Ramona Schindelheim, WorkingNation editor-in-chief:

You're listening to Work in Progress. I'm Ramona Schindelheim, editor-in-chief of WorkingNation. Work in Progress explores the rapidly changing workplace through conversations with innovators, educators, and decision-makers, people with solutions to today's workforce challenges.

Everybody benefits from an upwardly mobile workforce. So how is corporate America doing when it comes to creating a culture of advancement for workers within their businesses, especially those without a four-year college degree? That's the question at the heart of the American Opportunity Index, an analysis of the nation's top Fortune 500 companies and their investment in their employees and their careers. The index was created by Harvard Business School, the Burning Glass Institute, and the Schultz Family Foundation. Joining me to discuss the index are Joe Fuller, co-head of the managing of Future of Work Project at Harvard Business School, and Rajiv Chandrasekaran, head of strategy for the Schultz Family Foundation. Both of you welcome for joining me.

Rajiv Chandrasekaran, Schultz Family Foundation:

Good to be with you, Ramona.

Ramona Schindelheim, WorkingNation editor-in-chief:

Rajiv, I want to start with you. Let's talk a little bit, what is the goal of the index? The Schultz Family Foundation was behind creation of it. What is the goal?

Rajiv Chandrasekaran, Schultz Family Foundation:

The goal fundamentally, Ramona, is to give both companies and workers far greater transparency into how workers can get ahead and how companies can most effectively use their human capital. We believe that when workers can advance, when they can find upward mobility, they can achieve the pathways to continue to grow their careers, everybody benefits. It's not just the workers, but companies themselves. Turnover is reduced. Companies become more efficient. They can fill their talent needs more effectively from within.

And so what the index seeks to do is in a very groundbreaking way, not look at what companies say they're doing to help get workers ahead and help manage their human talent, but actually looking at the outcomes of workers over a five-year period. And Joe can talk a little bit more about this. But it's really looking at objective-outcome data to understand which of America's largest companies are doing the best at this and in which ways so that other companies can learn from this.

Fundamentally, what we are hoping from this is that companies will learn and improve their practices. What research that our partner at the Burning Glass Institute along with Joe and Joe's research team have found out is that for many low and mid-skill workers, the reason folks get ahead or not is really because of the practices their employers. And so we're trying to shine a spotlight on employers that have positive practices and for those that are seeking to improve how they manage their human talent to be able to look at other companies, particularly others in their sector and learn from what they are doing right.

Ramona Schindelheim, WorkingNation editor-in-chief:

So we'll get into some of the details of how you got where you got in the survey, but before we go on, Joe, I'd like to ask you, this is important not just for those workers, but it is important for the employers who are having trouble finding and retaining talent.

Joe Fuller, Harvard Business School:

Yes, as Rajiv was saying, companies that have superior practices as it relates to internal pathways for workers, we think really benefited from it economically on multiple dimensions. Some things are obvious. Even the most jaded employer will acknowledge it's expensive to replace people. It's expensive not only direct cost, but you have loss of productivity, you have loss of knowledge of your operation, maybe relationships with customers, you're putting more stress on the workers who are staying. And research shows that if one person leaves a team or an operation, it gives psychological permission for other people who are similarly considering whether they really want to stay or considering looking for another job the right to go and do that.

But there are other drivers beyond just avoiding those costs. A big one is that workers who feel invested in and feel they have an opportunity are consistently more productive, more likely to stay, and more likely to imbibe and kind of live the goals and vision of the company.

Another important consideration is that in most companies, lower-wage workers are a more diverse population than their colleagues in middle ranks and upper management. And all the companies of the size that are included in the American Opportunity Index have significant stated goals to enhance their performance on diversity, equity, inclusion. But they very often do that by going out and trying to hire a solution, hire in diversity. If they create upward osmosis for their lower-wage workers, if they can create clear pathways as well as reduced barriers to getting higher for more diverse workers, they can grow their own. And this big, rich, diverse pool of talent that you have the entry-level positions in your company is the most natural catchment area to turn to to start cultivating a continuous pipeline of diverse talent.

So companies benefit by avoiding cost, having more productive workers, and addressing other organizational problems that they have made significant commitments to addressing. But in many instances, it's not really made all that much progress yet.

Ramona Schindelheim, WorkingNation editor-in-chief:

That's basically one of the three criteria it seems that you assess the companies on. Mobility, which is what you were just talking about, and access, and wage. Do one of you want to share a little bit more about those three criteria?

Rajiv Chandrasekaran, Schultz Family Foundation:

We believe there are three core criteria to both the creation of opportunity for workers, but really helping identify the companies that are managing their human capital most effectively. And yes, Ramona, the first, obviously, is mobility, is the world of advancement and the pathways therein that Joe was talking about.

Wage is certainly a component of this, but it's worth noting that for many, many workers, wage isn't the be all end all. A fair wage has to be paid, but assembling the index in the 2022 version and again the version of the index that's being assembled this year, hundreds and hundreds of workers are being surveyed by our research firm. And what we found last year was that while wage is important to workers, it's certainly not the most important criteria. They care about the ability to both move ahead, to be able to be hired based for the skills they possess, not necessarily the degrees that they have, and that's helped guide the Burning Glass Institute and Harvard in essentially weighting all of these categories.

And then the third is access, is the hiring practices. And we look at how well a company does in hiring for positions based on skills versus degrees and what percentage of their open roles are open to folks coming in at the entry level.

Joe Fuller, Harvard Business School:

And Ramona, we view these three as, and the various measures we took of the companies as being mutually reinforcing. We looked at the companies on multiple dimensions, everything from how high were the requirements for a job applicant and higher requirements obviously crowding out some candidates to did they promote from within? Were the leaders in the company homegrown or hired in? Were there clear pathways for advancement for people? How quickly were people advanced?

And we're looking at that way essentially so we can triangulate on what constitutes good practice. Because what we found across the Fortune 250 is most companies were doing one or two things that we found credit-worthy, that are good practices, but very few really are approaching this systemically where there are multiple levers that they're manipulating to try to advance their own workers, give them better prospects for household sustaining earnings, give them opportunities to grow in their careers, and add the types of skills that could be necessary to prosper in that company or in a future employer. And rather than come up with a single metric of that, which we think would be invalid, we're looking at multiple different ways companies behave so we can see if they've got a systemic, strategic approach to this. And what the data reveals is there are a number of companies doing reasonably well, but even the best have rooms for improvement.

Ramona Schindelheim, WorkingNation editor-in-chief:

Which companies are some of the better ones? And I know you're in the midst of assembling another round here. Some of the top companies to work for, who did you come up with?

Joe Fuller, Harvard Business School:

We looked at a wide array of companies and, yes, there were a number of companies that scored out pretty well across multiple dimensions. Companies like AT&T, Microsoft, Costco, PG&E, a utility in California. But when we look at those individual companies, of course there are multiple different contributing factors to that. So AT&T and PG&E are both quite unionized, for example, whereas the Microsofts of the world aren't.

I think a more interesting measure, you have to look within sectors because comparing the practices of a Dollar General and a Goldman Sachs with a Microsoft and JPMorgan Chase, there's so many differences in industry and the economics of those businesses, in their geographic locations, urban, rural, suburban, even the age of the enterprise. So within individual sectors like retail, like technology, like consumer products, we found variable performance.

And as Rajiv said earlier, we are constructing index and refining it, improving it this year, not because we're trying to tell companies do this or don't do that, we're doing it to raise questions. So if you are a very highly rated retailer, like Costco, and another retailer's management team or board of directors sees that their company is falling far down the list of retailers in terms of performance, we're not saying, "Well, shame on you." We're saying, "You might want to take a look at what Costco's doing. You might want to take a look at what Lowe's is doing because those companies are performing reasonably well. You may conclude when you do that analysis that you're comfortable what you're doing. We're not chosen by the shareholders to oversee your business, so we'll assume you're performing your role credibly."

The real emphasis here is to get companies to reflect on their practices, test the business judgment, and hold those practices against the standards that Rajiv was talking about. And we're going to continue to refine the analysis and broaden the analysis to some new dimensions just to ask richer, more detailed questions of management teams and boards of directors.

Rajiv Chandrasekaran, Schultz Family Foundation:

Just to build on what Joe was saying there, one of the things that's unique about this index is unlike some other assessments of good places to work or employers who are in some ways judged to be virtuous by some media organizations or panels of experts, this list is not just dominated by large tech companies and financial services industries. In the 2022 index, we looked across the Fortune 250, and we broke up the Fortune 250 into 27 sectors. Companies from 21 out of the 27 sectors are represented in the top 50 list.

When we looked at various aspects of what makes a company an opportunity creator, we found that about 161 of the 250 or so companies we looked at were good at least one aspect of opportunity creation. The point being that more companies are good at some aspect than not. And we see examples of high performance in various parts of the economy, not just among some of the either best-known companies or companies that find themselves atop other lists.

Ramona Schindelheim, WorkingNation editor-in-chief:

From looking at all of this data and looking at the practices of the companies, do you have a set of goals for the companies that you would say, "If you can reach this, you are a good place to work for your employees"?

Joe Fuller, Harvard Business School:

I'm not sure we have a specific set of goals. I think what we're encouraging people to do is first of all, ask are they creating an environment that creates opportunities for growth in all dimensions, growth in skills, growth in income potential, growth in promotability for their workforce?

A very perilous situation in a lot of those 27 sectors that Rajiv was mentioning is there are many, many companies and many, many industries that have begun to view their lower-level jobs as perpetual high-turnover positions where there'll always be a lot of churn in the workforce. Now that churn generates costs I alluded to earlier.

But we believe a lot of companies misdiagnose what's going on. They believe that the churn is inevitable because the workers are going to seek other opportunities, that there's something intrinsic to the work that causes people to just kind of get sick of it and want to leave. That's not what the data supports. What the data says is that workers generally want to stay with an employer where they're situated and they leave inflicting those costs on the company because they don't see opportunities for upward mobility and growth.

So our objective is to get companies to say, first ask the question are we really configured? Have we implemented policies that advance our workers prospects of growing with us? Are we tracking those metrics because you are what you track, you are what you measure? And are we pursuing best practice in light of what we can see other people are achieving?

And one final observation, Ramona. What we see consistently in companies there's a disconnect between what the C-suite, the top executives of the companies believe they are accomplishing and what's actually being accomplished in the company. That is because those companies do have intentions, they do have policies, but when you get down to the shop floor, you get to the retail bank branch, you get to the new employees onboarding, the execution of those policies is uneven, the design is unrealistic.

So we also want to make sure that senior management is essentially kind of checking in as to whether their design intentions and the values they've expressed to their employees, to their shareholders, to their boards of directors, the communities their facilities are in are actually being expressed through what is being done on a day-to-day basis in the company.

Ramona Schindelheim, WorkingNation editor-in-chief:

Rajiv, would you want to add anything to that?

Rajiv Chandrasekaran, Schultz Family Foundation:

As the index was being assembled, the real intellectual power behind this team of Joe and Matt Sigelman, the president of the Burning Glass Institute, very thoughtfully helped all of us see the fact that many companies have different business models, as Joe was discussing earlier, and that there's no one set formula for opportunity creation. And that's why we don't say, "Look, these are the five things you must do or the 10 things you must do," because those five things differ by sector, they differ by company.

And we recognize that there are going to be some companies that have a very large, more entry-level, early-stage career component to their workforce, large retailers, for instance, for whom there may be fewer opportunities to move up. But one of the things we look at is how well do those companies prepare their workers for opportunities that come beyond that company and how well are they filling the limited roles they may have at levels higher from within.

But we also recognize that there may be companies where you see lower levels of mobility because, let's say wage is comparatively higher and the culture of the workplace is such that people just don't want to leave. And so recognizing that it's not the case in all cases that all of these metrics need to be at the highest level for a company to be delivering well for its shareholders and delivering well for its people.

Ramona Schindelheim, WorkingNation editor-in-chief:

So Rajiv, what about this year's American Opportunity Index?

Rajiv Chandrasekaran, Schultz Family Foundation:

Well, this year's American Opportunity Index, which will be released in the late fall, will be, shall we say bigger and better. We're expanding the pool of companies to much of the Fortune 500. We are adding in some new metrics. We will be looking at measures of disparity. We'll be looking, for instance, at mobility for individuals who are Black and Hispanic compared to those who are not at companies. We'll also be looking at how men and women may fare differently at companies.

In addition, we're going to take a focus as well on the culture of the workplace. And so this year, the index really expands to five core dimensions. In addition to mobility, hiring practices and wage, we'll be looking at disparity and culture to give an even more robust picture of opportunity creation and to create an even more useful tool for companies to manage their human talent.

Ramona Schindelheim, WorkingNation editor-in-chief:

Thank you both very much. I appreciate it. And we look forward to seeing the new report.

Rajiv Chandrasekaran, Schultz Family Foundation:

Thank you.

Joe Fuller, Harvard Business School:

Thank you, Ramona.

Ramona Schindelheim, WorkingNation editor-in-chief:

I've been speaking with Joe Fuller of Harvard Business School and Rajiv Chandrasekaran of Schultz Family Foundation. I'm Ramona Schindelheim, editor-in-chief of WorkingNation. Thank you for listening.