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BROOKINGS CAFETERIA PODCAST

WHY IT'S HARDER FOR AMERICAN WORKERS TO GET AHEAD, AND WHAT WE CAN DO ABOUT IT

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PARTICIPANTS:

Host:

FRED DEWS
Managing Editor, Podcasts and Digital Projects
The Brookings Institution

Guests:

MARCELA ESCOBARI
Senior Fellow, Global Economy and Development, Center for Sustainable Development
The Brookings Institution

GEORGE INGRAM
Senior Fellow, Global Economy and Development, Center for Sustainable Development
The Brookings Institution

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P R O C E E D I N G S

DEWS: Welcome to the Brookings Cafeteria, the podcast about ideas and the experts who have them. I'm Fred Dews.

This is the 400th episode of the Cafeteria podcast, and I'm immensely proud of this show and all the colleagues and guests who have contributed to it over the last eight years. And I'm also grateful to you, the listeners, for continuing to tune in to these discussions of important, timely, and often complex policy challenges facing our nation and world. Thank you.

On today's episode, I'm joined by Marcela Escobari, a senior fellow in Global Economy and Development at Brookings, to talk about her new report on how to tackle the worker mobility crisis in the U.S. economy. In the face of rising inequality, stagnating wages, a shrinking middle class, and now a global pandemic, many American workers are finding it difficult getting ahead. And today, millions of low-wage workers lack job security and benefits and face the threat of dislocation due to automation and other factors.

In the report "Moving Up: Promoting workers' upward mobility using network analysis," Escobari and co-authors Ian Seyal and Carlos Contreras offer a new approach to understanding and addressing the crisis of worker mobility.

Also on this 400th episode, in a new Sustainable Development Spotlight, Senior Fellow George Ingram shares his insights on why we need better data quality reporting to track donor funding that advances gender equality. Too often, Ingram says, women and girls are left out of the development process, leading to inequitable societies and less productive economies.

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First up, here's George Ingram with a Sustainable Development Spotlight.

INGRAM: Greetings, I am George Ingram, senior fellow at the Brookings Institution Center for Sustainable Development, here today to talk about the need for clearer, more consistent data quality reporting on data that tracks donor funding to advance gender equality.

This issue was highlighted at a public event we held at Brookings in July on a new report, "Making gender financing more transparent," by colleagues at Publish What You Fund, the principal authors being Sally Paxton and Jamie Holton.

If I had recorded this Spotlight several months ago, I would have referred to data on finance for gender equality as esoteric, in the weeds. Not anymore. It is solidly on the global agenda. With the dual actions this summer of the G7 endorsing robust data as a prerequisite for making progress toward gender equality, and a $40 billion pledge to promote gender equality at the Generation Equality Forum, the research for the report was centered in part on investigating how the OECD gender equality marker is used.

So, what is this marker? Most public donors, like the United States and the World Bank, report annually to the OECD in Paris how much development assistance they provide globally, broken down by country and by sector. Think of the OECD as the think tank for governments, designed to advance good government policy. Markers are used to identify certain uses of the assistance and there is a policy marker for gender equality, so we know how much health, education, economic, and other assistance contributes to advancing gender equality.

Why the focus on the G7 and the Gender Equality Forum on gender equality? Because too often women and girls are left out of the development equation. When we leave out half the population, the result is an inequitable society and a less productive economy.

The analysis in the report breaks down the concept of gender financing transparency into three buckets. A snapshot of the findings are as follows. Bucket one: Accessibility. Inadequate data capacity and accessibility are barriers to using data about gender finance. Data must be free to access in formats that are easy to read and understand, such as informatics and in local languages. Further, there needs to be greater investment in the ability of stakeholders to understand and use available data.

Bucket two: Engagement. There is a lack of engagement by donors with local gender equality stakeholders on the collection and use of data. Donors often publish data but do not engage with local groups on priorities, design of programs, funding opportunities, and results. Without better engagement around data, the actors working on gender equality will be unaware of donors' efforts and they will be unable to coordinate their work together for the greatest impact.

Bucket three: Data quality. There is insufficient and inconsistent use of gender markers by donors making it difficult to know what is being spent on gender equality and whether it is delivering needed results.

We were fortunate to have at the event, senior representatives of key stakeholders several major donors, the OECD and civil society organizations. I am pleased to report there was broad consensus on the importance of better reporting on gender financing and commitments for more frequent and consistent use of the OECD gender marker, making alignment with this marker and an update of the OECD Gender Marker Handbook to offer better guidance to donors.

Don’t underestimate that data is political and data is power. With a proper will, donors can improve how they report their gender financing and how they engage with stakeholders and support their ability to understand and use data so that we can make the necessary progress towards meeting the global Sustainable Development Goal number five, to achieve gender equality and empower women and girls. Thank you very much.

DEWS: You can find more Sustainable Development Spotlights from the scholars at the Center for Sustainable Development at Brookings on our SoundCloud channel, soundcloud.com/brookings-institution.

And now, here’s my interview with Marcela Escobari on her new report on how to promote workers’ upward mobility.

DEWS: Marcela, welcome back to the Brookings Cafeteria podcast. Before we dive in, I just want to let you know that this is the four-hundredth episode of the Brookings Cafeteria, so very excited to share that with listeners. And I’m glad that you are the guest in our 400th episode.

ESCOBARI: Thank you, Fred. What an honor.

DEWS: So, as I mentioned in the introduction, we’re talking about your report that you are a coauthor on about promoting workers’ upward mobility. And my understanding is that this report is part of the Workforce of the Future Initiative at Brookings. So, let’s start with the big picture. What problem are you trying to tackle with that Workforce of the Future Initiative?

ESCOBARI: Thank you, Fred. Our goal is to address the growing divergence among people and places because every regional leader knows that they can experience this divergence between regions and growing inequality. But they’re asking themselves, what can I do differently? What do I need to do if I want to drive inclusive growth? What does that really mean? So, what we're trying to do is look at both sides of the equation: the growth piece, like how do I create jobs? How do I make these good jobs that actually absorb the people and the workers that I have? And the second part of the equation of how do I make sure that these jobs actually translate to opportunity? So, we're trying to provide a very rich, data-driven guide to answer these questions that is very place specific.

DEWS: So, why is there a focus on mobility? Do we have a crisis on mobility? I mean, what is mobility to begin with?

ESCOBARI: Having jobs available is absolutely necessary, but what we find not sufficient in this story, and which is, I think, relevant to the recovery that we're seeing in the U.S. right now. So, the question is, how do you make sure that jobs translate to upward mobility? And what we find is there are frictions that stop workers from seizing some opportunities even when they are available. Workers are experiencing dramatic changes in the labor force and are having trouble transitioning upwards. We have a labor market that is acutely bifurcated with a growing set of high wage jobs with mobility and benefits, and on the other side, low-wage jobs where folks tend to churn without mobility, stability, and often dignity. And the jobs that were steppingstones between these two extremes are increasingly rare.

DEWS: Is this a new phenomenon, is this something that we're seeing only in the in the COVID-19 era? How long is this kind of thing been going on?

ESCOBARI: Well, the trends affecting the labor force have been half a century in the making. We have been seeing a slow erosion in the labor participation. We're at some of the lowest labor participation rates in history, particularly for men. One out of five men without a high school degree are outside of the workforce and the pandemic has actually taken another 2 percent to that low number. So, we've gone from 63 to 61 percent of working-age adults working.

And I think in part it is because people are giving up and dropping out. We have seen wage stagnation at the lower end. And while we've had the forces behind these trends, like automation, digitization, and the rise of contract work continue to be at play—and in many cases they've accelerated in this crisis—through the same period we have seen our investments in helping people upgrade their skills or transition to better jobs dwindled in the same period. We actually spent one fourth of what we spent in the 1970s and a fraction of what the OECD countries spend in training.

So, low-wage work has become both precarious and pervasive. And mobility is also at risk. Only 9 percent of Americans in the top quintile today were born to parents in the bottom quintile, compared to OECD average, which is 17 percent. Actually being born in Canada rather than the U.S. nearly doubles a child's chance of moving from bottom to top quintile.

So, we're seeing a rebound from COVID, but not everyone is rebounding in the same with the same speed or conditions. Low-wage workers are lagging, certain cities are lagging, certain industries are lagging. So, we wanted to understand who is being impacted and why? Because specificity is important, because otherwise all this growth, all this infrastructure spending will just reproduce existing inequities if we don't understand where are the bottlenecks and for whom.

DEWS: Those are some really disturbing statistics that you cited about mobility, and I've heard them before when I've spoken with other scholars like Richard Reeves about social mobility, about income. And as we start to get into the discussion of your report itself, I'd like to stay on some of these high level, contextual concepts. And one of them, the question I have is, are there specific factors that affect mobility, like type of job, like race, like gender, or even particular industries?

ESCOBARI: Yes, actually, all of the above. We find that upward mobility is marked by gender and racial gaps. When Asian men switch occupations, they transition upwards 61 percent of the time, compared to 37 percent of the time for Hispanic women. And actually, getting a degree increases your opportunity to move up, and it narrows mobility gaps, as one would expect. But alone, it actually doesn't resolve them.

Low-wage industries also offer workers less mobility. So, for example, the sector with the lowest median wage, hospitality, also offers workers the worst prospects for upward mobility. Actually, in hospitality when workers transition, they only see 36 percent of those transitions being upwards, compared to utilities or professional services, some of the best paying industries or clusters, upward mobility in those sectors is 66 percent, nearly double.

And this, we think, is for two reasons. Partly because certain types of occupations in certain industries are less mobile, but also within the same occupation we find that a secretary or administrative assistant in the health care industry is actually will experience less mobility than an administrative assistant in professional services or finance. Actually, the difference in mobility between the same administrative assistants in these two groups is 40 percent.

DEWS: So, you were just talking about the hospitality industry and its low rate of mobility. Is that what you mean by low-wage work being "sticky"?

ESCOBARI: Yes, low-wage work is sticky, it's actually strikingly so. And what that means is that it is hard to leave low-wage work, and actually the longer that you've been there, the harder it is for you to get out. When we were looking at 31 occupations that employ nearly 20 million workers—the lowest-paid occupations where 90 percent of workers within these occupations make less than twenty dollars an hour—and we found that over 10 years, only 43 percent of these workers left low-wage work. But their probability of leaving low-wage work also declines exponentially over time. So, that dishwasher on year one will have a 13 percent chance to escape low-wage work. But that probability drops to 1 percent on their tenth year.

DEWS: I want to start to get into the nuts and bolts of your research, and it really has to do with your study of occupational clusters. You just mentioned the 31 different work areas and you were talking, for example, about administrative professionals in different occupations and how one is maybe 40 percent more likely to have some mobility than the other. And you do this through something called network analysis. So, can you talk about what network analysis means, how you use it to study occupational clusters? I mean, what is that methodology all about?

ESCOBARI: Sure. And this has been one of the innovations of how we approach this research. But first, with the data, the data that we use—we compiled the CPS survey data for the last 20 years on workers' real job-to-job transitions, over 200,000 data points to make this network. And in this network, the individual occupations are nodes and the connections between them represent the frequency of workers moving between these nodes. So, this allows us to paint a visual picture of the labor market and how workers move through it. So, if a teacher tends to become a school administrator, that transition would become like a line between these two nodes in the network. And the more often that that transition happens, the thicker the line and the closer together these nodes are. So, you know, construction laborers often become HVAC technicians and thus these two nodes would be close to each other.

So, what's remarkable about looking at labor mobility this way is, as you mentioned, that clear clusters emerge, 15 clusters emerge, which are derived through a detection algorithm that partitions the network into mutually exclusive groups. But I want to emphasize that this clustering only depends on workers' transitions. So, we asked the algorithm to create clusters where workers frequently move within them but rarely leave. So, the algorithm isn't told anything about wage, gender composition, et cetera. Yet there's stark differences in wages, demographics, educations, mobility prospects in these clusters.

So, what we find is that workers move within these boundaries of these clusters much more frequently than across them. So, transitions involving occupations in the same cluster are 3.8 times likelier than cross-cluster transitions. And just to give you a sense of what we find, some clusters are what you might expect in an ideal labor market. You see career paths, right, much more wage variation within them, which means that workers have the opportunity to move from some low wage to higher wage jobs. And the health care cluster is one of these, which actually accounts for 34 percent of the labor market's total projected growth over the next decade, where you can start at the bottom as a health aide and you can move up.

But by contrast, there are five clusters that have low wages and very small wage variance. This is what we call the sandpit clusters, and they reflect what we were talking about, that low-wage work is sticky, and the many low-wage workers will spend their careers cycling from one low paying job to the next.

DEWS: Marcela, I just want to take this opportunity to encourage listeners to go download this report and look at the amazing graphics that explain a lot of what you're just talking about with the circles and the lines where the different clusters in the networks that connect them, but also to go learn more about the different clusters.

You were just talking about the sandpit clusters, and people can learn about what those what those are like, personal care assistants. And then you talked about the health care is its own cluster. There's technology and software. There's all kinds of major categories of occupation.

So, you talked about the number of clusters, but you also kind of categorize them. We've talked about low-wage, low mobility, occupational clusters. There's also high-wage, high mobility clusters like technology and engineering. So, what are some of the characteristics of a high-wage, high mobility cluster as compared to that other kind?

ESCOBARI: Perhaps unsurprisingly, tech reigns supreme when it comes to mobility and wage prospects. There are 39 occupations in this cluster, jobs like software engineers, computer analysts, and about 8.5 five million workers, 6 percent of the U.S. workforce. And the median wage in these occupations is 43 dollars an hour, which is rather high. And the workers in this cluster transition upward a healthy 70 percent of the time. So, if you're moving in this cluster, you're more than likely moving up.

When you compare that to a cluster like the food and customer service cluster, has 3 million more workers, and while the tech cluster pays on average 43 dollars an hour, the food customer service cluster pays less than a third, 12 dollars an hour, and an upward transition rate is nearly exactly half, at 34 percent.

So, there's a lot of doom and gloom in some of these findings, but it's also promising to know that there are areas in the labor market that do offer chances of upward mobility. And we need to make sure that they are accessible to everyone. I mean, the tech cluster is disproportionately male, has the highest share of workers with a bachelor's degree, and has the lowest share of Hispanic and Black workers.

DEWS: You have this really fascinating metaphor throughout your report of networks as buildings in a small city to kind of explain how workers transition across to new opportunities or the barriers they face to achieve upward movement. Can you elaborate on that metaphor?

ESCOBARI: Sure. And we brainstormed a lot to find the right metaphor. So, a lot of funny ideas did not make the cut. But the city metaphor, I thought worked. So, imagine the network as a small city where each cluster is a building and the highest paid occupations are located in the highest floors, and workers' experiences and career prospects are powerfully shaped by the buildings where they work. So, some entry level jobs are in skyscrapers built on hilltops with escalators and elevators offering workers ample opportunity to reach the top floors. And those are the clusters we just discussed; sales and management, business, engineering are in such buildings. But many more, however, are squeezed in these squat buildings in deep valleys, with broken staircases, with low ceilings and few exit doors or pathways to more promising opportunities.

However, we see connections. We call these skyways. Think of Minneapolis. Skyway occupations which allow workers to jump from building to building, from low-wage, low mobility work to higher wages. And we actually identify some of these skyway occupations. And we also find that even within these tall, healthy buildings like health care, there are certain transitions that are blocked, and they're blocked for certain people.

DEWS: But even in the health care field that you were just talking about, I mean, some workers still get stuck, is that right?

ESCOBARI: Yes, exactly. This is what we find, that there are promising pathways, but not everybody traverses them in the same way. So, for example, in the health care cluster, we see where barriers exist and for whom. For example, let's take health aides. This is not a particularly upward mobile position, but people do jump from it to a steppingstone job like LPN, which is a licensed practical nurse, and from there, people tend to jump to a registered nurse, which is a higher paid job. But what we find is that white workers make that transition from LPN to RN twice as often as Black and Hispanic workers. So, simply widening some pathways, as we see in health care, might actually only reproduce inequities. So, we should understand how to widen them, but also alleviate these very specific barriers that certain people are facing when they're trying to move up.

DEWS: Let's move on to some of the policy solutions that you talk about in the report. One of the policy ideas that you propose, and you've written about this before, is a large federal infrastructure program. And as we are here speaking, there is a very large infrastructure bill pending in Congress. By the time this airs, maybe it will get signed into law. We don't know. But how would such legislation help with worker mobility?

ESCOBARI: So, on infrastructure, we actually took our workforce lens to understand how can one invest in infrastructure in a way that has the greatest impact on workers. So, understanding the workforce readiness could be really helpful for states, cities, localities to decide how to prioritize certain infrastructure projects to maximize reemployment benefits of the currently unemployed, but also understand where can reskilling have its greatest impact.

And to take one example, we looked at high speed broadband and what would expansion of broadband look like in some of the proposals from Congress. And we estimated that a project of 80 billion dollars would create around 200,000 jobs across many occupations, and 85 percent of these jobs could be filled by currently unemployed workers. But there were several key occupations where there were not enough unemployed workers that would require training. And our data could be helpful to identify what we call adjacent occupations, those that are nearby in the network who might already possess many of the skills needed so we could be very strategic about reskilling.

But also, we think that having this lens might give us a sense of which infrastructure projects may be most appropriate for what locations to be able to absorb currently displaced workers. In Pennsylvania, for example, considering starting with infrastructure projects that plug orphan oil wells that leak methane, which is a toxic pollutant, would absorb workers from the fossil fuel plants that are currently closing.

So, understanding who's unemployed, who's likely to be absorbed by new growing jobs, and what specific training can help some of these workers' transitions, I think will be key so that such bold investments as the infrastructure bill currently in Congress could really translate to opportunities for people.

DEWS: Marcela, as we start to wrap up here, I want to go back to something you said near the beginning, and that was a comparison between mobility in Canada and the United States and what the data show. And we hear this all the time here in the United States that if you, quote, work hard and play by the rules, you'll get ahead no matter what job you have. But this research and data suggests to me at least, that that's not necessarily true. What do you think?

ESCOBARI: Yes, I think, unfortunately, we find that that's true and it's no surprise that the American Dream, the idea that hard work pays off, is also in crisis and is contributing to the sense that the system is not working for me, it's rigged against me. So, we show that, you know, mobility is happening. And, self-efficacy is always an important ingredient in people moving ahead. But there's also something about the occupation that you start in, about the structure of the labor market that really alters your chances of moving up.

People in certain occupations are getting stuck. And I think this has policy implications around a minimum set of standards and protections for certain workers in certain occupations, the portability of those benefits to be able to help people move, and just providing them enough space to be able to invest in themselves, reskill and participate fully in in the American economy. And I think it also reinforces certain policies and scaffolding that people will need to be able to better transition when opportunities arise. Things as obvious as affordable housing, affordable transport, childcare. All of these, including the portability of benefits, will make a difference in this labor market that we find is increasingly bifurcated and where mobility is available to some, not all.

DEWS: And those policy ideas are explicated further in the report. I'm going to quote here from your report to end this conversation. And you write, "The central challenge of our coming era is to help workers cope with technological disruption while improving mobility, reducing inequality, and advancing equal access to opportunity so that all American workers can share in the benefits of innovation, rising productivity, and economic growth." Are you hopeful that we can meet this challenge?

ESCOBARI: Yes, and that's why we're working on it. I think there's a growing acknowledgment around the cost of an unequal society where opportunity is not widely shared. Folks increasingly acknowledge that this recent period of declining economic mobility has occurred alongside increased social discord, alienation, distrust in institutions, and political polarization. And I do think that not only an intense focus, along with data and tools, can really help us tackle this challenge with the energy and specificity that it requires.

Low-wage work will be a persistent feature of our economy, so improving job quality with a stronger safety net will be especially essential to those that will spend their entire careers at the bottom of the income ladder. But we also know that there are opportunities to widen pathways, to unlock pathways for certain groups, and to create new steppingstone occupations that provide a route upwards. And I think it'll take work from all of us, from companies to encourage internal mobility, realizing that people learn by doing, that they grow within companies. But also expanding their hiring practices to give a broader set of workers a chance to come in into entry positions.

We'll need policies from government that provide that scaffolding that can make some of these upward transitions possible: affordable housing, transport, portability of benefits, childcare. And again, for organizations that support workers in reskilling and retooling. We hope they can use data to understand what transitions are feasible, which ones can actually provide mobility and realize that these workers have the highest opportunity cost for their time. So, we need to make sure that their investments in education pay off. Low-wage work will always exist but does not need to be a life sentence. We need to make sure for those that will spend their careers in low-wage work that we have the minimum protection so they can participate and thrive in American society. And there's a lot that we can do to make opportunity, again, a central feature of our economy.

DEWS: Well, Marcela, I guess we have to leave it at that. I want to thank you for sharing your time and expertise with us today here on this 400th episode of the Brookings cafeteria podcast.

ESCOBARI: Thank you, Fred.

DEWS: You can find the report by Marcela Escobari, Ian Seyal, and Carlos Contreras, “Moving up: Promoting workers upward mobility using network analysis,” on our website, Brookings.edu.

A team of amazing colleagues helps make the Brookings Cafeteria possible. My thanks go out to audio engineer Gaston Reboredo; Bill Finan, director of the Brookings Institution Press, who does the book interviews; my communications colleagues Marie Wilkin, Adrianna Pita, and Chris McKenna for their collaboration. And finally, to Soren Messner-Zidell and Andrea Risotto for their guidance and support.

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Until next time, I’m Fred Dews.