

Ramona Schindelheim, WorkingNation editor-in-chief:

You are listening to Work in Progress. I'm Ramona Schindelheim, Editor in Chief of Working Nation. Work in Progress explores the rapidly changing workplace through conversations with innovators, educators and decision makers, people with solutions to today's workforce challenges.

Whether you're looking for a job or already have one, how do you know if your employer is interested in helping you get ahead in your career? And importantly, if they're interested in promoting talent from within for the past two years, a joint project of the Schultz Family Foundation, the Harvard Business School, and the Burning Glass Institute has been looking at those questions, releasing their findings in the annual American Opportunity Index. It's my pleasure to welcome Rajiv Chandrasekaran, a managing director of the Schultz Family Foundation to discuss the research and what it means to both the employee and the employer.

Welcome back. It's always good to see you, and thank you for joining to talk about the Index.

Rajiv Chandrasekaran, Schultz Family Foundation:

Good to be with you Ramona.

Ramona Schindelheim, WorkingNation editor-in-chief:

The Index measures the career pathways of nearly 5 million employees at 396 of America's largest companies examining how they hire, pay and promote workers. Tell me the thinking behind putting this together and then we'll dive in a little bit. Why did you guys decide to do this index two years ago?

Rajiv Chandrasekaran, Schultz Family Foundation:

Well, Ramona, it's a great question. We decided to create this index, the likes of which simply doesn't exist out there, to really understand what's happening to America's workers, but with the understanding that for many, many workers, particularly those in lower wage jobs, those in mid-skill jobs in fact, the reason that many workers get ahead and others don't isn't really because of their work ethic or their intelligence or their gumption? It's because of the practices of their employer. Do employers value their human talent? Do they create pathways for them to advance and do they see their people as real assets that they can continue to build and grow their businesses with?

Given that's the case and there's plenty of research that shows that, we asked ourselves a very basic question: Who's doing this well? And nobody had really assessed it. What is so unique about the Index, Ramona, is that it's not looking at what companies say they do. There are plenty of other folks out there that try to compile lists of what corporate inputs are. That's all well and fine, but we decided to look at what's actually happening to workers.

And so what we've done through our partners at the Burning Glass Institute and the Managing the Future of Work Project at Harvard Business School is to really vacuum up millions and millions of data points, everything from publicly accessible LinkedIn profiles to resumes people post on online job sites like Indeed, we've taken a voluminous database of pay data from Glassdoor with permission, and we've also analyzed millions of job postings and crunching all that together, we've been able to understand what's really happened to workers at 400 of the country's largest employers over a five-year period. How did people get ahead or not? How did pay increase or not? What were hiring practices like? And we've used that as the basis to then create the really groundbreaking American Opportunity Index.

Ramona Schindelheim, WorkingNation editor-in-chief:

Are the companies actually putting these policies into practice? Are they thinking of the things that you're thinking of? Because all these things that you've listed are really, really important, I think, to not only the employee but the employer. So are the employers consciously going about this?

Rajiv Chandrasekaran, Schultz Family Foundation:

Some companies are. As we have briefed companies about the Index and had deeper discussions, there's a little "Aha" moment for many of them, particularly senior HR leaders. When they see the five key categories that we look at, the metrics that undergird those categories, they can start to really map them to specific areas of activity and investment. And so, it's a way of looking at the progression of American workers that's a little different than other rankings or indices, but actually has great resonance for HR professionals who live and breathe this every day.

Ramona Schindelheim, WorkingNation editor-in-chief:

So let's talk about some of those five measures. Give me the first one and we'll go from there.

Rajiv Chandrasekaran, Schultz Family Foundation:

Well, we start with hiring, kind of a logical first step here, getting your foot in the door. And we look at two critical things in hiring: we look at first jobs, we look at the percentage of open roles at a company that are open to people with little or no experience. How inclusive is this employer? Are they creating opportunities for people to enter the workforce? And then we look at something we call degree barriers, and we're looking at the degree to which a company really hires for skills versus degrees.

Ramona Schindelheim, WorkingNation editor-in-chief:

The skills-based hiring is getting a little bit of a moment now. I mean, we've been talking about it a lot at Working Nation for the last eight years, quite frankly, but we're finding that it's beginning to resonate in the general conversation now. And do you see companies are good on that front or bad?

Rajiv Chandrasekaran, Schultz Family Foundation:

Well, we see a range of performance on that front. I think what's important to note about how we are approaching this is that you've got a lot of companies out there that say, "We are embracing skills-based hiring. We removed degree requirements." And that is a policy that's made from on high and is intended to be cascaded down. But in reality, you have hiring managers, when choosing among the slate of candidates, will often still default to the candidate that has the degree, even if the job doesn't require it. And so assessing companies based on their policies, yes, you can learn something from it, but what's so unique about the Index is that it's actually examining what's happening within the workforce in these large corporations.

Ramona Schindelheim, WorkingNation editor-in-chief:

I would echo what you just said because I've talked to a lot of companies, I've talked to hiring managers, Joe Fuller, who's one of the co-authors on the report, I've spoken to him quite a bit, and it does have a hard time, that idea of skills-based hiring, trickling down to the hiring manager, especially if they get 500 resumes or applications I should say for a job. They look for ways to screen out and narrow down the number of people they're actually looking at for that role, but I still think that remains a barrier and I don't know if you have thoughts on how you can get past it.

Rajiv Chandrasekaran, Schultz Family Foundation:

Well, I think part of getting past it is a greater degree of transparency. So companies can look at their performance in this respect on the Index and say, "Wait a second, we thought we were moving much more aggressively towards skills-based hiring, and we said we were removing degree requirements for many of our roles, but are we actually performing in that way?" And this is an important outside assessment of how well a company is doing.

Ramona Schindelheim, WorkingNation editor-in-chief:

So once somebody is hired or is working for a company, another measure is how well they are helping upskill and how well they are promoting from within, correct?

Rajiv Chandrasekaran, Schultz Family Foundation:

That's right. So that's another important category that we look at. We look at promotion and we look at promotion in two ways. We look at promotion internally, "How quickly does somebody get promoted? How many levels over the five-year survey window do they move up? And are those promotions really promotions of quality?" You have some companies, particularly in the retail sector that might offer a promotion that really is a meaningless promotion; you get 25 cents more an hour. And so we're trying to screen out for that.

And then we look secondly at promotion beyond the company. And you might ask, "Why do you do that?" Well, this is actually something that almost no company tracks because they're focused on who's within the enterprise, not what happens after they leave. But because we have a focus on the worker first as opposed to the company, if, Ramona, you start at company A and you're there for three years and then you move to company B, we can tell whether you are moving to a job that's commensurate, better or worse. And importantly, what is telling us, we believe, is how well did your first employer prepare you for success later in your career? Even if they didn't have opportunities for you to move up internally, did they give you some of the necessary skills, the training, mentorship that enables you to succeed in what comes later? And we believe that the companies that do that should be rewarded on the Index.

Ramona Schindelheim, WorkingNation editor-in-chief:

And what about pay? I would imagine that would be a very key metric there.

Rajiv Chandrasekaran, Schultz Family Foundation:

That is another key element of this Index and we look at pay in two ways. We look at how well does a company pay for an occupation compared to others in its field. So we're not comparing the overall payroll of company A to company B. We are comparing, like with everything else on this index, occupation to occupation, so we're looking at, "What does Walmart pay its accountants versus Microsoft versus Amazon? What do they pay administrative assistants," et cetera, et cetera. And then we also look not just at what is the pay by occupation, but we also look at wage growth over a multi-year period and are wages growing by occupation at a company?

Ramona Schindelheim, WorkingNation editor-in-chief:

For this year's Index, you have new criteria, new measurements in how you're ranking the companies. Tell us about that.

Rajiv Chandrasekaran, Schultz Family Foundation:

We have a really insightful, valuable new measure that we're calling parity and what we're doing is we're looking at how do different groups of workers move up at a company? And specifically we look at gender. Do women move up at the same rates as men or is there a disparity? And then we look at Black and Hispanic workers. Again, we look to see whether Black and Hispanic workers move up at the same rates as all other workers or is there a difference? And companies for which there is a difference receive a lower score on parity than those that are much closer to being fully equal or are right there.

Ramona Schindelheim, WorkingNation editor-in-chief:

So just like the name of this podcast, this Index is a work in progress, so you are changing criteria as it seems that something else maybe comes to mind, something else that you see as an important metric?

Rajiv Chandrasekaran, Schultz Family Foundation:

Yes. I mean, we feel like this is a critical metric. And in this second year of the Index, we did make some substantial changes, in fact, and we also increase the number of companies that we are assessing from about 250 in the first year now to about 400. We don't envision making such major changes every year going forward, but we felt it was critical to add some of these new metrics and to adjust the way in which we are looking at some of the metrics. For instance, with pay, there is a recency bias looking at and weighting pay changes over the most recent couple of years as opposed to the early years of the survey window.

And then lastly, we have two elements that continue on from the previous year, which we bucket under culture. We look at retention, which is pretty straightforward, we all know about that. We also look at what we call homegrown leadership, if you will, Ramona, and that is the degree to which a company's managers and executives, really the top 20% of people in their pay scale, are coming from within the company. Is a company really growing its management cadre from within, or are the people leading a company really transplants from the outside?

Ramona Schindelheim, WorkingNation editor-in-chief:

The retaining part I think is very important because we are now in a work culture where people change jobs every few years, change companies every few years. Do you find that the retention part of it... Maybe what does it show you overall? That is what I'd be very curious, are companies holding onto employees or our people, as we believe they are, moving from company to company all the time?

Rajiv Chandrasekaran, Schultz Family Foundation:

Well, we see, again with everything a spread here. And what we haven't done with the Index is created a bar that says, "All right, you have to be at a certain standard on retention." We are simply looking at these foreign companies and saying, "Who's the best at it and who's struggling?" And understanding how everybody stacks up, but I think it's very interesting.

We did some subsequent analysis of Index data and looked specifically at retention, Ramona, and sought to understand, what's the cost to a company that isn't doing as well at retention? And what we found when analyzing the data was the difference between companies in the top 20% compared to those in the bottom, the companies who are laggards at retention we estimate are spending between \$100 and \$424 million more in personnel costs because of the churn that they have as a result of low retention. It costs a lot of money to replace somebody who's gone, in recruiting, in training, and importantly, in lost productivity as somebody, a new employee, is getting up to speed. Losing people

and churn in the workforce costs companies money, real money. And what we've done here for the first time is to quantify that.

And why the spread? Because for companies that have a lower wage structure, we estimate that the costs could be lower, but for companies that have a much higher wage structure, workers that are highly skilled, whereby their departure really imposes costs on a company, harder to find people with those skills to replace them, and then importantly taking time to get them to be as productive as the folks who left; this is real money.

Ramona Schindelheim, WorkingNation editor-in-chief:

So that brings up the question, how do they stack up? I know no company is perfect, right? But give me some examples of companies that are doing much of this right.

Rajiv Chandrasekaran, Schultz Family Foundation:

It's a great question, and what's really fascinating about what we found is that companies that are doing things right aren't concentrated in just one or two sectors of the American economy. There's a tendency to say, "Oh, the tech guys are great places to work, and the financial services companies are great places to work." And they often top other lists of good places to work that are far less empirical than the American Opportunity Index, but we see a whole range of companies. Our top company this year is Coca-Cola, then Jam Smucker, then WW Grainger, the industrial services company, and then PNC Financial Services and the software company ServiceNow round out the top six.

But the top 100 has companies all over the map from JB Hunt Transportation to Nike to Gap to Home Depot to Starbucks to ExxonMobil and Pfizer and Best Buy and Salesforce and MasterCard. I mean, it's a cross section of the American economy and what's truly fascinating is you have companies... Sector is not destiny. You have companies that are in the very same sector that have very similar business models, that have very similar workforces and that can perform very differently. You take the insurance sector, you have a good chunk of insurance companies that are in top 100, but then you got a bunch of insurance companies that are in the bottom 100 and then some spread out, and these are all companies that are roughly similar in the types of workers that they have and roughly similar in their business model.

And the inescapable conclusion to us is that this is a leadership choice. Some companies place a priority on their human talent, they see their next generation of leaders as coming from within, they see the needs that they have up and down the org chart to be filled with people who get the skills and the opportunities to move up. And then you have other companies that see people as more expendable and just simply churn through them. Their view is that, "We're just going to fill the needs we have from outside and we're not really about trying to build careers."

Ramona Schindelheim, WorkingNation editor-in-chief:

So Rajiv, tell me a couple of companies. Give me some examples of who's doing this well.

Rajiv Chandrasekaran, Schultz Family Foundation:

What we found in engaging with some of the top-ranked companies is a whole range of practices that are really innovative. Take for instance, Coca-Cola, the number one company on the index. Among the many things they do is they have something called the Thrive Opportunity Marketplace and what that allows Coke employees to do is identify short-term assignments and short-term projects that may be outside their particular area of focus, but things that the company needs help with and they can do for a

short period of time that allows them to glean new skills that they can help open up new opportunities for them within the company.

Chipotle, the fast casual Mexican chain has set a goal that 90% of all of its management roles be filled internally. They've just been incredibly intentional about that and that has then cascaded down to a whole series of leadership development programs to create the talent pipeline that they need. And a third example real quickly is Dell Computer, another top 25 company. What Dell has done is they create for every one of their team members a personalized talent card that highlights skills and experiences and career goals that then help to guide the coaching and feedback they get with their team leader. And so, very intentional about every single employee has their career goals enumerated and becomes then a touchstone in conversations with their bosses to help them advance to where they want to go.

Ramona Schindelheim, WorkingNation editor-in-chief:

I love that word intentional because it sounds like this is a company that has embraced that idea that, "I want to keep my employees, I want to move them up," and they seem to understand the idea that it costs more to let them go and find somebody else and try to fill those roles.

Rajiv Chandrasekaran, Schultz Family Foundation:

Funny that, it's good business to take care of your people.

Ramona Schindelheim, WorkingNation editor-in-chief:

How would you want employers, these companies, to look at the Index and their ranking on it, and what would you like them to take away and maybe think about in terms of their own hiring and promotion policies?

Rajiv Chandrasekaran, Schultz Family Foundation:

The Index is a really valuable tool for employers. It's an outside objective assessment of how well they're doing across a number of different categories. It's a chance for them to see how they perform, how they perform particularly against their direct competitors in their sector, the places where they're good. And most companies have areas of strength. We find no company's perfect. Very few companies are sort of struggling across the board. Everybody has, generally speaking, a couple of areas where they're strong and learn from your areas of strength and understand your areas of improvement and build on them.

We regard the Index as a valuable tool for businesses. This is not just a way to law the top performers and try to shame those who aren't doing as well, but it's really intended as a tool for everybody, for those who are doing well to continue to do well and to improve and for those who may not be scoring as high as they might have wanted to understand where they have the greatest opportunities for improvement. And in some cases, you may have companies who have made conscious decisions to invest in certain elements of this around hiring practices for instance, or promotion practices. Now let's look at how well are you doing and are some of the things you're doing actually creating the right ROI for you or not? And providing the opportunity then for not just HR leaders but entire C-suite executive teams to ask themselves, "Are the things we're doing the most effective things? Is there some refinement needed in our strategy?"

Ramona Schindelheim, WorkingNation editor-in-chief:

It's a fundamental belief of the Index that employees a company's most valuable asset. How would you like your Index to be used for employees and job seekers when they're trying to figure out, "What is the best pathway for me on my career?"

Rajiv Chandrasekaran, Schultz Family Foundation:

That's a great question and we do believe this is a valuable tool for workers. People want to get ahead. Nobody wants to be stagnant in their career. What this is providing for workers in ways that hasn't really existed is, "Is my employer a place where I can get ahead or is where I'm working a place where I'm perhaps going to tread water for a while? And if so, perhaps it's time to start looking for opportunities at companies that really value internal mobility."

Ramona Schindelheim, WorkingNation editor-in-chief:

So if I was an employer or employee, where would I go to be able to read the American Opportunity Index?

Rajiv Chandrasekaran, Schultz Family Foundation:

Go to americanopportunityindex.org. It's all there. Obviously, we have the top 100 listed, but we also rank companies in their sector, so you can pick a sector and you can see who's doing well. You can also search by company and click in and we have pages for every single company on the Index where you can see how they perform on all of the core metrics, you can see how they perform on those metrics compared to their sector wide average and you can also immerse yourself in other content about what's working at some of the top performing companies.

Ramona Schindelheim, WorkingNation editor-in-chief:

Rajiv, thank you again for joining the Work in Progress podcast.

Rajiv Chandrasekaran, Schultz Family Foundation:

Ramona, pleasure to be with you.

Ramona Schindelheim, WorkingNation editor-in-chief:

I've been speaking with Rajiv Chandrasekaran, a managing director at the Schultz Family Foundation. I'm Ramona Schindelheim, Editor in Chief of Working Nation. Thank you for listening.