs, and improve their work. They have time for all this because Mercadona operates with slack. The specialists feel ownership of and are accountable for their area's performance.

A caveat: I've observed that when some elements of the system are missing, performance falls short of its potential. One big-box retailer I studied paid at least 50% more than the industry average and invested more than two weeks of training in each new employee. That sounds like the Good Jobs Strategy, but it fell short. The company had no mechanism for hearing employee ideas, so the disconnect between headquarters and the front lines persisted. All decisions related to merchandising were made at headquarters. Product variety in some categories was so high that employees spent a lot of time on tedious shelving tasks. The result was not only mediocre performance but also a low Glassdoor score as a place to work, *despite* the high investment in the workforce.

As a human-centered system that yields operational excellence, the GJS resembles the Toyota Production System (TPS) in many ways. At a car factory employing TPS, using common parts and specifications and leveling the volume and sequence of production simplifies and stabilizes work. Developing standardized work with operator input and involving operators in identifying problems and improving standardized work drives operator engagement, quality, and productivity. Cross-trained assembly-line operators can respond to changes in demand by rebalancing the line.

Staffing one offline team leader for every four to six assembly-line operators creates buffer capacity for training and for responding to problems, higher demand, and operator emergencies (a form of operating

with slack). Toyota is known to have worker-friendly policies, such as no layoffs, and to share the values of GJS companies: Customers come first, employees are the most important resource, and the focus is on continuous improvement.

Adopting the GJS requires a system change, but that's worth it, and it's doable! In part two of this article, "[How to Build a Business on Good Jobs](#)," I'll explore how to get from here to there. ■