The Brookings Institution
Center for Sustainable Development
and
The Rockefeller Foundation

17 Rooms Podcast
"Metrics for job quality, mobility, and equity"
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Episode Summary:

In this second interview of the "17 Rooms" podcast, Marcela Escobari and Ethan Rouen discuss elevating the "S" in ESG through a streamlined set of firm-level metrics that capture job quality and economic mobility. Escobari, senior fellow at the Center for Sustainable Development at The Brookings Institution, and Rouen, professor at Harvard Business School, moderated Room 8, alongside Otis Rolley of The Rockefeller Foundation during the 2021 17 Rooms flagship process. Room 8 is focused on Sustainable Development Goal number 8 on Decent Work and Economic Growth.

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TRANSCRIPT

MCARTHUR: Hi, I'm John MacArthur, senior fellow and director of the Center for Sustainable Development at the Brookings Institution.

KHAN: And I'm Zia Khan, senior vice president for innovation at the Rockefeller Foundation. This is 17 Rooms, a podcast about actions, insights and community for the Sustainable Development Goals and the people driving them.

MCARTHUR: So, Zia, how are you doing today?

KHAN: John, today I started this morning in a way that's actually pretty relevant to this podcast. I went to my local coffee shop, chatted with the owner, as I have been through this whole period, and she's trying to reopen her business, but is having a bit of a hard time finding people to come work. And fortunately, she's just not thinking that I can't find good workers. She also understands, because she has a daughter in college, that people have just reformulated their relationship to work and are rethinking their relationship to work. And as a small business, she's trying to think about how does she manage towards that.

MCARTHUR: Jobs are one of the big mysteries in our economy and our society. Most people need one. But what counts as a good one, what's a helpful one, what's one that comes with the position as opposed to opportunity? These are a lot of big questions that people have been confronting, as a lot of people lost their jobs through the pandemic, in particular. Huge numbers of people. And then very quickly, a lot of people are going back to work either in new places or new ways. And it's interesting to think about how this might fit with the 17 Rooms process.

KHAN: If you just think about working remote, managers had to think about how to manage work differently, people experience work really differently. So, I think there's a lot of creativity around some paradigm shifts that can happen around the relationship between people, their jobs, and companies.

MCARTHUR: And we're going to hear from some people today who have been focusing on the decline in steppingstone jobs, jobs that give new opportunities for progress in career and livelihoods. And we're going to hear from Marcela Escobari and Ethan Rouen to learn about their efforts to design and pilot a set of firm-level metrics to monitor and increase job quality, mobility, and equity in the United States. This is part of Room 8, a working group for SDG 8 on decent work and economic growth in this year's 17 Rooms process.

Marcela Escobari is a senior fellow at the Center for Sustainable Development here at the Brookings Institution, where she leads the Workforce of the Future initiative. And Ethan Rouen is an assistant professor of business administration at Harvard Business School, where he teaches the elective course “Reimagining Capitalism.” And he's also the faculty co-chair of the Impact Weighted Accounts Project at Harvard Business School. His research interests focuses on understanding economic inequality and the measurement of human capital. Marcela and Ethan co-moderated Room 8 this year with Otis Rolley, the senior vice president for U.S. equity and economic opportunity at The Rockefeller Foundation.

And for new listeners, 17 Rooms is an approach to spurring action for the Sustainable Development Goals, or SDGs. It convenes 17 working groups, one per SDG, and asks them to focus on an area within an SDG that is ripe for action, and to define some concrete next steps that can be achieved in 12 to 18 months to make progress. I think we're going to hear about a pretty great example of that process today, Zia.

KHAN: These moderators are brilliant, and they were fun, and I'm looking forward to sharing this conversation.

MCARTHUR: Marcela and Ethan are co moderators of Room 8, the working group for SDG 8 on decent work and economic growth. This is their story.

Welcome to 17 Rooms, Marcela, nice to have you here.

ESCOBARI: Great to be here, John.

MCARTHUR: And Ethan, such a pleasure.

ROUEN: Oh, thanks so much for having me.

MCARTHUR: Zia, let's dive in.

KHAN: I'd love to know from each of you your story of how you got to this Room in 17 Rooms. Ethan, maybe we could start with you.

ROUEN: It's a long story. I've been exposed to social justice and unfairness that it hopes to address or that social justice helps to address for a long time. I grew up in a town that was the first to voluntarily desegregate its school system. And when I was in elementary school, a white police officer shot a black teenager in my town. The teenager's cousin and the police officer's daughter were both in my class. And it was eye opening and scarring from a very young age.

Then when I grew up, when I graduated college, in my first job I worked in the library of state prison. And from there, I went on to become a crime reporter for the *New York Daily News*. And so I've seen how unfairness shapes our system for so long that when I now went on to become an accounting professor, my theory of change evolved to one where we can think about how measurement can help to correct some of these injustices. We can't really identify solutions without accurately measuring the problem. And Marcela and Otis were nice enough to bring me into 17 Rooms in Room 8 about two years ago to very much address this problem from the corporate side, which is exactly what my training prepared me for. It's about figuring out how we can create measures where companies can identify the workers that need help and the help that they can get to bring them into successful lifelong careers.

KHAN: Thank you for sharing, Ethan. Marcela?

ESCOBARI: Thank you, Zia I grew up in Bolivia, the second poorest country in the hemisphere with two parents who were doctors. And I think they brought their profession to the dinner table, and I saw how, more of those kids were dying out of poverty than disease. So I think they encouraged me to deal with the more structural issues of poverty versus doing it one by one, even though I think they had incredibly rewarding careers.

And that's what I've been trying to do. I've spent the last twenty five years working in international development, trying to understand how places grow in a way that can lift people out of poverty. And after serving in the Obama administration, and coming out of government and seeing the importance of what can be done on the policy level, I just had an urge to focus on some of these issues around me, which is what led me to join Brookings, start the Workforce of the Future initiative, understand poverty and inequality in this country. And think again about growth and how capitalism can work better for people. And this is this is how we ended up fitting what 17 Rooms does to something that I'm really passionate about.

MCARTHUR: There's the third co-moderator, Otis Rolley, who wasn't able to join us today, but maybe Marcela, I think, as progenitor, you can explain just how the three of you came to be together.

ESCOBARI: Yeah, I think you guys put us together. But Otis is amazing, is fantastic. We sat together when we were put in the same Room. He works at Rockefeller on economic opportunity. And we both have the same urge of saying, can we not make this just another conference? How do we make this count and make it worth our time? We don't want another experience where we're talking at each other or past each other. So, we really brainstormed on being very narrow and actionable and what we were going to do if we were going to spend time in this initiative. And I remember we put three ideas together. We chose one, which was in the upper quadrant of doable and meaningful with a slight sparkling chance that it could be a moonshot.

And I'm trying to remember, Ethan, I think we met in Congress in a panel organized by leadership now, and it was on improving job quality. And I think I actually remember disagreeing with one of our fellow panelists, which I rarely do. And later he became part of our group, where he thought that investing in job quality was always a win-win for profits and workers. And I didn't think that is the case. But I found Ethan to be so smart and thoughtful and sharp, but with humility. And from Harvard’s Business School. So I thought, that's a rare combination. We need to try to rope him in into this project. So that's what I remember at least of how the different pieces came together.

ROUEN: That's exactly how I remember it, too. No, that's so kind of you, Marcela, thank you so much. So I didn't start as a moderator, actually two years ago I started as just a participant in the Room. And it was just so impressive that Marcela and Otis had a vision of continuity that, exactly, it wasn't just a conference. This was creating a coalition to address this issue and creating it with the idea that it would not stop after last year's conference. And in fact, they've been incredibly effective at continuing it into this year's complex. We've had lots of continuity in the participants and definitely continuity in our mission, and it's evolved, and we've gone further than I thought we ever would. And Marcela, when her obligations she thought would be expanded into the Biden administration, asked me to come in and help as a co-moderator. And I, of course, could not say no, especially given all of the hard work that Otis and Marcela had already put into this.

MCARTHUR: Yeah, it is interesting to reflect on, some of the 17 Rooms, of course, have continued almost in a ratcheting up from year to year. I want to dive into the substance of it in a moment, but I think it's just worth reflecting that journey going from identifying the problem as Marcela described it—maybe this could work, this seems like it could be good, to, gosh, there's a there there, and let's keep pushing. Curious how that feels to you as we hear about the first bits of it.

KHAN: It's always exciting, John, for me, while we're trying to balance urgency to get something done, sometimes a room just does need to explore and germinate a little bit. And then sometimes there is something about the external environment that makes the time right. So as we use these metaphors in 17 Rooms—there's the campfire discussion to explore ideas, there's the trial balloons of testing a few of them, and then there's the ascent of locking in an idea, getting a room that's really excited about it and driving forward to it. So it's exciting to hear that journey. And we'd love to hear about 2020, a conversation exploring these topics, honing in, what felt different as you entered into 2021 about what you wanted to get done?

ESCOBARI: I’ve been I've been at this with my good friend, John, since the beginning, and I remember our first conference. And I was like, Let's do what we need to do. We had amazing people around the room, and we did what a lot of conferences do, right? We said a lot of smart things, we wrote on the blackboard. But we're dealing with like such a humongous problem, right? Decent work in the world. It's like, it's everything.

And that's how when I think we united forces for the second year with Otis, where we're like, can we just do something very different? The problem is overwhelming. Let's just take a very, very narrow piece of this that we think really combines a lot of things that we've been doing our part of our day job. And I think it's the same with Ethan, right? He brings this incredible expertise to a very narrow problem of how firms can contribute to creating better work. And I think that was a little bit of our ascent, is a very conscious choice that we were going to be very narrow in our goals. And knowing that if this succeeds, it actually could be profound.

MCARTHUR: And Ethan, I'd love to ask you about this. You are a professor at Harvard Business School. We have this massive global movement around so-called ESG—environment, social, and governance. But really, this is about elevating the "S" in ESG, the social. And that's actually a bit unique in the world right now, where there's so much conversation on net zero commitments, and sustainability writ large. Could you just help our listeners understand what is this part of the "S" that you're focused on in Room 8? You have this term “opportunity metrics” that you're using. How does it fit into what the world is debating right now and in this big set of issues that Marcela just referenced?

ROUEN: Yeah. So as an accountant, I see the world is everything is a measurement problem. And as you pointed out, John, the "E" in ESG has received a tremendous amount of attention, in part because it's easy to measure compared to the “S” and the “G.” You know, you can identify the resources consumed, you can identify the emissions going into the air.

On the "S" side, it's significantly more challenging, and Marcela and I have now talked to more than a dozen companies about this issue, and many of them are thinking about creating meaningful work and opportunity for their employees very differently. And so our goal has been to create metrics that are scalable and applicable to a broad set of companies that will allow them to ask, are they are they creating opportunities for their employees? Where are the gaps? Who's missing? So it's a combination of looking at who's receiving training, it's who's moving up through the ranks. What happens when an employee changes jobs? Does that include getting a promotion and a significant raise? Or is that employee just moving from one menial job to another?

And with that, we're able to say, here are your gaps. And going back to what Marcelo was talking about in terms of the continuity here, I remember at the end of the 2020 conference I had two thoughts. I thought it was the best execution of a Zoom conference I had been to. And it was really bittersweet because I thought we did such good work and came up with such a robust framework. And I say we, it was Marcela and Otis, and I kind of just glommed on. But I thought that would be the end of it.

And the most exciting part has been during the process for preparing for the 2021 conference. We've been actually working with data from companies and applying our metrics to these companies, and we're identifying holes where we had this aha moment with this incredibly large company where they said, Oh, we are spending a lot of money training our low wage workers. We're not seeing any results in terms of mitigating turnover. What's going on? And we looked at the data and we said, when you take out training expenses for compliance, all of the training expenses are going to your high wage workers. And we did this on Zoom, and I could actually see the managers’ eyes just open wide in amazement because we basically helped them solve the problem. We helped them identify why their training wasn't being effective.

MCARTHUR: And Marcela, so much of the conversation today is about what government needs to do to tackle mobility and what education systems need to do, but you're really focusing on the company piece of the equation. Just help our listeners understand, what's the role of companies in this as opposed to the government or someone else?

ESCOBARI: I think that question is at the core of what we've been trying to do because we have these narratives on the extremes that, oh, companies who focus on their workers are going to do great. So they should just invest. And yet in reality, that's not the case. Many firms are not investing in job quality. Twenty-nine percent of the American workforce does not make a living wage, works and is not able to pay for minimum necessities.

So that narrative is not necessarily helpful because it is not necessarily moving the needle. And the truth is that we believe that companies that do that will likely see benefits. But the truth is we don't know. So the only way we will know is that if companies are really honest, can open the hood with their data, and measure whether if they're investing in the right things, whether that has an impact in their bottom line, in retention, in increased market share and performance and whatnot. And when it doesn't, that's the role of policy.

So in a way, that's what we hope to do with is to understand where does the market can and should solve for this? And companies have the data to answer that question? And where it doesn't and make sure we have we have policies to address that.

KHAN: Marcela, I want to probe on that very interesting point. As a former management consultant, I can remember working with companies a lot to create metrics to inform things they didn't know about. And sometimes the reaction in the executive suite was, great, now we can manage to something. And other times the reaction was, oh, this is not so great, now we have a tension that we know about it. Now if we do address this, it could raise costs, et cetera.

And there's so many companies that do talk about if we could just shift the rules of the game we'd love to compete on this dimension, but we're in a system where we would be taxing ourselves if we sort of leaned into certain areas that we now know about. And I think about this on carbon credits, with the "E" of the ESG, this comes up a fair bit—for really efficient companies, they would love to compete on environmental issues, but they feel like they're taxing themselves.

I'm curious where you do see the policy opportunities. Where are the areas, as you think about opportunity metrics, where companies may have to make a tradeoff? But is there some policy window that could help eliminate that tradeoff and perhaps help companies compete in a certain way to realize more social impact?

ESCOBARI: Let me give you one example and pass it to Ethan. The clearest one is wages. We want a living wages for people that work. But the truth is that in certain very tight margin businesses, and more so in the way that our economy has evolved, which is bifurcated where all the catering and janitorial services now are outsourced, so you have companies that have no mobility and are just low-wage workers. The margins are so tight that people feel, I raise 50 cents and I'm out of business.

And the truth is that, first of all, when you start measuring actually what matters, which is how many of my workers make a living wage, then you can start to see what levers do I have to get there. And you find, as the example that Ethan mentioned, that then you can be creative in ways that you didn't think about.

For example, in one of these companies that we worked with, they were able to have certain customers that, like the Googles and the Microsoft, that in their own commitments to ESG or being a good community member, were willing to pay more for the workers from that contractor to show up. Right? So they were able to pass it to the customer. And when they did that, they were able to pay being better wages and whatnot.

But for many of these companies, I think at the end of the day, regulation is going to be the only way in which you can have a level playing field so that the high margin, the low margin businesses can still provide this. But the reality is that unless we have enough data to know in what cases does it translate to performers are not, we can't make the decision or in what circumstances this is policy problem, where do we actually have a market failure? My intuition is that in wages, we do have a market failure.

ROUEN: You hit the nail on the head there, Marcela. It's not just companies acting unilaterally here. We need a combination of policy changes with commitments from companies. But one of the reasons I'm optimistic is because the levers are so broad for policy. I agree that wages is a very simple and most direct way to do this, but it's also about providing better outside opportunities. It's about health care. It's about giving employees the opportunity some freedom in the jobs they choose to take, which will then force companies to improve their jobs.

And during the pandemic, it was a great example, I had all these friends in the restaurant industry who were not working because they were making more on unemployment than they were at their jobs. And the companies came from that as, this is awful, the government needs to stop this. But you could also look at it as, this is awful that they're making so little you need to raise wages. And again, raising wages in the restaurant industry is a significant challenge, but the government can help that by also offering to compensate for benefits, to compensate for sick leave. There's just a host of opportunities. And so I think that just starting to pull these levers, we can see some really big differences.

MCARTHUR: You have been focusing, Marcela and Ethan, on the U.S. economy here in this exercise. And I'm curious, when you talk with these big companies on a major issue like this—obviously we had the Black Lives Matter movement really taking such an extraordinarily strong shape in the past couple of years for all sorts of important reasons. We have so much around the role of immigration and workers and all these hot-button issues around exclusion, discrimination, and so forth. When you talk about Sustainable Development Goal 8, that might seem a bit far off abstract or even unheard of. How much of the SDGs help or even matter in this conversation, as opposed to just the basic substance of worker mobility? Are they a tool or are they a constraint?

ROUEN: I think that it's a worldwide attempt to rally organizations around a shared set of goals and just subscribing to those goals is an important signal. But it also provides guideposts for organizations. We have a case on a Scandinavian private equity firm that we teach at HBS that uses the SDGs to decide which companies to invest in. They want companies that are actually making progress on these SDGs. And without them, I don't think those goals would have been possible because when you look at the world's problems, you can get overwhelmed, you can get drowned in the problems. And narrowing that subset to a tangible set of goals is great.

ESCOBARI: I agree with that. And you are the expert in this, John, but for me, this project and participating in 17 Rooms has given me a really deep appreciation, for somebody who has been in development for most of their careers, around the value of having that goal post for people to come together around solving problems. It's not everything, but it's so important in rallying collaborative approach on these just broad, intractable problems. And the two of us, I think, are also are junkies for measurement. So by the choice of our project, I think it really it really resonates.

MCARTHUR: And so can you tell us a bit about the next steps? You mentioned about a dozen companies. I don't know if you're able to mention any of them or how much is still behind the scenes, but just help our listeners understand what is happening next based on this incredible set of people coming together. And maybe even a little bit about who is coming together in the room to make this happen.

ESCOBARI: We have an incredible group of people, and it has been shifting, people have been leaving as this is not their thing, we've adding new people. But we have been using the group in a really productive way. We have, you know. Somebody who leads an ESG fund with, I think, trillions under management, Ethan? We have an online job board community of over 100 million workers in the U.S. We have people in government. We have a couple of the largest companies in the U.S., and the top executives and in H.R. And everyone has given to it things that are part of their asset base, and their assets are quite amazing.

So people have introduced us to companies. They are helping us promote these metrics as we just launched the first iteration of metrics that we've put out in the world. So, I think it's been iterative. We engage with them individually, we engage with them as a group, and has been productive because I think everybody feels committed to this, but they're helping us in things that are related to their day jobs.

KHAN: What's so interesting about that description to me, Marcela, we talked a little bit about the benefit of focus and narrowing. And John, your phrase of “pick a swim lane within a swim lane,” which I find to be counterintuitive to lots of the SDG conversations where everyone sticks to, What about this? What about that? And you stay at this abstract systems level without being able to carve out a lane to go down into. And I found that one of the challenges was carving out a lane and going down into the details, is that's where the friction, that's where the debate, that's where the tradeoffs start to emerge versus the polite consensus that can happen at a super high level. I'm curious, with all the progress you've made, what were some of the core debates or frictions or even tense moments that happened in the Room that you had to wrestle with as you were deciding how to go forward?

ROUEN: I volunteer to go first, I don't know why, because I don't really have a great answer there, Zia. It's really hard to identify those given how diverse the group was in terms of the roles they play in creating and addressing this issue of meaningful work, but also in the fact that we all came in accepting that this is a learning process, that if we asked every single person what the most important metric was, we’d get different answers and we also didn't believe that we would change everyone's mind. I think at the end of this, we also don't think that everyone would agree.

And so that's again one of the benefits of continuity here, is that we are continuing to hone our measures. We're continuing to think about what we can do better. And so, I can’t identify a point of tension, I think more often it happened as, oh, we hadn't thought of that in the past, maybe this is a better way to do it. Or we hadn't thought about that in the past, but we think that this is the better way to do it.

ESCOBARI: I would say what we struggled with is understanding and finding a place for this initiative that doesn't duplicate what other people are doing. In a way, these are not ESG metrics, these are human capital management metrics that are grounded in deep research of what's wrong with our labor market. And that's an unusual way to look at this problem. So we all have to get on the same page of our very narrow lane and how we were going to effect change and know that we weren't going to have the perfect answers. And this is why it was hard to put the first things out there, and we hope we continue to iterate, improve, and compile also, in terms of what comes next, compile best practices of how companies are moving the needle on the right issues, so that then this body of work that we're building together can be a resource for more and more folks.

MCARTHUR: And just to put on my economics hat for a second, you're talking about these issues, this movement, this need for measurement. Can you give us some examples of what exactly is a good thing to measure? Do you have some hypotheses on top couple of things that should be tracked by a company?

ROUEN: This is this is our mission. This is what Marcela and I spend 90 percent of our 17 Rooms time on, is meeting with companies to talk about this exact topic. And total wages is a clear one. Defining average wages by different wage bands is also really helpful. Turnover rates as an outcome measure, thinking about how policies affect turnover, which is really the direct outcome of all of these policies and is very costly to firms. And lastly, investments in training, because that's the way that you get to meaningful work. And also what companies define as training is very different. And so understanding who's getting trained and how they're getting trained is vital to this process.

And, John, going back to a very early point that Marcela brought up, one of the frustrations or fears is that we're kind of stepping off onto what we hope is an invisible bridge, because none of this is being measured at a large scale where we can actually compare and identify efficacy ex ante. There's an old trope that if you invest in training employees, they're all going to leave because you're going to pay the training dollars and then another company is going to poach them. And there's no empirical evidence to suggest otherwise, but the anecdotes time and again suggest otherwise, suggests that it actually creates a sense of loyalty, it gives it gives employees a clear path to their future. So what we're hoping to do is take that out of anecdotes and actually show some empirical evidence that that is the case.

ESCOBARI: And to add what to what Ethan said, training is an input to mobility. And we've written a big report on mobility, and the reason people have a hard time measuring mobility is because it's really hard. So they've avoided in many of the metrics that we see out there, and we are trying to hit it head on in terms of finding good metrics on mobility and that inform practice.

And I'll try one of these examples. So what Ethan was talking about is as workers get trained and move it through a company, like how do we measure that? Our measure on mobility kind of comes from one of our findings in our research, which is that stepping stone jobs, jobs that help people go from low wage to high wage, are becoming a smaller part of the American economy. So the bifurcation of the labor force comes from we have less of those jobs, but those jobs become those jobs when companies help workers make that transition.

So one of our measurements is, okay, how many workers have you moved from this low wage to a higher wage this year? And for four different companies, that threshold might be different. And we give them other tools, for example, to understand that when the health aid moves to practical nurse to nurse, you can analyze this data of who's being left behind in those transitions and know exactly where to act to unlock the bottleneck for why is it that when LPNs, licensed practical nurses, move to nurses, white workers tend to move at twice the rate than Black workers and Hispanic workers.

So when you get to that level of data, then you can say, okay, now I can understand, is it role models? Is it training? Is it childcare? What is it that I can do so that these numbers don't look like that, right? But you need to know what you're measuring.

And I'll give you one more tangible example of this mobility. There's a lot of conversations about skill inflation or degree inflation that leaves a lot of workers out of opportunity. So if you're a company and you measure how many job postings you have that don't require a bachelor's degree, there's not a good or bad number. But let's say that number for your company is 5 percent. I don't actually need a bachelor's degree for that janitor or that assistant or whatnot. So you've got to be honest about that. And then you realize that when you look at who's walking in the door, only 1 percent of your workforce doesn't have a bachelor's degree. So then you've got something to work on to say there is a gap between what I say and what I do. Is it my recruiting? Where I'm recruiting from? Is it my interview process? And you can actually make that actionable. And we're trying to understand what we really want to see and then move backwards to the measurement of it versus just going for what's easy to measure.

KHAN: And, Marcela, on that particular example, it reminds me of just the fact that companies are their own miniature political economies. So much of the requiring of a degree comes from H.R. departments that want to cover themselves if there was a quote unquote mistake in hiring to be able to say, Well, would this person had a bachelor, they met this criteria. And even just the tension between what business PNL owners might need and what corporate functions like H.R. might need and what they're optimizing for, I imagine these metrics would help those internal conversations. And I'm curious around what have you seen as you've started to have these conversations with companies? How are they starting to drive change within, or what are you seeing reorganize within how the classic model of companies and how they operate?

ROUEN: I would say it's the Baskin-Robbins model. I think that on one side we have these measures that we believe can capture all 31 flavors. But we are seeing organizations who are just redistributing training dollars and kind of mashing them around. We're seeing organizations that are using virtual reality to actually put people in the career paths that they can eventually have. And we're seeing organizations that are actually creating internal universities where they provide training for specific skills for promotion, so you can enroll in a program that can move you from delivery job to a sales job to a management job.

So, the short answer is it's idiosyncratic in part because different companies have different business models and different labor pools. But the goals are largely the same, which makes us optimistic that they can be measured and compared.

ESCOBARI: To add to that for this moment, we've been at this for two years in the worst recession we've seen in a long time. And we're finding this moment right now to be kind of a unique opportunity because of the tight labor market in the U.S., it’s making and forcing certain companies to realize that they're playing catch up to competitors who made employee retention and well-being a priority years ago because they're seeing people walk out the door, inability to hire. And they're expanding their sense of the costs associated with poor quality jobs. Before it's just retention, oh, this is costly, hiring and firing, right? Turnover is costly. But companies are losing a lot more when they can't hire and they can’t find the truck drivers, like their businesses are being impaired. They're losing market share.

So we hope that this is a moment where companies can have a reckoning of saying, Hey, how we think about human capital investment can be broader. And that goes back to Ethan's topic in accounting, it is an accounting matter. But I think if we can expand that, it would be quite an achievement.

MCARTHUR: That brings us to an interesting point, just to zoom out again, you mentioned the U.S., the accounting, there's all these debates at the S.E.C. right now, the Securities Exchange Commission, on what companies should have to report on. But there's also a huge divide, especially between Europe and the approaches that governments are requiring there for companies, and the U.S., which is taking more of a voluntary approach. From what I'm understanding, the thesis you're putting forward is that this should be in the self-interest of companies if it works, or where it works. But is there a side to this which is more this is something that companies should have to report on once your metrics are refined? Is that policy issue close or is that too far away? Ethan?

ROUEN: It's a little far away. Marcela and I have actually been having this discussion as we finish up an article that we plan to publish. But there are two separate goals. We're creating measures for managerial decision-making. The SEC's job is to create measures that inform investors. We think that there's a lot of overlap. But at the same time, we realize that we have to set a specific mission and just focus on that. And so personally, I think that the SEC will most likely consider some of these measures, like training dollars and total wage bill and maybe even measures of turnover. But those are informative to investors in one way, they're informative to managers in another. And so as we think about this, I am very excited to see what comes down from the SEC. But all we can think about is how we can help managers create meaningful jobs.

ESCOBARI: And Ethan, you being the expert on disclosures, I love your example of disclosures being a double-edged sword.

ROUEN: Yeah, so, a double-edged sword in that, first of all, they're costly. I think it's actually a triple-edged sword in that A, they're costly. And so if they turn out not to be useful, that just sets us back in terms of getting meaningful disclosures. And B, this is the double-edged sword, they might tell us something we don't want to know. We have a project with one of the people we've worked with very closely in Room 8, Jay Gard, where we find that when firms actually disclosed more about worker compensation, when they were paying workers less to communicate to their to their employees that, I'm sorry to their shareholders, that this was something that they were aware of, that they could get away with underpay. And then there's this great research on CEO pay. And when it was first disclosed in response to the Great Depression, the change in pay wasn't what we might hope where we'd see a decrease in CEO pay. It was actually that the lower paid CEOs got pay bumps immediately after the Great Depression. And so, yes, there's always unintended consequences of these disclosures.

MCARTHUR: Yeah, it does make me think that this is one of the riper of ripe Rooms for the thesis of a next step, not a perfect step, because there's so much still to get figured out. We're always interested in visions of progress and definition of success. But, Zia, I'm curious again, you see so many through your innovation hat, so many of these types of approaches. What kind of questions are in your mind about how we might think about success?

KHAN: There's so much success already in what Marcela and Nathan and Otis and Kumari in this Room have achieved is just so exciting to hear. And part of what goes through my mind is, yeah, we can think of all these risks of rolling out these metrics, but it's not as if the status quo is working. And so the risk of maintaining the status quo is enormous. And so trying some things and trying some very reasonable things like you're proposing just sounds amazing to me.

And then, John to bounce this back to you, I'm curious as someone who thinks very big picture across all of the SDGs and the roles of major sectors, it strikes me that if there are great proof points here of how this can help companies, and also help companies innovate and compete in the way that they want to, but they just don't feel like the market is set up that they can, this could be applied to so many of the other SDGs where the private sector plays a critical role in all of them, and this might be like a model of broad change as well.

MCARTHUR: I think that is an eminently sensible outlook, because there are so many of these issues that require what I call proof by existence. So something has to exist somewhere for other people to follow in line or to understand it, and then for there to be broader policy change, which often comes a lot faster than anyone guessed it could. But getting those proof points and early backers and champions matters. So maybe just to help us close this off and, fortunately we could go on forever, I think, but we do probably have to now bring this to a conclusion, at least for today. Ethan and Marcela, how do you think about success in the near term, say, 2022 and by 2030? What should our listeners be looking for in terms of signs of progress?

ESCOBARI: So, I think we have been successful so far by perhaps being narrow and focused and in what we're trying to do, which I don't think is a lack of ambition, is just wanting to see tangible progress. So we want these metrics out there. The first set are there. One of our important partnerships is with a group called Leadership Now, which is a democracy based members group. In 2020, from George Floyd, they launched a Business for Racial Equity pledge with over a thousand firms signing. And we are hoping that this becomes something actionable that those firms have said are committed to equity and more humane capitalism are willing to try this. And we are making we're working really hard to make doing this very risk free and easy. It's never easy, but this is not a name and shame game. This is not about external others. We are willing to help companies start that process of looking under the hood and not being afraid to see the facts for what they are and make progress.

ROUEN: Of course, I agree one hundred percent with what Marcel is saying. I think for the next year, an ideal outcome would be, or is because I think we're actually going to do it, is implementing our metrics among a small subset of companies showing them that this matter, showing them comparables with averages across our companies, which will allow us to kick the tires, get a sense that we're actually on the right path. By 2030, it would be great to have an accounting system like activity based costing, something that's broadly adoptable on workforce mobility that companies can just use as a resource to figure out the jobs they're creating, who's getting promoted and how they can improve.

KHAN: Well, this has been is a fascinating conversation. I mean, what you're describing is innovative, practical, scalable, and incredibly timely. Just really want to thank both of you, Marcela and Nathan, for joining us today.

ROUEN: Oh and thank you for all of the opportunities. It's really been a great experience.

ESCOBARI: Yes. Thank you for this platform. It's been it's been a lot of fun.

KHAN: John, you know, I just couldn't help but revisit my former life as a management consultant and dive into some of these details. It's such a powerful leverage point for companies that are filled with people who want to drive change but just don't have the mechanism to do so. It's really, I think, powerful what Marcela, Ethan, and Otis have landed on.

MCARTHUR: I wish I knew you back when you were a management consultancy and we could have podcasted your daily work stream, because I'm sure you have lots of stories to tell. But I also think Ethan and Marcela and Otis are, it's like they're taking a machete to the jungle of ESG, SDG corporate reporting debates. It's a bit of a mess out there. There's a lot of talk, hard always to find the action, but they couldn't be more of a swim lane within a swim lane and finding some element of the SDG 8 that they think is ripe for a breakthrough. And it couldn't be more material to potentially millions of workers in their lives and all the companies that employ them to think through how to tackle this central issue of our time, of workplace mobility so jobs are gateways to better lives.

KHAN: Absolutely. So overcomes the analysis paralysis that we see on this topic, and they're just really getting something done. It's fascinating.

To learn more, find this episode at Brookings Dot Edu Slash 17 Rooms Podcast. Coming up next, Room 2 with Jane Cady and Pradeep Prabhala on an investor tool for the true cost of food.

MCARTHUR: I'm John MacArthur.

KHAN: And I'm Zia Khan, and this has been 17 Rooms.

MCARTHUR: Our thanks go out to the guests you heard today, and also to the production team, including Fred Dews and Alexandra Bracken, producers; Jacob Taylor, associate producer; Gaston Reboredo, audio engineer, and Nicolette Kelly, audio intern; the show art was designed by Katie Merris. Additional support comes from Shrijana Khanal, Ian McAllister, Soren Messner-Zidell, Andrea Risotto, Marie Wilkin, Chris McKenna, Esther Rosen, David Batcheck, and Caio Pereira at the Brookings Institution, and Nathalia dos Santos, Sara Geisenheimer, Hunter Goldman, and Miranda Waters at The Rockefeller Foundation.

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