

GOOD JOBS CERTIFICATION

White Paper

Fellows

Martin Prosperity Institute

The Martin Prosperity Institute, housed at the University of Toronto's Rotman School of Management, explores the requisite underpinnings of a democratic capitalist economy that generates prosperity that is both robustly growing and broadly experienced.



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1. Introduction

Since the 1960s, median real wages in the United States have been flat or declining. Despite unemployment levels having fallen to 5 percent, an eight-year low after the 2008 recession, the tightening labor market has failed to produce a significant increase in real wages.¹ According to Pew Research Center and the Bureau of Labor Statistics, the contemporary average hourly wage, after adjusting for inflation, has no more purchasing power than it did in 1979.² Not only have America's jobs been providing stagnant wages, but post-recession job growth has been concentrated in low-wage occupations such as retail, food service, and administrative and support services.³ Many of these jobs are examples of *bad jobs*—characterized not only by low wages, but also by unpredictable schedules, few opportunities for success and growth, and a lack of meaning and dignity. This is the situation for millions of working Americans.⁴

Transforming these bad jobs into *good jobs*—with decent wages, predictable schedules, opportunities for success and growth, and meaning and dignity for workers—is essential for the U.S. economy and democratic capitalism. American capitalism was grounded in the ability to

1 BLS—Employment Situation Summary, May 6, 2016, <http://www.bls.gov/news.release/empsit.nr0.htm> (accessed May 2016).

2 Drew Desilver, "For Most Hourly Workers, Real Wages Have Barely Budged for Decades," Pew Research Center, October 9, 2014, <http://www.pewresearch.org/fact-tank/2014/10/09/for-most-workers-real-wages-have-barely-budged-for-decades/> (accessed April 2016).

3 National Employment Law Project. "The Low Wage Recovery." Data Brief. April 2014. <http://www.nelp.org/content/uploads/2015/03/Low-Wage-Recovery-Industry-Employment-Wages-2014-Report.pdf> (accessed April 2016).

4 Zeynep Ton, *The Good Jobs Strategy*. Boston: New Harvest, Houghton Mifflin Harcourt, 2014.

achieve economic mobility. Today, however, economists warn that such economic mobility may be moving out of reach for millions. Christine Lagarde, head of the International Monetary Fund, warned that if left unchecked, four forces in the U.S. labor market—“participation, productivity, polarisation, and poverty—will corrode the underpinnings of growth and hold back gains in U.S. living standards.”⁵ Political and social unrest are also among the consequences of bad jobs.⁶

This disturbing change is not irreversible. It is possible to transform bad jobs into good jobs in a way that benefits companies and their customers. Research shows that across a wide range of industries, from low-cost retail to manufacturing to healthcare, offering good jobs is not only possible but also profitable.^{7, 8} However, that transformation into a Good Jobs Strategy will be neither easy nor fast.

The transformation requires a clear understanding of *what* needs to change. Increasing employee investment alone, through higher wages, better benefits, and more training, is not sufficient if companies want to offer great value to their investors and customers. For employee investment to work in a way that benefits investors and customers, it has to be coupled with specific operational choices that increase the contribution of employees, allow them to be highly productive, and involve them in continuous improvement. These operational choices are the

enablers of the Good Jobs Strategy. Investment in people and operational choices must also be complemented with values emphasizing customer focus, continuous improvement, and seeing employees as the most important resource rather than as a cost to be minimized.

As a result, the transformation into a Good Jobs Strategy will require a system change. Companies will need to change the way they operate, from re-examining their service and product offerings to redesigning jobs, processes, and performance management to strengthening their commitment to values. All this will take time and upfront investment with a long pay-back period. During the transformation, performance will likely decline before it improves.⁹ Few companies will attempt change at this scale unless they are encouraged by every stakeholder—government, worker groups, business leaders, investors, and customers.

Creating a *Good Jobs Certification* (GJC) is one way to create a blueprint to (a) help companies make such systemic change, (b) unite different stakeholders to encourage companies to provide good jobs to employees, better service to customers, and superior returns to investors, and (c) identify and celebrate companies that do so.

5 <https://www.imf.org/external/np/speeches/2016/062216.htm> (accessed June 2016).

6 Roger Martin, “A Creativity Imperative for the Future of Capitalism,” *Catalyst 14*. (Spring 2015): 02–07.

7 Ton, *Good Jobs Strategy*.

8 E. Appelbaum, J. Gittel, and Carrie Leana, “High-Performance Work Practices and Sustainable Economic Growth,” Center for Economic and Policy Research, April 2011.

9 John D. Sterman, Nelson P. Repenning, and Fred Kofman, “Unanticipated Side Effects of Successful Quality Programs: Exploring a Paradox of Organizational Improvement,” *Management Science* 43(4) (April 1997), <http://web.mit.edu/jsterman/www/ADI.pdf> (accessed April 2016).

2. The U.S. Retail Industry and the Good Jobs Strategy

The need to create better jobs in the retail sector is particularly urgent. In 2015, the two largest occupations in the U.S. were retail salespeople and cashiers, together representing over 8 million workers. The median hourly wages of \$10.47 for salespeople and \$9.28 for cashiers result in a full-time salesperson making just \$21,780 and a full-time cashier making \$19,310,¹⁰ both below the poverty line for a family of four.¹¹ Providing retail work with livable wages and with dignity is critical both for workers and for the future of the U.S. economy.

The need to create better jobs is also critical for the retailers themselves. One of the most fundamental challenges in retail is managing labor costs. In the face of rapidly changing public policy on minimum wages, the challenge is even more acute. While the federal minimum wage remains at \$7.25, the minimum wage has been set higher in 29 states and Washington, D.C.¹² California, New York, and D.C. have mandated increases to \$15 over the next several years; Oregon's minimum wage is set to hit \$13.50 by 2022. Massachusetts will hit \$11 and Vermont \$10 in January 2017. With labor costs increasing across the U.S., companies can either find ways to make their employees more productive or can look to downsizing or technology as ways to save money.

Faced with this decision, many retailers will look to cut labor costs. But as Zeynep Ton's research has shown, a focus on cutting labor costs can put retailers into a vicious cycle.¹³ When investment in people—either in the quality of or quantity of employees—decreases, service and operations quality also decrease, which lowers customer satisfaction and sales, creating an even bigger cash crunch—which leads to even less investment in labor. This vicious cycle hurts both customers and company performance. Yet, that's where many retailers find themselves because labor is their largest controllable cost and cutting that cost produces immediate and measurable results for store managers and corporate headquarters.¹⁴ The indirect effects are often delayed and hard to measure, though they can eventually be catastrophic.

The Good Jobs Strategy, on the other hand, creates a virtuous cycle: investment in workers and smart operational choices lead to strong operations and better customer service, which leads to high sales and profits, allowing companies to invest still more in their employees. Although the Good Jobs Strategy produces great results for customers, investors, and employees, it is a harder strategy to execute than the alternative. It requires a long-term perspective, a lot of discipline, and strong management capability. Transitioning into this strategy will take time and upfront investment. We believe that creating a Good Jobs Certification in retail can be one way to encourage retailers to adopt a Good Jobs Strategy.

10 Bureau of Labor Statistics, Occupational Employment Statistics, <http://www.bls.gov/oes/current/oes412011.htm>.

11 Poverty Line for Family of Four = \$24,300. U.S. Department of Health and Human Services, <https://aspe.hhs.gov/poverty-guidelines> (accessed April 2016).

12 <http://www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx#1> (accessed August 2016).

13 Zeynep Ton, "Why 'Good Jobs' Are Good For Retailers," *Harvard Business Review* (January-February 2012), <https://hbr.org/2012/01/why-good-jobs-are-good-for-retailers> (accessed August 2016).

14 *Ibid.*

3. Why a Certification Can Help

Certification is a form of private regulation that came to prominence in the 1990s, primarily in the apparel manufacturing and forestry industries. Since then, certifications have proliferated across industries and for various purposes. Certification is almost always voluntary: companies choose to transform their operations to engender best practices and to receive recognition in the form of a certificate. In turn, consumers can choose companies that produce more valuable societal outcomes. Investors, too, can use certification to identify firms with elevated internal standards that result in enhanced financial performance. Certifications standardize metrics and increase the data access, transparency, and accountability of participants' practices.

Certification, coupled with public pressure and government regulation, has helped several industries, including forestry, agriculture, and building, to stop harmful practices and become more sustainable. Academic research indicates that privately enforced standards have led to better social and environmental outcomes than company codes of conduct, self-certification by firms, and government regulation alone.¹⁵ One key benefit of certification is the increased consumer awareness of a target social issue.¹⁶ Research also confirms that consumers place a higher value on—and are willing to pay for—

ethically sourced products, including those in consumer retail.¹⁷

However, certifications are imperfect. Some have been criticized for not demanding transformative change,¹⁸ for having lax standards and enforcement,¹⁹ and for not being sufficiently independent from industry.²⁰ Very few involve legal penalties for defaulting. Certifications celebrate success but may not punish failure—it is often up to governments, consumers, and investors to apply pressure to the companies who fail certification.

Indeed, certifications should not operate in a vacuum. Public pressure remains key to certification adoption rates.²¹ Government is also a key long-term partner. Richard Locke's study of certification regimes found that they are most effective when paired with government regulations that can bring widespread adoption of best practices.²² But certifications provide

15 Tim Bartley, "Certifying Forests and Factories: States, Social Movements, and the Rise of Private Regulation in the Apparel and Forest Products Fields," *Politics & Society* 31(3) (September 2003): 433–464.

16 Colleen Haight, "The Problem with Fair Trade Coffee," *Stanford Social Innovation Review*, (Summer 2011) (accessed April 2016).

17 Jens Hainmueller, Michael Hiscox, and Sandra Sequeira, "Consumer Demand for the Fair Trade Label: Evidence from a Multi-Store Field Experiment," *The Review of Economics and Statistics* 97(2) (May 2015): 242–256.

18 Haight, "Problem with Fair Trade Coffee."

19 Daniel Zwerdling and Margot Williams, "Is Sustainable-Labeled Seafood Really Sustainable?" *National Public Radio*, February 11, 2013.

20 Steven Greenhouse, "Critics Question Record of Monitor Selected by Apple," *New York Times* (February 13, 2012) (accessed April 2016).

21 Michael Conroy, *Branded. Gabriola*, BC: New Society, 2007.

22 Richard Locke, *The Promise and Limits of Private Power*. Cambridge, UK: Cambridge University Press, 2013.

the blueprint of best practices and the external pressure to motivate companies to examine their practices and make a change. Providing a blueprint and external pressure are exactly the roles we envision for a Good Jobs Certification.

The Good Jobs Certification will build on the learnings of past certifications, absorbing best practices and avoiding the limitations of its predecessors. Below, we highlight case studies of three successful certifications and standards with very distinct goals and audiences: the Fair Food Program, the Forest Stewardship Council, and ISO 9000.

Ending Human Rights Abuse in Agriculture: The Fair Food Program

The Coalition of Immokalee Workers' Fair Food Program (FFP) is just a few years old, but has led an action to stop slavery in the Florida tomato industry, which produces 90 percent of the U.S.'s winter tomatoes.²³ Using a worker-centered approach, FFP engaged with growers, retailers, consumers, and workers to create a code of conduct and an independent third-party monitoring organization (the Fair Food Standards Council) that has secured wage increases, human rights protections, worker-led education on farms, and more. If a certified grower violates the code of conduct, participating retailers, including Walmart, Aramark, and McDonald's, are contractually obligated to stop purchasing from that farm until the violation is resolved. The Fair Food Program has been recognized by the United Nations and the White House. Today it serves as a model for other labor certification efforts in the U.S. and around the world.

23 Steven Greenhouse, "In Florida Tomato Fields, a Penny Buys Progress," *New York Times* (April 24, 2014) (accessed March 2016).

Transforming Trees and Communities: The Forest Stewardship Council

The Forest Stewardship Council (FSC) was founded in 1993 out of a civil society movement to protect tropical forests and local communities. A coalition of advocacy organizations, indigenous peoples groups, retailers, and lumber companies established 10 core principles and a democratic governance system. The actual certification was outsourced to certification bodies across the globe.²⁴ FSC has now certified more than 190,000,000 hectares—4.75% of the all the world's forests.²⁵ It has encountered challenges such as competition from an industry-led certification program, the Sustainable Forestry Initiative. Greenpeace has also criticized what it sees as FSC's weak enforcement policies which have resulted in controversial companies receiving a certificate.²⁶ But with over 800 member organizations on board, including major companies like Home Depot and Ikea, and with 1,399 certifications in 81 countries, FSC is the global gold standard for forest management.²⁷

One Million for Quality Measurement: ISO 9000

ISO 9000 is a management standard that has been adopted by more than 1.1 million companies globally.²⁸ It is part of a range of standards set by the International Organization for Stan-

24 Conroy, *Branded*.

25 Forest Stewardship Council website (<https://ic.fsc.org/en/facts-figures>) and FAO Global Forest Resources Assessment 2015 (<http://www.fao.org/3/a-i4793e.pdf>) (accessed May 2016).

26 <http://www.greenpeace.org/international/en/campaigns/forests/solutions/alternatives-to-forest-destruc/> (accessed May 2016).

27 Forest Stewardship Council website. Facts and Figures. June 6, 2016. <https://ic.fsc.org/en/facts-figures> (accessed May 2016).

28 http://www.iso.org/iso/home/news_index/news_archive/news.htm?refid=Ref2002 (accessed March 2016).

standardization (ISO), whose founding goal was “to facilitate the international coordination and unification of industrial standards.”²⁹ Critics contend that ISO 9000 is not thorough enough and that its focus on policy rather than practice may obscure a company’s actual performance. In contrast, the Baldrige Award criteria are considered more comprehensive and are treated as the gold standard for Total Quality Management. However, only 109 Baldrige awards have been handed out since 1988,³⁰ making it a valuable measure of high performance but not a useful overall industry standard. ISO 9000’s goal is to be that international standard. With over a million companies certified and the EU adopting ISO 9000 as its quality management standard, ISO 9000 is among the most recognized certifications in the world.

As these case studies show, certifications differ in their goals and impact. We believe that by learning from other certifications, we can create a GJC that will help transform bad jobs into good jobs, help U.S. retail workers find stability and dignity, and change labor from a cost center to a profit center. There are already good jobs companies in retail, like Costco and QuikTrip, which execute similar operational strategies that are teachable, measurable, and potentially certifiable. While a certification alone will not transform the retail industry, it can clarify best practices, provide the blueprint for action, help companies make better choices, create more transparency in the sector, and generate the public pressure and praise needed to begin the shift to good jobs.

4. Key Learnings from Other Certifications and Standards

Researching many certifications, labels, and awards has given us a strong base upon which to build a successful Good Jobs Certification. We have learned a lot about what to do and what not to do.

We benchmarked 15 certifications and standards from the labor, operations, and environment sectors [see *Exhibit 1*]. We used their own websites and standards plus academic research and interviews with several certification experts and certification staff to better understand what operational and governance choices they made and what, given the chance, they

would do differently. Six key factors emerged: (1) goals and audiences, (2) focus, (3) worker engagement, (4) standards and measurement, (5) public engagement, and (6) governance.

These six key factors form the initial decision points for the GJC. The following sections address the successful outcomes and common mistakes related to each key factor and the implications for the Good Jobs Certification.

1) Goals and audiences

Factors to consider: The first factor to consider is the goal of a certification. What change does it aim to make in the sector? Does it want to provide a baseline standard across sectors, as the ISO 9000 does? Or does it seek to transform a specific sector and/or end harmful practices, as the Fair Food Program does? Broad-based, big-tent certifications often have more

29 <http://www.iso.org/iso/home/about.htm> (accessed May 2016).

30 http://patapsco.nist.gov/Award_Recipients/ (accessed May 2016).

lenient standards that require little more than what government regulation requires. These certifications face adverse-selection problems and are often saddled with underperforming companies. Yet they attract more companies than stringent standards do, which may lead to a network effect that enhances the certification's brand. Furthermore, such a certification may induce laggards to improve in order to join, which could have positive social externalities.³¹

Certifications which aim to transform a sector tend to impose obligations far beyond what government dictates or enforces. These are high-performance standards that demand commitment and hard choices. Members are likely to create large positive externalities that, in the case of the Fair Food Program, transform the sector. But such a demanding program may only reward certain leaders and not motivate laggards to make big changes.³²

As we will see, the goal of a certification—whether it is to provide a baseline for an industry or to push transformation—dictates most subsequent decisions. Defining the goal also helps determine the intended audience. Audiences refer to who the certification is for. It may be executives who want to benchmark performance, investors who want to understand key risks or success factors not described in financial statements, activists who want to celebrate or shame companies, or customers (consumers or companies) who want to purchase products or services from certified companies. There may be multiple audiences for a certification; however, no certification program will be able to satisfy every stakeholder group involved in an industry. Choosing an alignable group of intended audiences and aligning them is a central

challenge not only in forming the certification but also in sustaining it.

Audience selection may in fact be a matter of recognizing audience demand. Public outcry related to social injustice (for example, sweatshop conditions) may lead consumers and activists to demand a certification; they will therefore be the primary audiences. For Fortune's "100 Best Companies to Work For," the audiences are (a) executives who want to understand what organizational trust is and where their company scores compared to others, (b) employees and potential employees, and (c) investors, more of whom are recognizing the superior economic returns associated with better human capital practices.³³ Each certification will have distinct goals, measures, and target marketing according to its audiences.

Situations to avoid: Certifications without clear goals and targeted audiences are more likely to fail. A certification will only succeed if its target audience can gain peer support that increases demand for the certification and adoption. Unsuccessful movements cannot gain or maintain audience trust; adoption will stagnate. While the audiences must be targeted, it is important to engage a range of stakeholders when developing the certification. Key groups must be considered in the creation of the certification and involved in a process that is collaborative, which may take more time but will also create a certification with stronger standards and wider buy-in. For example, Oxfam America brought together diverse stakeholders, from Costco to United Farm Workers to Andrew & Williamson Fresh Produce International, to establish the Equitable Food Initiative (EFI), a worker rights and food safety certification. It

31 M. Potoski and A. Prakash, editors, *Voluntary Programs: A Club Theory Perspective*. Cambridge, MA: MIT Press, 2009.

32 Potoski and Prakash, *Voluntary Programs*.

33 Alex Edmans, "Does the Stock Market Fully Value Intangibles? Employee Satisfaction and Equity Prices," *Journal of Financial Economics*, Volume 101 (March 2011): 621–640.

took several years to engage the various stakeholders and work with them to put together the certification. EFI Executive Director Pete O’Driscoll said the process was integral to the certification’s success, allowing all stakeholder voices to be heard and creating a culture of shared value across produce industry partners.³⁴ Sidelining a group can make it hard to implement the certification or, more frequently, can undermine its credibility.

Implication for the GJC: The goal of the Good Jobs Certification is to provide a blueprint for retail executives and to celebrate business leaders who make the difficult choice to provide better jobs and better outcomes for a company’s three primary stakeholders: customers, employees, and investors. The Certification will distinguish companies, large and small, that design and manage their operations in a way that creates good jobs for employees, great returns for investors, and great value for customers. Given the transformative nature of the GJC and its retail industry focus, it will be a high-performance certification with stringent standards.

The primary audiences will be retail executives and investors, followed by customers and employees. Currently, executives who want their companies to thrive by offering good jobs have a limited understanding of what practices they need to use. Investors looking to measure a company’s performance related to human capital have limited metrics that do not tell the full story of how good jobs can serve customers, employees, and investors. Third-party sources such as GlassDoor, Indeed.com, Yelp, Inc.’s “Best Places to Work,” and *Forbes*’s “Great Places to Work” offer insights into employee pay and satisfaction, customer satisfaction, and other metrics. But they do not take into account the

operational choices and employee investment that are key to combining employee satisfaction with better financial performance and better value for customers. Operational excellence awards like Baldrige and Shingo highlight leaders in the field, but only a few a year, making it hard to get a broad view of operational quality. They also focus less on employee investment and what a good job is from the employees’ point of view.

There are already several emerging certifications/standards/codes that are concerned with good jobs. Just Capital measures corporate performance on justice issues including employee pay, benefits, and treatment. The Good Work Code, launched by the Domestic Workers Alliance, focuses on the on-demand economy. Their framework established eight key aspect of good work, including safety, stability, a living wage, inclusion, and input. We believe the GJC will complement these codes by focusing on a key sector—retail—and by adding critical operational information that will help retailers leverage their investment in workers.

Given the Good Jobs Certification’s unique mix of employee investment, operational choices, and company values, we believe it will be a holistic playbook for executives that helps identify areas on which they need to work to create better value for their customers, employees, and investors. It will also be a strong signal to Wall Street and investors of a company’s core values and operations. We believe investor interest will help drive companies to explore and perhaps adopt the Good Jobs Strategy as a way to boost their bottom lines and create value for all stakeholders. The GJC will also be a beacon for employees looking for a strong company that will treat them right and for consumers looking to support sustainable economic growth.

34 EFI Press Release. http://media.wix.com/ugd/e9574b_098e97ea72094b599e74a44473de5473.pdf (accessed July 2016).

2) Focus

Factors to consider: Certification goals and audiences feed directly into decisions on focus. Some certifications are very focused: they concentrate on one sector, sometimes just on one geographical area. In this way, some have been able to make transformational change in an industry. The Fair Food Program may have had the biggest impact of any labor certification—ending slavery and reducing sexual harassment on tomato farms in Florida. The program’s focus resulted in a sector-specific code of conduct, strong relationships, and effective legal mechanisms to stop human rights violations. Building from a successful core model, it is now expanding to additional crops and geographies. Certifications with broader sector reach tend to provide a big tent with more lenient standards, enforcement, and verification that create a floor, not a ceiling for companies. The benefit of these certifications is more widespread recognition and adoption: more than 1.1 million companies have reached the ISO 9000 standard. As discussed above, ISO 9000 is weaker than other standards, but it does allow companies to meet a known set of criteria for quality. There are tradeoffs with every certification decision, but the focus must be aligned to the goal.

Implications for the GJC: The Good Jobs Certification is a ceiling, not a floor. It requires companies to make difficult choices. Our goal is not to reach 50,000 certifications in five years, but instead to certify companies that are making the tough choices that make the jobs they offer—and the companies themselves—much better. In addition, although the three components of the Good Jobs Strategy—investment in people, operational choices, and values—can be applied to any industry, operationalizing the components for a specific industry would strengthen the certification. For example, work schedules are likely to be a more important issue for retail employees than for factory

employees. Empowerment can manifest itself differently in a retail store than a factory.

As mentioned above, the Good Jobs Certification will begin with a tight focus on the retail industry. Our goal is for the Good Jobs Strategy to be adopted by major retailers over the next five years and for the Good Jobs Certification to become the benchmark for better business in that sector.

As it happens, a tight focus will allow for scale. The most common hourly-pay job in the U.S. is that of a retail salesperson; more than 4.8 million Americans work as retail clerks and another 3.4 million work as cashiers.³⁵ Yet this is an industry with some of the lowest wages in the country. In the future, the Certification can be expanded to industries that provide similar jobs, such as quick-service restaurants. But starting with a focus on retail gives us the best chance to build a successful model while helping to create good jobs for millions of Americans.

3) Worker engagement

Factors to consider: Worker engagement is essential for effective labor certifications from ideation to implementation to evaluation. Generally, it is the workers, not management or investors, who can best identify supply chain weaknesses and safety hazards. They can then help create standards that will be truly transformative. Workers are crucial stakeholders all along—in the design of solutions and in the monitoring and verification of certification standards.

Situations to avoid: Lack of meaningful worker engagement risks delegitimizing the certification from the outset. Even if workers are not a target audience, they are an essential element

35 Bureau of Labor Statistics: <http://www.bls.gov/ooh/sales/retail-sales-workers.htm> and <http://www.bls.gov/ooh/sales/cashiers.htm> (accessed April 2016).

of virtually every industry and supply chain. Without their engagement, a certification organization may not recognize the key issues facing workers and will surely not know how to solve them. The devil—the harm to workers or customers—is often in the details. For example, when the Fair Food Program engaged farm workers in setting their labor standards, the workers asked for an end to “cupping”—the practice of forcing workers, who are paid by the bucket, to overfill their buckets, thus costing them around 10% of their pay. Someone who is not in the field every day might not have understood what impact an end to that practice could have on wages. Overlooking core issues will render a certification ineffective.

Implications for the GJC: The Good Jobs Certification will mirror the power relationship we look for in companies that already follow a Good Jobs Strategy—one in which employees have a voice and help the company continuously improve its operations. We will engage workers in every step, from creating the standards for measurement and enforcement to periodically reviewing and revising the GJC itself. Workers will help set the direction of the certification through a deep engagement process of leadership building, focus groups, surveys, interviews, feedback mechanisms, and more. This emerging model of worker-driven social responsibility has paid great dividends for other certifications, such as the Fair Food Program and the Bangladesh Accord, and we look forward to learning from them how best to engage and empower workers through our own certification process.

Operationally, the GJC will start with focus groups of low-wage retail workers in several cities across the U.S. to learn their definition of a good job and to better understand their needs. We will then incorporate their ideas into the certification’s standards and enforcement. For example, a recent *New York Times* article discussed

how liberal return policies at retailers are hurting commissioned workers’ paychecks. This kind of detail is what we will be looking for from workers who experience bad jobs every day. The certification process will also include employee surveys as a key measure of company success or failure in implementing good jobs.

4) Standards and measurement

Factors to consider: Standards can make or break a certification. Decisions must be made in four categories: (1) key indicators, (2) stringency, (3) measurement, and (4) verification.

Key indicators: The best certifications are data-driven and provide accurate comparisons of firms. Accurate, impactful comparisons require clear, material indicators. The best way to identify these indicators is to involve primary stakeholders. Workers, in particular, best understand the nuances of the job and the supply chain and what must be measured to achieve the desired impact.

Stringency: As discussed above, the standard’s stringency will depend on the certification’s aim for an inclusive big-tent distinction or for a very high-performance one. Neither approach is necessarily better than the other; it depends on the organization’s goals. But if standards are too lenient, a certification will lack credibility.

Measurement: Fair and vigorous measurement systems should be created in consultation with partner organizations (such as companies, unions, and NGOs). Measurements should be based on both policy/plans and practice/implementation to ensure that performance matches what is on paper. Properly weighting key indicators is necessary to capture the most critical decision points for companies.

Verification: To ensure that a certification has sustained impact, companies must be monitored and the certification itself must be continuously measured against its goals. As the nature of work and commerce continue to change at a rapid pace, a certification's ability to adapt to change is critical. Finally, independent verification and full transparency are key to ensuring trust and credibility.

Situations to avoid: Because certifications aim to measure what matters, ensuring the correct measurement is key. Some certifications have received criticism for looking at policy, not practice. The Leadership in Energy and Environmental Design (LEED) rating system for environmentally sound buildings, for instance, was criticized at one time for basing certifications on projected—not actual—energy savings and for having a poorly weighted points system that was easy to manipulate. For example, points for adding bike racks could be equivalent to points for adding a low-energy air conditioning system.³⁶ A recent New York City study found that some LEED-certified buildings are in practice less efficient than other non-LEED certified buildings, with some failing to meet US EPA Energy Star standards for energy efficiency, driving home the need to measure not just what policies are in place, but how they play out in the real world.³⁷

Like a certification's focus, its standards involve a tradeoff between the advantages of stringency and those of leniency. Generally, more lenient

standards will increase adoption, but may not bring significant sector change. And as mentioned in the Worker Engagement section, workers and other key stakeholders must be part of the standard-setting and verification processes.

Implications for the GJC: The GJC standards will be devised with employees, companies, and partners to ensure a holistic, measurable, and material result.

Key indicators: We recognize the complexity of setting key indicators. For example, one likely ingredient of GJC will be fair wages. But how do we set that standard? Do we use the MIT Living Wage Calculator? Is it \$15/hour—the new minimum wage set by California, Seattle, and New York state? Is it relative or absolute? Would some combination of factors, from scheduling to benefits, be a more representative measure? We will rely on existing literature, worker focus groups, support from other organizations, and the work of thought leaders to make the key indicators as representative and robust as possible.

Stringency: The GJC will favor stringent standards because existing regulations don't begin to address the transformation of bad jobs into good jobs. The adoption rate will therefore be less than it would be for a broad, less-stringent certification. We believe this is the right choice for the GJC because higher standards will produce deeper impact for participating companies and their employees. We don't believe there is any meaningful, easy implementation of the Good Jobs Strategy—say, one that's only half as difficult and delivers half the positive outcomes. If such an implementation were possible, many more companies would already have done it. Because

36 <http://www.nytimes.com/2008/04/20/magazine/20Act-t.html?pagewanted=3> (accessed March 2016).

37 <https://www.greenbiz.com/blog/2013/01/03/some-nyc-buildings-more-efficient-leed-certified> and http://www.nytimes.com/2012/12/25/science/earth/new-york-citys-effort-to-track-energy-efficiency-yields-some-surprises.html?_r=1& (accessed June 2016).

the full Good Jobs Strategy is critical for generating returns for all stakeholders, we will explore how we can create a network effect and how we can encourage more organizations to engage with the certification and tools to ensure we reach laggards and leaders alike.

Measurement: We believe Good Guide offers a strong model for weighting the elements of GJC.³⁸ Good Guide looks at three pillars for each product: health impact, environmental impact, and social impact. Each is rated on a one to 10 scale: the best products receive a score of eight or above, the worst get four or below. Sub-indicators are weighted and each sector has a different methodology, taking into account which indicators are most material to that product. (That is, the measures and weighting for appliances are different from those for candy.) The GJC would also rate companies according to three themes, each using weighted indicators to measure both policy and practice. To be certified, companies would need to score a minimum in each indicator category, then earn an overall score above a certain threshold. We believe this model will solve some of the challenges of existing certifications and create a transparent and strong public signal of the company's policies and practices.

Verification: The verification process will be devised with employees, companies, and partners to ensure that it is independent and transparent. The GJC will include employee feedback so we can hear directly from them about how their jobs help drive customer service, investor value, and their own job satisfaction. Companies will need to recertify every year or two, as

with B-Corps, to measure improvement or highlight challenges. We will evolve the standards, measurement, and verification processes with partners to capture innovations, improvements, and changes in the retail sector. We will also ensure the independence and transparency of the verification body, without which there can be little trust in the certification.

5) Public engagement

Factors to consider: Sharing tools and cultivating public support are critical to public engagement. Clear communication of a certification's goals, structures, and measured outcomes is crucial. Websites should be designed for key users in a way that encourages understanding, interaction, and feedback. Many certifications and awards, from B-Lab to Baldrige to Shingo, provide their assessment tools online for free or at low cost. This makes sense because the goal is not just to praise the best companies, but to encourage other companies to discover and incorporate best practices. Thousands of companies can use these public tools as a blueprint. That said, no certification alone changes an industry. All standards need public support and public pressure as well as industry buy-in. Connecting to advocacy campaigns or popular movements can be a catalyst for building certification support.

Situations to avoid: Effective public engagement is not a public relations strategy; instead, it is a critical element of a certified organization's success. Those that do not prioritize access and usability for consumers or potential recipients risk undermining their credibility and their ability to make a difference.

Implications for the GJC: To succeed, the GJC must engage with the business community, investors, and consumers to build the resources, skills, and social pressure needed for change.

38 <http://www.goodguide.com/about/ratings> (accessed March 2016).

Sharing tools and building community: The GJC assessment tool will be available online in order to encourage all low-wage retailers and other companies to think about their operations and investment in people and to identify ways to create value for customers, employees, and investors. In a somewhat different domain, researchers found that third-party monitoring of industry codes of conduct resulted in more improvement of labor practices when the monitors took a cooperative approach aimed more at teaching best practices than at catching violations.³⁹ We feel that offering the GJC assessment tool online—as an encouragement to certification but not dependent on it—will bring about more of the change we are hoping for. By tracking those who use the tool, we hope to create a community that includes both certified companies and aspirational companies, thus creating a network effect to help transform the retail sector.

Building public support: Public pressure has been shown to be key in certification success. As mentioned above, there is currently a strong movement and public support to raise the U.S. minimum wage. States and municipalities are taking the lead, with California, New York state, and Seattle all passing \$15/hour minimum wage bills (phased in over time). This movement is forcing companies to examine their labor policies and think about how to cultivate worker productivity and engagement. However, the Good Jobs Strategy requires more than paying good wages in order to be a good company for customers, investors, and even for the employees. The Good Jobs Certification will help identify companies that have committed to the mul-

39 Andrea R. Hugill, Jodi L. Short, and Michael W. Toffel, "Beyond Symbolic Responses to Private Politics: Examining Labor Standards Improvement in Global Supply Chains," Harvard Business School Technology and Operations Management Unit Working Paper No. 17-001. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2806966 (accessed April 2016).

tifaceted process of creating greater value for all—a difficult but critical component of any minimum wage movement.

6) Governance

Factors to consider: Various governance structures are used to administer certifications. Many certifications, like the Equitable Food Initiative, are administered through multi-stakeholder initiatives, which bring together NGOs, companies, investors, academics, and others to govern the standard-setting process and run the certification. Others are run as nonprofits, some with separate certification or verification arms. B-lab runs the B-Corps certification. The US Green Building Council runs LEED. Government entities also run standards and operations awards, such as the Baldrige award. Other certifications or ratings have been incubated in academia, including Good Guide, founded by Dara O'Rourke at UC Berkeley. Every certification has a different governance structure which corresponds to the specific needs of that issue and that set of stakeholders. Determining what structure will work best for a new certificate—which includes having the right leadership and funding in place—is critical.

Situations to avoid: The biggest governance challenge for certificates is independence and credibility. Certifications must be coordinated from the start with a firewall between corporations and the accreditation process. Corporate funding can muddy the waters. For example, the Fair Labor Organization receives funding from certified companies, known as "participants." Critics claim that it is difficult to keep audits both fair and independent when the certifier and the certified have overlapping financials.⁴⁰ Some certification bodies founded by the industry they are attempting to regulate have been criticized for lacking independence. Several multi-stakeholder initiatives driven by

40 Greenhouse, "Critics Question Record."

industry, including the Roundtable for Sustainable Palm Oil, have been blamed by activists for not going far enough in their standards to make real change. The Sustainable Forestry Initiative, driven by timber companies, has been criticized for weak regulation. Competition can also make the independence and efficacy of certifications and standards unclear. After the Rana Plaza disaster, two competing voluntary regulatory organizations were founded—one (the Accord) dominated by European retailers and one (the Alliance) dominated by U.S. retailers. In an already confusing landscape for consumers, these dueling organizations both continue to operate, though many human rights organizations believe the Alliance is a far weaker vehicle.⁴¹

Some certifications have drawn very sharp lines and use third-party verification. The Fair Food Program’s monitoring and verification are spearheaded by a separate organization, the Fair Food Standards Council, which is run by a former judge. For certification to be taken seriously, there must be clear lines of accountability, independence, and transparency in the process, partnerships, and funding.

Implications for the GJC: Governance is key to ensuring an effective, holistic, transparent certification. We look forward to discussions with potential partners to find a structure that creates the most robust, vibrant, and powerful outcome. Possibilities include (1) an academic option—a Good Jobs Center at MIT, which could provide a strong, neutral launching point for the certification; (2) a think tank option—an independent Good Jobs Institute; and (3) a multi-stakeholder option—a Good Jobs Coalition. We believe that strong and diverse partnerships (including, for example, academics,

private companies, and worker groups) are key to the success of the Good Jobs Certification. A coalition model may prove to be the best way to develop those collaborations.

One lesson from all of these standard-setting organizations is that a meaningful certification process takes time—usually two to three years of coalition building and standard setting. Indeed, the process itself is critical to engaging key stakeholders and building a certification that will last. That process is just beginning for the Good Jobs Certification and will require excellent partners and intense dialogue. This white paper serves as an initial platform, with more collaborative work to come. We are looking to identify organizations interested in shaping the Good Jobs Certification and taking a leading role in realizing this exciting initiative.

41 http://www.nytimes.com/2014/04/22/business/international/battling-for-a-safer-bangladesh.html?_r=0 (accessed April 2016).

5. Good Jobs Certification: The Three Pillars

Based on Zeynep Ton's research and the body of work on High-Performance Work Practices (HPWP), Total Quality Management, and Lean Production Systems, we have determined three pillars on which the GJC will be based: (1) employee investment, (2) operational choices, and (3) company values.

1. *Employee investment* is what people typically think about when they think about a good job: one that pays a living wage, has benefits, and has a stable and predictable schedule. In order for a company to earn the GJC, it must meet this baseline standard, which will be further elucidated with the help of the retail workers themselves, who best understand the attributes of employee investment that really matter.
2. Operational choices related to product/service offering and job design are what allow Good Jobs companies to leverage their investment in employees to produce better service for their customers and higher returns for their investors. In other words, these operational choices are what make it possible to spend more on your workforce and have the investment pay back more than it costs. These operational choices include cross-training workers so that they can manage variability in traffic, empowering workers to surface problems, involving them in process improvement, and designing all processes with a focus on delivering value for customers.

3. Company values related to customers, employees, and continuous improvement enable companies to sustain the Good Jobs Strategy through the inevitable obstacles. The Shingo Prize faced a challenge when it realized that its award winners did not maintain their competitive advantage over time; their processes were good but the companies lacked the deep leadership needed to maintain and build on operational excellence. Shingo therefore revamped its criteria to place more emphasis on values, downsized from eleven awards to two, and recaptured the real essence of operational excellence—culture, values, and leadership.

These three pillars will form the core of the Good Jobs Certification. Detailed indicators, weights, and more will be established in partnership with industry, worker organizations, investor groups, academics, and other key partners.

6. Conclusion

We believe the climate is right for the Good Jobs Certificate. As low-wage retail is the most common job in America, it is time to measure what a good job looks like and celebrate companies that are meeting those metrics. Pressure continues to build from consumers, business leaders, and select investors to advance the private sector's ability to do well and do good. We believe the Good Jobs Certificate will be a catalyst to drive value and transformational change for retail companies and their employees, customers, and investors. We also recommend that more and better metrics on good jobs be integrated into existing sustainability certifications and indices, like B-Corps, SASBE, and the Dow Jones Sustainability Index. That will ensure that the business community is measuring what really matters for employees, companies, and investors.

The Good Jobs Certificate is one part of a holistic approach to encouraging companies to switch to Good Jobs. Such an approach should also include (a) tools—such as the Good Jobs Strategy Assessment Tool and the Good Jobs Score—to help companies and investors to understand and evaluate the Good Jobs Strategy, (b) best practices for implementing the Good Jobs Strategy, and (c) an ecosystem for change, which would include tools, leadership building, investor engagement, course development for MBA and executive education programs, media coverage, policy making, and academic research. We are dedicated to helping the Good Jobs Strategy spread throughout the retail sector and welcome other researchers and practitioners to join us.

Appendix

Exhibit 1

Certification, Award, or Standard	Metro
Forest Stewardship Council	Environmental
LEED	Environmental
Marine Stewardship Council	Environmental
Bangladesh Accords	Labor & Human Rights
Equitable Food Initiative	Labor & Human Rights
Fair Food Program	Labor & Human Rights
Fair Labor Association	Labor & Human Rights
Good Work Code	Labor & Human Rights
Living Wage Campaign	Labor & Human Rights
Baldrige Award	Operations
ISO 9000	Operations
Shingo Prize	Operations
B-Corps (B-Lab)	Sustainable Business
Fair Trade USA	Sustainable Business
Good Guide	Sustainable Business

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