

Investing in All Workers:

California Employer
Perspectives on Hiring,
Retaining, and Advancing
Entry-Level Workers

 The **James Irvine** Foundation



OCTOBER 2019

ABOUT THE JAMES IRVINE FOUNDATION

The James Irvine Foundation is a private, nonprofit grantmaking foundation dedicated to expanding opportunity for the people of California. The Foundation's current focus is a California where all low-income workers have the power to advance economically. Since 1937 the Foundation has provided more than \$1.87 billion in grants to organizations throughout California. With about \$2.3 billion in assets, the Foundation made grants of \$95.9 million in 2018. For more, please visit www.irvine.org.

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ROUNDTABLE LOCATIONS AND PARTNERS:

- Bay Area: Bay Area Council, Silicon Valley Leadership Group
- Fresno: Central Valley Community Foundation, Fresno Economic Development Corporation, Dr. Antonio Avalos, Peter Weber
- Inland Empire: Paulette Brown-Hinds, Michelle Decker, Lou Monville, Karthick Ramakrishnan
- Los Angeles: Los Angeles Area Chamber of Commerce, Dr. Manuel Pastor
- San Diego: San Diego Workforce Partnership
- Silicon Valley: Bay Area Council, Silicon Valley Leadership Group

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Snapshot

WHY To hear employer perspectives on the opportunity to hire, retain, and advance entry-level workers

WHEN
IN 2019

BAY AREA April 17 | **SILICON VALLEY** May 9
SAN DIEGO May 21 | **FRESNO** June 20
LOS ANGELES June 26 | **INLAND EMPIRE** June 28

WHO

Accounting America, Inc.	Fresno Plumbing & Heating, Inc.	Quiring
Agriland Farming Company, Inc.	Gap Inc.	Rancho Bernardo Inn
Akroya	Goodwill Industries of San Diego County	RAR Hospitality Revolution Foods
Amazon	Hyatt	San Francisco International Airport
Aranda Tooling, Inc.	HydraTech, LLC	San Francisco Municipal Transportation Agency
Autodesk Foundation	Impec Group	Silicon Valley Bank
Berkeley Lab Foundation	Initiative Foods	Silk Road Medical, Inc. Sony Electronics Steinberg Hart
Blue Bottle Coffee	JPMorgan Chase & Co.	TaylorMade Golf
Bourns, Inc.	University of San Diego Kaiser Permanente	Texas Instruments
Box.org	Kelly Space & Technology, Inc.	The 20/20 Network
Cal-Draulics, Inc.	Kindel Gagan	Twilight Haven
California Restaurant Association	Lam Research	University of California, Riverside
California Steel Industries	Lance Kashian & Co. Lawrence Livermore	Valley Proteins, Inc. Vivacity
California Department of Transportation	National Laboratory	Sportswear Walmart
CBRE	Loma Linda University Health	Waymo
Cisco	Lucile Packard Children's Hospital Stanford	Wells Fargo
Community Medical Foundation	Lyles Diversified, Inc. Manpower	Western Municipal
Cox, Castle & Nicholson Deloitte	Manufacturers' Council of the Inland Empire (MCIE)	Water District, CA
Esri	Masumoto Family Farm Pacific Gas & Electric	Woolf Farming
Evans Hotels	POM Wonderful	XL Construction
Facebook	Ponce's Mexican Restaurant	
Federal Reserve Bank of San Francisco	PrideStaff	
Flex LTD.		
Fresno Economic Opportunities Commission		

WHERE



WHAT

Key themes we heard

- 05** Changes in technology and demographics require new ways to find and retain talent
- 07** Career training must be flexible to keep up with the continuous need for new skills
- 10** "Soft skills" can be the hardest to find and develop
- 13** More can be done to move beyond diversity to equity and inclusion
- 15** Partnering offers benefits over going it alone
- 17** The desire to change is only half the battle

73 employers throughout California offer promise – and rationale – for expanding opportunity to all workers

We learned a tremendous amount from the many employers in our state who are responding in innovative ways to some of the challenges entry-level workers face.

The James Irvine Foundation envisions a California where all low-income workers have the power to advance economically. We believe that the success of our state is tied to the opportunities for workers, all workers, and too many are struggling to support their family and make ends meet.

In fact, poverty in California is predominantly *working* poverty: 80% of families in poverty have at least one working adult, and 45% of these working adults work full time all year.¹ Entry-level workers often make serious trade-offs, and issues like transportation, housing, and childcare pose real barriers to a family-sustaining career.

There is also a clear pattern of which workers struggle with poverty: 63% of Californians identify as a person of color, yet 76% of low-wage workers identify as such. Additionally, more than half are women, and a high proportion are immigrants.²

Discriminatory policies and procedures, intentional or not, are major barriers to employment opportunities. California will not be a place where all workers – or our economy and society – can thrive until we focus on issues of diversity, equity, and inclusion.

Many companies understand that it is not sustainable to have the world's fifth-largest economy and the highest poverty rate in the nation (considering our high cost of living). In fact, there is growing evidence that economies providing opportunities for all grow more sustainably.³

Employers are critical to expanding opportunity for workers, and some doing so are finding it is a win-win for their workers and bottom lines. We aim to partner with employers who want to hire, train, and advance low-income workers and grow their businesses, including to learn how they define entry-level workers, the challenges they perceive, and what opportunities exist that provide greater opportunities for workers – and that are good for business.

In 2019, we partnered with regional leaders and organizations to host six employer roundtables across the state to engage 87 individuals from 73 employers about the challenges and opportunities they see in hiring, retaining, and advancing entry-level and front-line workers. The attendees were not meant to be representative of all employers in California but do represent different regions, industries, sizes, and perspectives.

Workers are struggling

A 2018 survey of 3,318 Californians⁴ found that:

- **47% of workers reported struggling with poverty (including 60% of Latino workers), and of those workers:**
- **4 in 10 have cut back on food, medications, or visiting the doctor**
- **64% worry about paying for housing (vs. 51% of all Californians)**
- **3 in 4 believe their employers see them as replaceable**

What we heard

Employers at the roundtables talked about tangible ways that they hire entry-level workers with a diversity of backgrounds and support those workers to advance. And, we heard growing acknowledgment that investing in front-line and entry-level workers has larger benefits. Employers told us how:

- They are training existing workers in new skills to fill vacant positions.
- They are working together to achieve a faster impact, in particular to ensure workers' skills are aligned with the local economy's needs.
- Investing in workers is not only the "right thing to do" but also helps businesses stay competitive.

However, we also heard challenges:

- The need for more leaders to champion these initiatives and see entry-level workers as an asset
- More focus on moving beyond just hiring diverse workers to building cultures of equity and inclusion that provide equal advancement opportunities for previously overlooked workers
- How various organizational barriers impede progress

We heard a consistent set of themes, such as:

01 Changes in technology and demographics require new ways to find and retain talent:

Technology advancements are redefining jobs and the skills needed, just as large portions of the workforce are retiring – all in a tight labor market. To find and keep entry-level talent, employers are evaluating worker skill sets differently, raising worker awareness of evolving job opportunities, and providing more holistic support for worker needs. Employers have made progress with these priorities, but finding and retaining skilled talent remains a critical challenge.

02 Career training must be flexible and ongoing to meet the continuous need for new skills:

With the shelf-life of skills rapidly decreasing in many industries, employers identified a need for more flexible, modular training to produce the right skills. Irvine has similarly heard from workers and grantees that workers need opportunities to learn without foregoing income.

03 "Soft skills" can be the hardest to find and develop:

Employers across the state and industries were more willing to invest in building hard skills but expected workers to come with strong soft skills (e.g., communication, critical thinking). Employers struggle to find workers with these skills and have not found the best way to further develop soft skills in current workers. Some participants cautioned that an over-emphasis on soft skills comes from unintended biases and can exacerbate the lack of access and equity issues that many candidates and entry-level workers face.

04 More can be done to move beyond diversity to equity and inclusion:

Some employers shared that it is easy to find and hire racially and ethnically diverse workers, but, collectively, employers have not made as much progress diversifying leadership teams or fostering cultures of equity and inclusion (where diverse workers, women, LGBTQ workers, and others typically excluded have equal access to opportunities; and race or other identities are not predictive of who is trained or promoted).

05 Partnering offers benefits over going it alone:

Employers recognized that some challenges affecting their workforce are too big to tackle alone and are cooperating in new ways. Some are working with other employers to address regional talent shortages, influence contractors and supply chains, and advocate for policies on issues like transportation and housing.

06 The desire to change is only half the battle:

Employers regularly shared that investing in their workforce is the "right thing to do" and makes good business sense, but they still struggle to make the case to leadership and shift practices and policies across organizations.

Significant work remains, but we left the roundtables optimistic. Employers engaged with these issues and are willing to hear from their peers about ways to move forward. Please read more about what we heard and see as opportunities in the following pages – and reach out to the Irvine Foundation if you are interested in sharing your own experience: www.irvine.org/employers.

CHANGES IN TECHNOLOGY AND DEMOGRAPHICS REQUIRE NEW WAYS TO FIND AND RETAIN TALENT

Roundtables attendees have had the most focus on and traction around recruiting, hiring, training, and retaining qualified, entry-level workers. A poll of the employers during the roundtables found:

- 79% have initiatives focused on retention and on the job training for low-wage workers
- 73% are working to develop new ways to find talent
- 67% have efforts to shift their internal hiring practices

However, employers also mentioned these areas as their biggest challenges, with only about one-third stating these initiatives were gaining significant traction. They cite challenges like changing job requirements, misconceptions and unawareness of some vocations, and a tight labor market with an aging workforce.

What the evolution of work means for skill sets and talent

The pace of change, including technology, is accelerating, forcing employers to continuously redefine job descriptions and the skills needed to be successful. In fact, in a recent poll of nearly 10,000 HR professionals, 90% of respondents said their organizations are redesigning jobs.⁵

As these skills, competencies, and descriptions change, some employers are looking past old proxies like degrees and previous experience, finding that they no longer necessarily translate to the “right” skills that will make employees successful in newly redefined roles. Furthermore, some employers shared the perspective

that these credentials often unnecessarily exclude workers who could do the job well but do not have a credential. For example one study found that 67% of job postings for a typical middle-skill job required a bachelor’s degree or higher, while just 16% of the workers currently in that position held that degree.⁶

One participant shared that their organization has been reviewing how our job descriptions are written: *“How do you identify the entry-level positions and adjust those job descriptions, so people can get into the door? Once they have their first role in the organization, we can focus on growing them.”*

Employers further explained that this shift often entails a different hiring approach that focuses on assessing the skills that an individual has rather than the credentials that they do not have, and then providing more robust training to entry-level employees once hired.

Raising worker awareness and addressing perceptions of job opportunities

In an ever-evolving job landscape, employers shared that it can be difficult to raise candidate awareness of good job opportunities that are available. Workers do not always know what job opportunities exist and, therefore, do not pursue the required training to access these jobs.

As one employer shared, *“We’ve been partnering with the local school district to organize site visits so students can meet employees and see that [these roles are] not just working with lathes and hammers, but actually very high-tech roles.”*

Another group of employers shared that workers’ perception of certain jobs can be an obstacle to finding talent. One employer observed, *“We struggle with the perception for a career in the trades [e.g., electrician,*

“ Our skilled labor is coming up on retirement, but we’re struggling to get young people interested in these roles and prepared with the right skills. ”

plumbing]. We have a local polytechnical program, but we can't get kids to attend the school or get the parents on board because of the stigma of these roles.”

Research also indicates that a reason some workers, particularly workers of color, are not in high-paying jobs is due to the historical segregation of jobs: employers steering, consciously or not, people of certain races into lower-paying jobs. Multiple studies have found that African-American men were overrepresented in and steered toward lower-wage jobs than whites, despite their education, hard and soft skills, and occupational interests.⁷

Compounding the issue of perception that many employers discussed is an aging workforce that is nearing retirement – and they are not hiring fast enough to fill the impending gap: *“We’re facing an aging workforce – about 60% of our workforce are eligible for retirement in the next five years or so.”*

For some employers, this trend is amplified by the fact that the workers who are eligible for retirement are the most skilled: *“Our skilled labor is coming up on retirement, but we’re struggling to get young people interested in these roles and prepared with the right skills.”* To address this, employers underscored the importance of partnering with K-12, community colleges, and nonprofits to raise awareness and improve perceptions of jobs that can lead to a strong career trajectory to grow the pool of talent qualified for these jobs.

Retaining workers by looking at their needs holistically

Employers at the roundtables shared that retaining existing workers is as important as hiring new ones, especially in a

tight labor market. This was not just about more senior roles but also entry-level and front-line workers.

Employers told us time and time again about entry-level workers who were good at their jobs but who had life circumstances (e.g., issues with transportation or unanticipated childcare challenges) that affected their ability to be on time or contribute fully. Some employers offer benefits around transportation, childcare, and financial counseling to help workers with these realities.

As one employer shared, *“We find that potential turnover is highest with new employees and those re-entering the job market for the first time. We offer more holistic support – like paying for a Lyft if their car breaks down or daycare – to get them through the first few days. Going back to work can be a life-changing event for many families, and we need to be realistic about the reasons they’re not showing up.”*

Employers also acknowledged that sometimes their policies and practices create challenges for front-line workers. This can be particularly true regarding giving workers their schedules without advance notice, which can make it impossible to line up stable, consistent childcare. We heard some examples of how shifts in corporate practices around scheduling can dramatically improve retention and employee satisfaction and improve customer experience.

While many employers agreed with this approach, some with fewer resources grappled with how to provide additional supports. This challenge was especially true for small businesses and companies in manufacturing or agriculture (where employers said labor costs are harder to absorb). One smaller agricultural employer brainstormed out loud how to overcome the cost barrier, *“I think what’s beginning to work are services that are provided to employees that go beyond just wages. What if you had a coalition of business that got together and hired a community worker?”*

takeaway

As workforce needs evolve for various reasons, employers shared how they have become nimbler and more open to new ways of finding and retaining talent than they may have been in the past.

2

CAREER TRAINING MUST BE FLEXIBLE TO KEEP UP WITH THE CONTINUOUS NEED FOR NEW SKILLS

Employers see major flaws in the traditional model of career training over months or years (in school). The shelf-life of skills is rapidly decreasing in many industries,⁸ so employers need new, more continuous ways to teach skills.

Workers and our grantees have also spoken to Irvine about more modular training, where workers get their foot in the door and learn in bite-sized pieces while also earning a wage. This is much more attractive than leaving the labor force for education.

Some employers are adding more flexibility and modularity for existing workers by investing in training for entry-level workers, and others are partnering with community colleges to deliver candidates with the right skills.

Community colleges are a key source for skilled and diverse talent

One major way that employers are building more flexible training programs is through close partnerships with community colleges. This is good for individual employers and regional economies; a strong community college ecosystem and a solid local economy seem to go hand in hand.

Research from the University of Southern California's Dr. Manuel Pastor shows that the percentage of the population with associate degrees in a community is an indicator of sustained economic growth.⁹ Employers echo this; the most commonly cited source for entry-level and front-line workers in our discussions was community colleges.

Employers shared that community colleges operate at a large enough scale to meet hiring needs (even for large employers), and community college students represent the racial, ethnic, and socio-economic diversity of California, which is an important factor for some employers.¹⁰

Beyond just hiring community college graduates, several employers more actively partner with community colleges to co-design curriculum and provide internship and job opportunities for

"Working with community colleges to co-create curriculum and training programs has worked well for us."

Employers talked about a mindset of "partnership" and "co-creation"

"We have worked with community colleges to develop programs that guarantee interviews to graduates, which is a good incentive to get people to sign up."

Stronger connections to full time, good-paying jobs were attractive to students

"Our lightbulb moment was when we realized that we needed to build our own content and programming and the community colleges would be our partners in accessing students."

Employers can play a key role in helping to develop "real-world" curriculum

JARGON
ALERT

What is a “career pathway”?

“Career pathways” is a term formally defined by the Workforce Innovation and Opportunity Act but also used colloquially in many ways, which brought about some confusion in our conversations. One key role of pathways is to define how individuals advance, and employers shared several examples of how they help their workers do just that:

Healthcare: “We’re establishing programs internally to help people move from one occupation to another. For example, helping a food service worker become a sterile processing tech (\$5 per-hour increase) and then another jump to surgical prep (another increase of \$5 per-hour).”

Restaurant: “We offer cross-training to help move our dishwashers up to line cooks and eventually managers.”

Retail: “We’ve invested in career pathways for all levels over the past several years. Associates take courses and we invest in them. We’ve seen great ROI, with [store] revenue up 8-10% and higher retention.”

Regardless of industry, employers are thinking about how to help existing staff move up in the organization to create a “win-win” for workers and organizations.

students who go through the training program. No two partnerships are alike, but we heard from employers across regions and industries that partnerships can help create a steady supply of skilled, entry-level workers.

Employers, however, did not paint a completely rosy picture of working with community colleges. Their frustrations centered on the rigidity of some community colleges: degree requirements, outdated curricula, and long lead times to add or change courses.

As one employer noted, “I’m not asking community colleges to teach the skills of the future, but I am asking them to stop teaching the skills of the past.”

Nevertheless, partnerships with community colleges do help some employers train and access skilled talent through flexible and modular curriculum. And, given the energy on this topic in our conversations, there is an opportunity to learn from and adapt the unique partnerships that are emerging across community colleges, employers, regions, and industries.

Training existing workforce can help meet hiring needs for skilled workers¹¹

In addition to bringing in new workers, employers shared their interest in creative ways to help existing workers fill higher skilled roles through efforts like cross-training, providing clear training paths to promotions, and providing opportunities for their employees to advance their education outside of work while still earning a living. As Robert Gleason, President and CEO of Evans Hotels, shared, “We talk about education as a thing you do and then you’re done. But the workforce is changing, the type of work is changing, and lifelong learning is necessary for everyone. We need to integrate that into the workplace.”

“ We talk about education as a thing you do and then you’re done. But the workforce is changing, the type of work is changing, and lifelong learning is necessary for everyone. We need to integrate that into the workplace. ”

Some employers observed that investing in training workers can have a double benefit of filling open positions and helping retain talented workers. And, given that the cost of replacing a worker is estimated to be 60% of their annual salary,¹² employers made clear they are eager to find new ways to hold on to their employees. As one employer shared, “Our responsibility as the corporate sector is to think about how we’re creating pathways and entryways for talent that support people through their education journey.”

The first step for some employers is defining the different paths that entry-level workers can take to move up in an organization, and then break those into bite-size steps for workers and their managers. One simple solution we heard is posting promotion paths and their corresponding wage increases somewhere visible to employees. The San Diego Workforce Partnership shared this example from the restaurant chain Aqui Cal-Mex.¹³

Even with these steps mapped out, employers shared that they sometimes had difficulty finding training programs that were modular enough to facilitate these smaller jumps and communicating these paths to promotion to workers.

Employers also discussed the importance of making it an expectation that managers talk with front-line and entry-level employees about career steps they can pursue. Employers brainstormed that training managers to provide better career coaching to their direct reports might help, as might dedicated “career counselors” who can help employees navigate larger organizations. They also recognized that for many entry-level workers taking

LINE COOKS



DISHWASHERS



Source: Aqui Cal-Mex

time away from work to train for new skills was a deal-breaker. Opportunities for workers to access external education programs while continuing to work and earn a living wage were critical.

Lastly, employers described a tricky disincentive for training entry-level workers: In labor markets like in Fresno and the Inland Empire, employers shared examples where they spent resources training workers only to have them leave after the training for a job that pays marginally more. As one employer put it “we tried to train people, but we had employees gain skills through our training programs and then leave for higher paying jobs quickly after.” This led to a discussion about how much to invest in training, the return on investment, and whether policy changes could help alleviate the training cost to employers if workers leave quickly after completion.

takeaway

We heard from employers that there is a clear need for, and shift towards, more flexible, modular training. Not only does this approach help employers develop relevant skills in their workforce, but more flexibility and modularity can also help workers more easily break into an industry and follow paths to promotion while continuing to earn a living. Identifying the right (nimble) partners, changing internal practices, and supportive incentives and policies to facilitate this shift remain an ongoing area of focus for the employers we spoke to.



3

JARGON ALERT

What are “soft skills”?

“Soft skills” are interpersonal skills, but often this phrase is used as a catch-all for any skills that are not technical. Generally, these skills are not job-specific and can be developed in various contexts through working with others. Examples include communication, problem-solving, creativity, teamwork, and adaptability.

Some employers extend soft skills to encompass basic skills (e.g., language, literacy) and professionalism (e.g., showing up on time, work ethic), both of which often have correlations to personal opportunities, systematic barriers, and/or trauma that individuals face – as opposed to a learned skill. This is where bias can enter the picture.

“SOFT SKILLS” CAN BE THE HARDEST TO FIND AND DEVELOP

Employers across the state and industries shared they are willing to invest in building hard skills but expected workers to come with strong soft skills in areas like communication and critical thinking.

Yet employers are struggling to find workers with these skills and have not found the best way to help workers develop soft skills.

As one employer shared, *“We’re struggling to find talent with the soft skills we are looking for, and this is impacting our ability to promote the talent we have to managerial roles.”*

Experts predict that soft skills will become even more important as automation and artificial intelligence continue to replace the more routine parts of jobs. What will remain, as a need, are “distinctly human” skills like critical-thinking, problem-solving, and effectively working with others.¹⁴

This is noteworthy for people of color, who represent a majority of California’s population,¹⁵ are expected to be disproportionately impacted by automation,¹⁶ and who likely suffer the most from critiques about soft skills.

“ Do we really have a ‘skills gap’ or is it a ‘network gap’?
People that have the connections, get the interview. ”

Soft skills may be prone to biases including cultural differences and access

In fact, some employers urged caution in conversations about soft skills, asking whether over-assessing candidates on these skills could exacerbate issues of bias, fairness, and access faced by entry-level workers. As one employer put it, “Do we really have a ‘skills gap’ or is it a ‘network gap’? People that have the connections, get the interview.” And people with the connections also learn the unspoken cultural norms at workplaces that project them as a better “fit.”

One example from the hospitality industry shows that lack of access and awareness can manifest as perceived weaker soft skills: “How can you expect people to offer excellent customer service in a luxury hotel if they’ve never experienced it before themselves?”

Hyatt is trying to address this through a virtual reality solution as part of the RiseHY program focused on hiring young workers of color. The technology enables candidates to visualize what a role in hospitality looks like and explore the range of roles available and the skills that each job requires to see which path might be the best fit for them.¹⁷

mechanic and train them to become a mechanic, but not if the soft skills are missing.” Numerous employers expected K-12 systems and community colleges to develop soft skills as part of their curriculum – and that workforce development nonprofits would provide soft-skills training. One employer noted, “A lot of the soft skills that are critical in the workplace are not reflected in high school or community college curriculum.” Another added, “There are a lot of nonprofits focusing on the hard skills but not the soft skills and polish that are really necessary to do these [entry-level] roles.”

A few employers are taking on the task of developing soft-skills training for workers. Service sector employers (e.g., hospitality, retail, food service) in particular saw a critical need to develop customer-facing skills that are core to those industries.

A lack of soft skills is a barrier to getting hired – and promoted

Many employers are placing a higher emphasis on assessing soft skills in the hiring process. As one employer shared, “We’re moving away from previous experience and are looking at competencies that translate

It is not well defined who trains for soft skills

Employers shared that while they are willing to hire entry-level workers that may not have all the technical skills needed on day one, they were generally less willing to compromise on soft skills. One employer said, “I’m willing to take a junior

“Our entry-level employees receive soft skills training teaching them how to advocate for themselves, resolve conflict, and be on time.”

–Toni Giffin,
President and CEO of Goodwill Industries
of San Diego County

Some employers recognize the importance of providing soft skills training, particularly for entry level workers

“In hospitality, soft skills are often (or in many cases) the most important, and we recognize the importance of on-the-job soft skills training and building a leadership development pipeline.”

–Robert Gleason,
President and CEO of Evans Hotels

Going beyond entry level, soft skills training can help workers advance through the organization to leadership

to good customer service (resilience, being guest-focused, etc.). We do behavioral interviews based on those competencies.” This shift provides an opportunity to non-traditional candidates without degrees or previous experience but does not remove the barrier to others who are considered to lack soft skills.

This perception of weaker soft skills also creates obstacles to promotions: *“We often see individuals that get ‘stuck’ and can’t get beyond minimum wage. The training that we most commonly see missing is around soft skills to help [workers] become more impactful in their current roles.”* This affects retention and employers’ ability to promote internally to fill more senior roles,

which is typically more efficient than hiring externally.

Some companies are addressing the challenge head on as part of new-worker orientation. Kristine Ballecer, Director of Environment, Health, and Safety for Fresno Plumbing & Heating, Inc. said, *“After hiring, we do an assessment to understand their skills gaps, where their interests lie, and what support they need so we can support them more holistically. We know every person and family is different.”*

A clearer assessment helps workers and employers identify gaps in soft skills — and often personal or cultural factors employers may be unaware of — and work to improve them over time.

“ A lot of the soft skills that are critical in the workplace are not reflected in high school or community college curriculum. ”

takeaway

Every roundtable discussed the increasing importance of soft skills and perceived lack of candidates with them. Employers clearly see a need for more soft skills training, but it remains an area for innovation for how training providers and employers can work together to close the gap. It is also important to acknowledge how implicit biases can skew perceptions of soft skills and other factors in the lives of jobseekers and workers.

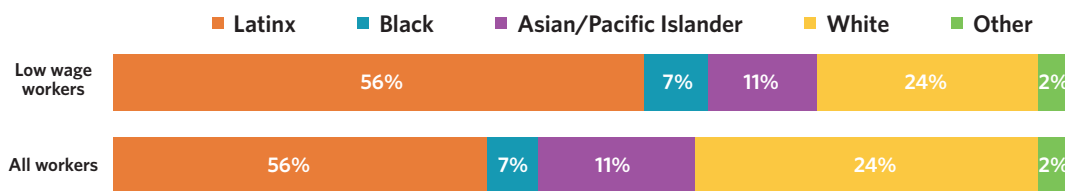
4

MORE CAN BE DONE TO MOVE BEYOND DIVERSITY TO EQUITY AND INCLUSION

Several employers said they can hire a diverse front-line and entry-level workforce. Considering the demographics of California, low-wage workers are disproportionately people of color (76%), female (53%) and immigrants (40%).¹⁸

But it is a different story in some sectors (like technology) and when it comes to advancing diverse low-wage workers into leadership roles. As one employer remarked, “Our organization is very diverse until you look at management. They didn’t even notice the lack of diversity, which was interesting.”

California’s low-wage workers are disproportionately people of color (56% Latino), female (63%) and immigrants; the majority have a high school education or less and few have a bachelor’s degree



UC Berkeley Labor Center (Citation 17).

Only about 5% of employers at the roundtables who have existing diversity, equity, and inclusion programs felt they have made the most traction creating opportunities for equitable advancement to leadership positions.¹⁹ And employers’ comments tended to focus on diversity, with less discussion around equity and inclusion. Those who did talk about the larger picture were often participants of color. An African-American participant observed, “I agree that [our region] is diverse, so it’s easy to find diverse candidates, but equity and inclusion are not as deeply ingrained in organizations as we may think. The distinction between diversity and inclusion feels palpable.”

“ We do a good job of recruiting diverse candidates, but we need to be more intentional about metrics and making sure we are advancing diverse employees. Our managers don’t understand the goals and aren’t evaluated against these goals. ”

THE BENEFITS OF INVESTING IN DIVERSITY, EQUITY, AND INCLUSION (DEI)

A focus on diversity, equity, and inclusion is good for workers, bottom lines, and the community at large.

DEI ON TEAMS:

- **“An analysis of around 600 business decisions made by 200 teams across a range of companies found that diverse teams outperformed individual decision-makers up to 87% of the time. Diverse teams were also shown to make decisions faster than individual workers and benefited from a 60% improvement on decision-making.”**

(Cloverpop white paper, 2017)

DEI AT COMPANIES:

- **“Companies in the top quartile for racial and ethnic diversity are 30% more likely to have financial returns above their respective national industry medians.”**
- **“68% of 3,000+ respondents of all backgrounds from various companies reported that bias had a negative impact on their productivity.”**

(McKinsey & Company, 2015)

(Deloitte Inclusion Report, 2019)

DEI FOR THE COMMUNITY:

- **“Conventional wisdom in economics says there is a trade-off between equity and efficiency. But new evidence shows that regions that work toward equity have stronger and more resilient economic growth – for everyone.”**

(Dr. Manuel Pastor and Chris Benner, Just Growth: Inclusion and Prosperity in America's Metropolitan Regions, 2019)

Increasing accountability for equity

One roundtable conversation about measuring diversity, equity, and inclusion initiatives explored how to ensure outcomes align with the goals: *“We do a good job of recruiting diverse candidates, but we need to be more intentional about metrics and making sure we are advancing diverse employees. Our managers don't understand the goals and aren't evaluated against these goals.”*

Others shared how regularly examining employee data by demographic group (e.g., how promotion and turnover rates for employees of color differ from white counterparts) is key to understanding whether meaningful progress is occurring.

One organization is working to reduce bias by revising interview guides and decision-making criteria, so hiring decisions are less about how someone “feels” about their “fit” in an organization. *“We're working hard to train all managers on inclusive leadership, since our industry is very relationship based, and we want to ensure all talent has opportunities. We also focus on shifting practices and policies. But it's really about trying to change minds and behavior.”*

Struggling to address longstanding inequities

We also heard that employers struggle to balance a desire for more diversity and equity with constraints on what roles they can play in tackling root causes of inequitable opportunity. One shared, *“How far back do we go? We can't teach people literacy. We can't teach people basic math.”*

Employers said they need people to come with the basic skills, but, at the same time, some acknowledge that inequities in our communities run deep and lead to disparate outcomes at many levels.

One example of these deeply ingrained inequities surfaced when employers shared that their front-line workers often struggle to get to work on time due to a lack of public transportation. But, looking deeper, you can see a complicated and decades-long story of redlining, underinvestment, and bias that has influenced which communities received transportation investments and which did not.

takeaway

Employers cannot change history, but some realize the historical contexts – and believe that they can influence shifts in policies and practices to reduce inequities and help companies more effectively build and include a diverse workforce.

A grayscale photograph of two men in business attire. The man on the left is wearing glasses and a dark shirt. The man on the right is wearing glasses, a suit, and a tie, and has a name tag. They are both smiling and appear to be in conversation. A large number '5' is overlaid on the left side of the image.

5

PARTNERING OFFERS BENEFITS OVER GOING IT ALONE

Employers recognized that some challenges affecting their entry-level and front-line workforce are too big to tackle alone. They are cooperating in new ways, including with other employers, to address regional talent shortages, influence contractors and supply chains, and advocate for policies around issues like housing and transportation (which benefit employees and employers).

Working together to “grow the pie” of qualified entry-level talent

Employers often describe a constant “war for talent,” but we heard several companies ask to share ideas and collaborate to “grow the pie” of qualified talent in their regions. One example was shared by Kelly Space and Technology, Inc., which saw a need to train more workers for manufacturing jobs across the San Bernardino area. Kelly Space seeded a nonprofit, Technical Employment Training, Inc., to identify and train individuals interested in the machine trades in a real-world environment. They collaborate with other local employers to develop real projects as part of the curriculum – and for connections to full-time job opportunities for graduates.²⁰ This type of cross-employer collaboration helps workers find well-paying jobs in a way that benefits the entire region.

Influencing supply chain and contractors

Employers also see new opportunities to work together to influence their supply chains and contractors to improve conditions for entry-level and front-line workers. For example, industries like technology often outsource service positions in janitorial, food service, and transportation. Some companies have been working with contractors to increase wages and benefits – and to upgrade skills through innovative education and training.

Contractors are also starting to proactively raise this issue to help clients understand the barriers that workers can face, as well as to create benefits and practices to overcome them. Raffy Espiritu, President and CEO of Impec Group, shared, “We are working with companies to raise awareness of the issues and get their cooperation on better supporting low-wage workers through contract education at the workplace and classroom training in community colleges.”

CISCO: \$10 million invested in TECH Fund, an initiative with the goal of creating 10,000 affordable housing options in 10 years and \$50 million in 2018 to address homelessness in Santa Clara County by partnering with Destination: Home. ([Housing Wire](#))

FACEBOOK: Proposed a 59-acre neighborhood development for Facebook offices, retail stores, and 1,500 housing units; \$18.5 million in seed funding for the Catalyst Housing Fund (focused on addressing affordable housing in East Palo Alto and Menlo Park); and \$5 million for a five-year pilot that subsidizes teacher housing

1. ([Mercury News](#))
2. ([Facebook](#))
3. ([Mercury News](#))

KAISER: The Housing for Health Fund is a partnership with others in the community to invest in real estate in Oakland for affordable housing; committed \$5.2 million to purchase an affordable housing complex; partnered with Enterprise to launch a \$100 million loan fund (\$50 million commitment each) to develop and finance affordable housing for low-income residents where Kaiser operates; has a plan to end homelessness for 500 residents in Oakland. ([Kaiser](#))

WELLS FARGO: The Wells Fargo Foundation announced plans to commit \$1 billion through 2025 to address housing affordability. ([Chronicle of Philanthropy](#))

Staffing agencies are another potential partner for employers looking to hire more diverse workers from different backgrounds. Akraya, a company that supports tech companies with talent sourcing, provides the option of “impact sourcing”: recruiting candidates from certain under-represented communities, such as mothers returning to work.

Working together to advocate for policy change

Employers discussed their role in shifting public policies to help low-wage workers with issues related to housing, transportation, and immigration status. Some employers actively address these issues on their own (see housing sidebar), but many talked about ways to advocate together through regional or industry groups. As one employer in the Central Valley stated, *“I’m just going to say it: the lack of pathways to legal work is affecting our workforce. We’ve experienced gaps in our workforce due to immigration crackdowns. There should be a way for good, loyal employees to gain citizenship.”*

Employers also discussed new policies that could further incentivize employers to invest in training workers. Two examples that emerged included adding tax incentives for worker training (similar to the capital improvement tax deduction) and supporting employers that invest significantly in training for workers who then leave (through mechanisms like forgivable loans or other financial incentives).

takeaway

Employers face a common set of challenges and are increasingly seeking collaborative remedies, whether it be with other employers, their supply chain and contractors, or via policymakers. The issues affecting the workforce are complex and require a multi-pronged and collaborative approach



6

THE DESIRE TO CHANGE IS ONLY HALF THE BATTLE

Employers regularly shared that investing in their workforce is the “right thing to do” and makes good business sense, but large, complex organizations can create inertia that stalls progress. A recent FSG article explores this dynamic and outlines elements involved in shifting practices: structural change: (policies, practices, and resource flows), relational change (relationships and connections, and power dynamics), and transformative change (changing mental models).²¹

Investing in workers is good for the bottom line

Numerous studies and examples show that investing in workers can benefit the bottom line. Dr. Antonio Avalos, an economics professor at CSU Fresno, shared that investing in workforce development is really about increasing labor productivity, which is good for businesses, economic growth, and the workers who gain skills and higher wages.

Numerous employers shared initiatives that invest in workers and are good for the bottom line. This included Gap Inc. efforts around more stable scheduling (see sidebar), which increased labor productivity and sales.²² Angelica Velez, a General Manager at Gap Inc./Banana Republic in San Diego, shared, “Advanced scheduling has been a game-changer at Gap. Retention has roughly doubled and it’s hugely effective in recruitment. Generally, we’ve found our employees would prefer stable scheduling over a \$1-per-hour pay increase” (see sidebar for more).

Goodwill represents another win-win example: After Goodwill developed on-the-job training for employees of all levels, they saw increased

employee retention and same-store sales (8-10%). However, as Toni Giffin, President and CEO of Goodwill Industries of San Diego County explained, the return is not always immediate: “It takes time to create the culture to support a learning organization where all leaders are invested in developing their team members and supporting their career path.”

A changing ethos – investing in workers is the “right thing to do”

Many employers at the roundtables recognized the benefits of investing in workers and expressed that it is the “right thing to do.” But employers also acknowledged that these investments challenge industry and company norms. One employer from the hospitality industry empathized, “As a working mom, I can’t imagine getting a schedule on Friday for a Sunday shift. I understand fluxes and I’d love for our leaders to challenge what we’ve done for 30-plus years to find ways to make [advanced scheduling] a priority.” The intention and research may exist for investing in workers, but employers struggle to implement and scale such changes within their organizations.

GAP INC.'S PREDICTIVE SCHEDULING EXPERIMENT

Gap Inc., recently adopted two-week advanced scheduling, followed by subsequent experiments in 19 stores to create more scheduling stability and flexibility for workers, such as through:

- **Use of a shift-swapping app**
- **Urging managers to make workers' daily and weekly shift times consistent**
- **Promising a core group of workers at least 20 hours per week**

The results, when compared to nine stores not participating in the pilot, greatly outweighed the modest investment of \$31,200 in extra worker hours:

- **Median sales increased 7% (generating \$2.9 million in additional sales)**
- **Labor productivity rose 5%, likely due to higher retention**
- **Workers' revenue/person-hour went up \$6.20**

The experiment also shed light on what causes variability in worker hours: only 30% of was from customer traffic. The remaining 70% was caused by headquarter-driven instability (inaccurate shipment info, last-minute promotion changes, visits by corporate leaders). This suggests that corporate behavior and factors play a significant role in reducing last-minute scheduling changes.

Source: San Diego Workforce Partnership

Shifting mindsets is critical

A common challenge that employers shared was shifting mindsets across the organization. One employer said, *"Fundamentally, we see labor as a commodity. But our investment in [workers] is ultimately an investment in ourselves. Until we see employees as something we have to invest in, you're stuck."* This shift in mindset can sometimes be large, particularly within industries where labor is a large cost and predominately makes lower wages (like agriculture, retail, and hospitality). For those that have made such a shift, they described seeing "our labor as a value center, not a cost center."

Employers shared that the return on investment for investing in workers can be significant but that it sometimes can be hard to evaluate. The benefits often accrue over a long time and frequently stem from hard-to-measure avoided costs, such as fewer recruitment expenses when retention improves. To achieve these benefits there is often a sizable upfront monetary investment and/or significant political capital spent internally to challenge long-held industry norms.

“Advanced scheduling has been a game-changer at Gap. Retention has roughly doubled and it's hugely effective in recruitment.”

Employers said that aligning incentives, policies, and practices across the organization is one of the most difficult parts of implementing and scaling new initiatives. A tech employer in Silicon Valley shared an example, noting that many tech companies struggle with racial and gender diversity – and name recruiting diverse candidates as a key priority. But few have shifted recruiter incentives or evaluate recruiters differently. *"The challenge to recruiting diverse candidates is recruiters and their metrics; they are incentivized on how quickly they can get people in roles, so it is easier for them to look at where candidates went to school as a proxy. To address this, we've needed leadership to make decisions at the most senior levels and then required training for recruiters and managers as well as evaluate them using metrics around diversity."* Tackling these misaligned processes and incentives is no small task and requires a thoughtful approach to looking at the entire organization, and a willingness to challenge traditional approaches.

takeaway

Employers face challenges to changing practices, but there are promising examples of successful, scaled change that positively impact front-line workers. We learned that implementing these initiatives can be worth the effort, with benefits for employees, businesses, and beyond.

Conclusion

Roundtable attendees talked about their role in training workers, defining and communicating paths to promotion, and fostering more diverse, equitable, and inclusive work environments. For them and their peers, it is natural to wonder how to proceed. These questions we heard can be helpful for other organizations:

- Who are our front-line and entry-level workers?
- How can these workers drive additional value for our organization?
- Are there pools of qualified talent that we are overlooking due to hiring processes or degree requirements?
- Are front-line workers advancing equitably in our organization?
- What are workers' needs, and how do our current practices and programs support them?
- Where is their room for improvement and investment in entry-level workers? What is the cost of inaction?

We also heard many ideas from employers on how to invest in workers. The following page includes a list of some activities that employers are pursuing.

Ultimately, we left the roundtables optimistic. There are leading employers who see the value of investing in the promise of entry-level workers – because it is the right thing to do and because it is good for business and their community. Please reach out to the Irvine Foundation if you are interested in sharing your own experiences: www.irvine.org/employers.

SECTIONS	ACTIONS ROUNDTABLE EMPLOYERS ARE TAKING
Changes in technology and demographics require new ways to find and retain talent	<ul style="list-style-type: none"> ▪ Reexamine job descriptions to remove barriers to access, particularly whether requirements like degrees and previous work experience are necessary ▪ Raise awareness in the community of jobs available and specific skills required for those jobs through partnerships with K-12 schools and community colleges ▪ Ask front-line workers what their needs are at work and outside of work, and explore additional ways to support them (e.g., provide benefits around transportation, childcare, financial counseling)
Career training must be flexible and ongoing to meet the continuous need for new skills	<ul style="list-style-type: none"> ▪ Explore ways to partner with a local community college on updating curriculum and/or establishing new courses aligned with hiring needs ▪ Define promotion paths to higher-paying jobs and develop targeted training to help workers advance within the company ▪ Set expectation that managers will help their direct reports understand promotion paths and provide coaching to help them grow and advance
“Soft skills” can be the hardest to find and develop	<ul style="list-style-type: none"> ▪ Determine what soft skills are necessary for the job vs. those that can be learned on the job with coaching; beware of potential biases that creep into defining soft skills ▪ Develop soft skills training or partner with others to deliver such training to entry-level employees ▪ Explore ways to provide candidates from different backgrounds access to available roles
More can be done to move beyond diversity to equity and inclusion	<ul style="list-style-type: none"> ▪ Look at employee data by race, gender, and immigration status to understand how diversity is distributed across levels of the organization ▪ Start a conversation with senior leaders around what diversity looks like for entry-level workers – and for managers and above ▪ Reexamine practices to retain and advance diverse workers ▪ Train managers in inclusive leadership and preventing bias, to help foster a culture of equity and inclusion
Partnering offers benefits over going it alone	<ul style="list-style-type: none"> ▪ Explore ways to partner with other employers to develop training on high-demand, entry-level skills ▪ Examine contractor agreements and identify ways to provide better wages and benefits, as well as paths to full-time roles for contractors ▪ Explore policies that can help provide workers more stability and opportunities for advancement (e.g., housing, transportation, immigration, workforce development incentives) and consider joining a regional group that addresses issues like these
The desire to change is only half the battle	<ul style="list-style-type: none"> ▪ Pilot initiatives that might be good for workers and have a positive return on investment (e.g., advanced scheduling, training workforce in new skills) ▪ Engage leadership in a conversation around setting a culture that values workers ▪ Seek to align policies, practices, and incentives with desired outcomes (e.g., hiring diverse candidates)

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