

Building a Good Jobs Economy

with Dani Rodrik and Charles Sabel

WHAT IS A GOOD JOB (AND HOW CAN WE CREATE THEM)?

With a COVID-19 vaccine finally on the horizon, hope for recovery has also come view. The work ahead remains daunting, however, not least because labor markets are likely to remain deeply scarred. The supply of good jobs has been eroding for decades, and the pandemic has only accelerated some of the harmful trends and forces (technological advances, the rise of the gig economy, globalization) that have contributed to a sharp **divide between workers in the knowledge economy and those stuck in jobs that neither contribute to nor benefit from innovation.**

Left unchallenged, these divisions and the pathologies that flow from them—inequality, exclusion, spatial/social segmentation, and loss of trust in elites/governments/experts—will only grow worse. Bad jobs undermine the social structures that underpin economic prosperity and come with **enormous social and political costs, including weakened support for democracy and increasingly authoritarian attitudes.**

The good news is, **with smart policies focused on both workers and firms, we can work to build a “good jobs economy.”** Better yet, the policies and programs that work best do so on the strength of capacities that already exist in spades within local government and its partners: convening, coordination, and intensive service provision.

To advance the good jobs economy, we propose a set of public-sector interventions (directly in the productive sphere, in direct collaboration with the private sector) designed to **expand access to good jobs by supporting firms and workers in acquiring and extending the capacities needed to participate in the dynamic sector of the economy.**

The definition of “good job” is slippery, but most would agree it entails:

- Stable, formal-sector employment with core labor protections such as safe working conditions, collective bargaining rights, and protections against arbitrary dismissal.
- Compensation to provide at least a middle-class existence in a given region, with enough income for housing, food, transportation, education, and other family expenses, as well as some saving.
- Clear career paths, possibilities of self-development, flexibility, responsibility, and fulfillment.

DESIGN PRINCIPLES FOR MANAGING UNCERTAINTY AND LOCAL VARIATION

Our approach has three, mutually reinforcing components:

- Increasing the skill level and productivity of existing jobs, and the competitiveness of firms;
- Increasing the number of good jobs by supporting startups, the expansion of existing local firms, or attracting investment by outsiders; and

- Active labor market policies or workforce development programs to help workers, especially from at-risk groups, master the skills required for good jobs.

For all of these components, there is uncertainty about “what works,” so what we propose is **a set of design principles for governance arrangements that sustain public-private collaborations under conditions of uncertainty and learning**, through

- ongoing review and revision of objectives, instruments, and benchmarks;
- procedures for deciding whether and with what exact aim to proceed;
- regular, joint reviews of progress towards interim targets or milestones; and
- mechanisms for resolving disagreements.

What is a good job, how many can be reasonably created, how technological and other firm-level choices influence job creation, what complementary policy levers are available and how that set of instruments can be expanded are local, contextual questions. Instead of defining precisely each party’s obligations, **the parties work together to establish broad goals and a regime for evaluating achievement of them**. As collaboration progresses, each party comes to rely increasingly on the capacities of the other, deterring opportunistic defection and generating or activating norms of reciprocity.

Penalties in this regime are calculated to incentivize cooperative production of the information from which regulatory standards will eventually be derived. Thus **penalties are imposed only for failure to report or to report honestly, or for persistent failure to achieve results whose feasibility is demonstrated**.

It is easier to imagine imposing requirements and penalties on actors who volunteer to participate in government programs offering benefits (in the form of improved regulation, better coordination, or extensive customized support services). **These initial, voluntary projects would serve as pilot programs for the new system of regulation**.

With these design principles in mind, a good-jobs industrial policy could be introduced in four steps.

1. **Government commits in legislation or by other means to address the problem and requires for its solution concerted cooperation between regulators, service providers, and private actors.**
The framing legislation
 - a. mandates information-generating regimes that allow for standard setting and revision;
 - b. creates an inter-agency body to review and improve regulatory responses and resolve coordination problems arising from them; and
 - c. provides funds and authority for voluntary programs in anticipation of an eventual extension of regulatory reach.
2. **Regulators** with authority for areas directly affecting job abundance and quality—vocation training, agricultural and manufacturing extension, standard setting and the like—**introduce innovation-inducing and contextualizing governance mechanisms** where these are not already in place, **anticipating the need for support services** to help vulnerable actors comply with increasingly demanding requirements.
3. Where existing regulatory authority doesn’t reach, the **government creates volunteer, public private programs to advance the frontiers of technology and organization, or—and of equal**

and perhaps greater importance—**provide support services and perhaps subsidies** to help firms bridge the gap.

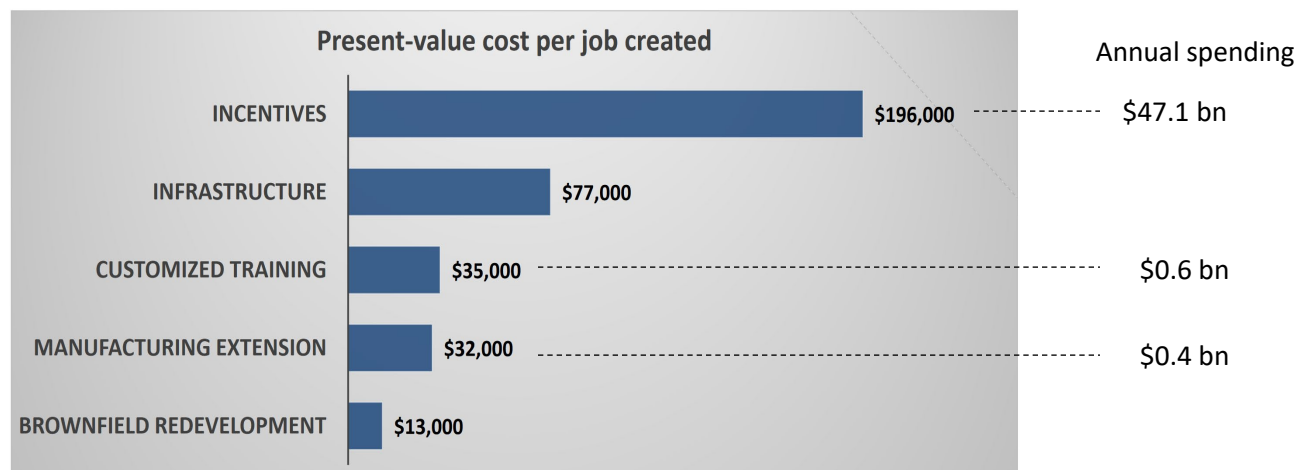
4. Conditional on the success of voluntary arrangements, **non-participating firms would be required to submit credible plans for improving the quality and quantity of jobs they offer** in coordination with other firms and institutions.

Experience in public-private partnerships for workforce development offers encouraging lessons for this kind of collaborative problem solving. By offering wraparound services and supports to students seeking training and continuously monitoring their progress and addressing problems as they arose, for example, San Antonio’s Project QUEST produced lasting improvements in its participants’ ability to secure better jobs.

	Project Quest	Per Scholas	Madison Strategies Group	Jewish Vocational Services	Wisconsin Regional Training Partnership
Location	San Antonio, TX	Bronx, NY	Tulsa, OK	Boston, MA	Milwaukee, WI
Target sector	Healthcare, business services/IT	Information technology	Transportation, manufacturing	Healthcare	Construction, manufacturing, healthcare
Target population	Low-income adult population	Young males, predominantly foreign born	Low income-workers, mostly male	Refugees, immigrants, welfare recipients	African American youths
Evaluation results	Year 9 earnings up by \$5,490 (20%)	Year 3 earnings up by \$4,829 (27%)	Year 3 earnings up by \$3,603 for the late cohort, w/ fading effects for earlier cohorts	Year 2 earnings up by 21%	Earning up by \$6,255 (24%) over 24-months

Sources: Maguire et al. (2010), Roder and Elliott (2019), Schaberg (2017) Cost per participant: \$5,000-\$10,000

These types of projects have a far better track record than tax incentive programs.



Source: W.E. Upjohn Institute for Employment Research; Timothy J. Bartik, “What Works to Help Manufacturing-Intensive Local Economies?” Upjohn Institute Technical Report No. 18-035. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2018.

Timothy Bartik argues that **the most effective employment programs focus on local labor demand and supply**, and that the most cost-effective strategy is the provision of customized public services to small and medium-sized enterprises, such as job training tailored to local employers and run by local community colleges and marketing and technology advice for manufacturing firms. He also recommends strategic investments in workers’ training, ranging from pre-school programs to wage subsidies, and infrastructure programs that increase land supply and thereby lower business costs.

REASONS TO HOPE

The dual challenge of dealing with uncertainty and the variability of local contexts implies there are no fixed, clear-cut remedies. What is important is to get the governance regime right. With the appropriate regime in place, the hope would be that each locality can develop its own set of evolving practices.

This approach enables the same institutions of interactive governance that allow the parties to specify and solve the problems they face under uncertainty to develop the trust and mutual reliance they need to deepen and broaden their efforts. **The broad coalition needed for the good-jobs strategy to succeed need not pre-exist; it can and likely will be the result of pursuing the strategy.** Trust and coalition building—the acceptance of mutual vulnerability—are as much or more the outcome of joint problem solving as its precondition.

A further advantage of this governance approach in coalition building is its compatibility and natural affinity with efforts at broad mobilization to address societal problems under uncertainty in other domains.

The Green New Deal (GND) is the most prominent example. The GND goes beyond the classic remedy of carbon pricing to contemplate large-scale investments in green technologies and ambitious programs to foster greater economic opportunities. The GND is a framework that will require public and private actors to wrestle with the same two challenges that gave rise to the design principles described above: the contextualization of general ideas to countless local settings and the collaborative exploration of the technological frontier.