THE FUTURE OF WORK FOR LOW-INCOME WORKERS AND FAMILIES

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INTRODUCTION

Headlines abound with “the future of work” and all the promise, challenges, excitement, fear and uncertainty working people feel about what will happen to their jobs and their ability to earn a living in the next decade and beyond. Many who write on this topic view today’s economic transformation as on par with previous economic disruptions such as the Industrial Revolution.3

While there is a lot of uncertainty regarding the future of work, a few things are certain. America’s economy and the structure of the job market have changed significantly over the past couple decades in ways that have hurt working poor families. For low-income workers, real wages have fallen, the social safety net is fraying and staying afloat financially is harder than ever. Economic inequality is at levels not seen since just before the Great Depression of the early 20th century. The economic situation is not likely to reverse itself on its own.4

State policy can play an important role in ensuring that future work for low-income workers and their families provides stable income and enables these workers to build and sustain healthy economic livelihoods.

The Working Poor Families Project (WPFP), a national initiative that seeks to strengthen state policies on behalf of low-income working families, has commissioned this brief to summarize key areas affecting the future of work for low-income workers, present state policy ideas for consideration and provide recommendations for WPFP state policy partners. As the conversation about the future of work grows louder and becomes more complex, this set of promising policy ideas can help guide state partners as they strive to create brighter futures for low-income workers and families.

CONTEXT

The state policy environment is influenced by prevailing beliefs about work and the economy that shape the parameters of possibility. Below are five key beliefs about the economy and work that must be understood in thinking about changes in the world of work. Following this, we outline five primary policy
areas that frame an array of issues and problems advocates and policymakers should examine as they contemplate the future of work, particularly for low-income workers.

**FIVE COMMON BELIEFS ABOUT THE ECONOMY AND WORK**

Five beliefs in particular influence the parameters of state policy change:

1. **Free markets** – Engrained in the American national ethos is the belief that the free market, like the weather, is beyond influence; it will correct itself and, therefore, government should rarely, if ever, intervene. While this belief may be shifting, faith in the free market remains a core value in the psyche of many American policymakers.

2. **Limited government** – The flip side of faith in the free market is lack of confidence in government. Over the decades, survey after survey has shown that Americans do not feel that their government is effective, efficient or even trustworthy. However, a majority of Americans also consistently believe that government should ensure a fair “playing field” for all workers and provide some support for those who need it. How confident people feel in their government is a key factor in shaping public policy.

3. **“Short-termism”** – Increasingly, company leaders are prioritizing short-term profit maximization and value for shareholders over longer-term investment in companies and workers. The growing size and influence of the financial markets and activist shareholders have pressured business leaders to maximize profits in the short-term, even at the expense of long-term growth and sustainability. The structuring of CEO compensation packages heavily weighted with stock options also provides incentive for a more short-term focus.

4. **Individualism and individual action** – American faith in individualism has led to adoption and expansion of policies and practices that favor workers operating as individuals rather than as groups. This can be seen most profoundly in the decline of unionization and the growth of negative views of unions. But class action lawsuits and other forms of collective action also have diminished. This emphasis on individual action has contributed to a shift in power from workers toward shareholders and owners, resulting in workers receiving less reward for their work, even as they bear more of the risk and responsibility (e.g., workers required to provide their own equipment; employees being replaced by independent contractors).

5. **Corporate allegiance** – Public subsidies to attract new businesses pit communities and states against each other. These competitions undermine a sense of corporate commitment to community and workers. Combined with the globalization of the economy and the focus on short-term profits, the corporation’s traditional role as a leader and a fundamental part of the community has diminished.

**FIVE KEY POLICY AREAS FRAMING THE FUTURE OF WORK**

For many people, technology often comes to mind in thinking about the future of work, particularly low-wage work. Information technology, artificial intelligence, robotics and automation are dramatically changing the structure of most jobs. Technology can require new skills of workers, make jobs simpler, change the organization of work or replace workers altogether.

Estimates of the extent of technological unemployment vary widely. On the high end, Frey and Osborne have estimated that as much as 47 percent of all employment has a high probability of being computerized and eliminated by technology. Others see this prediction as too high and argue that technology is not being leveraged enough. In any case, almost all jobs are affected by technology, which means that all workers need to know more about how to use and manage it (and more workers will be needed who know how to set up and fix it).

Also at issue is the potential impact technology has on the overall economy. Companies using technology to reduce or eliminate labor on a significant scale could negatively impact the economy. A full 70 percent of the Gross Domestic Product in the United States is based on consumer spending. When workers’ earnings decline, their consumption declines, which slows and weakens the consumer-driven economy.

A point to remember when thinking about technology’s role in the future of work is that technology is simply a tool: how technology is used is driven by the operating philosophy and decisions...
of the company. The resulting effect on work and workers, however, crosses into the realm of public policy as the rapidly changing circumstances of employment and work can impact the economic foundation and security of working families, communities and entire regions.

In the traditional employer-employee contract, born in the early 20th century, employers provide workers with decent pay, regular hours, benefits and opportunities for growth in exchange for loyalty and productivity. This model is withering and in danger of disappearing for large numbers of workers. This trend is much broader than the “sharing economy” of digital platforms, smartphones and contract workers. Indeed, the “sharing economy” is merely a recent additional iteration of a long-developing trend by employers to renounce their role as employer and free themselves of obligations to employees. Contingent work, involuntary part-time work, subcontracted labor and employee benefit reductions are all older siblings to the “sharing economy” in this long-term trend.

In addition, the social safety net—constructed after the Great Depression to protect and support those who do not have the benefit of a traditional employment situation—is deteriorating. Many thought leaders have argued that these changes have been so significant that we need to rethink this country’s foundational social contract between individuals, business and government.11

The consequences of the changing nature of work and the uncertainty about the future should compel policymakers at all levels of government to seriously consider these issues and potential policy reforms. To assist in this examination, the following is organized around five key areas where current trends challenge the economic security of workers, particularly low-income workers: (a) employment and labor relationships, (b) economic security: income and benefits, (c) business models, (d) worker rights and voice and (e) education and skills training. The next section reviews state policy opportunities that may be useful and even necessary to address these changes.

**a. Employment and Labor Relationships**

The erosion of the employer-employee relationship has occurred gradually over several decades. In the context of globalization, increased competition, short-termism and declining collective action, businesses have reduced labor costs by overseas outsourcing of jobs requiring less education and credentials, reducing or holding real wages flat, reducing employer-provided benefits such as health care coverage, and changing retirement plans to reduce employer contributions (e.g., replacing defined benefit plans with defined contribution plans). Business operations models also have shifted toward flatter management structures, which have reduced internal career ladders and advancement opportunities. These actions are altering the historic relationships between employers and workers.

More recently, companies looking for additional ways to cut labor costs have started outsourcing jobs with middle-level skills—such as IT, medical technology, paralegals and accounting—to other countries. Some companies also are using immigration policies such as the H1-A and H1-B visa programs to replace American-based workers with low-cost workers from abroad.

Other emerging strategies include using big data to micromanage employees and their work schedules, and contracting for labor (either by contracting directly with individuals or by contracting with companies that employ workers). There is anecdotal evidence of companies replacing full-time workers with part-time and temporary ones, but official data has not confirmed this trend.

Finally, a recent investigation by ProPublica and National Public Radio found that some companies, assisted by state policy, are opting out of workers’ compensation requirements and substituting their own, pared-down “injury benefit plans.” Texas and Oklahoma have recently passed laws allowing for opting out, and Tennessee, South Carolina and a few other states are considering such policies.12

These business decisions have fundamentally changed the employer-employee relationship from one where workers were rewarded for loyalty and considered fundamental to business operations and reputation to one where workers are dispensable. These employment trends put downward pressure on workers’ wages and benefits, especially for low-skilled workers. Employment and labor policy has not kept pace with the changing nature of the employer-employee relationship, leaving many workers with unstable employment and wages insufficient to support a family, much less invest in a better future.

Uncertainty about the future of work naturally leads to uncertainty about how workers will earn income in the future and access benefits such as health insurance, paid time off and retirement funds. Previous decades of public policy and business practice have integrally connected economic security with employment security by tying both income and benefits to employment. This history includes the “welfare capitalism” begun in the early 20th century, in which paternalistic companies provide workers with good wages and social insurance benefits; New Deal policies of the 1930s; and the reactions to price and wage caps during World War II. Together, these policies forged a social contract between employers and employees in which employers provide decent and stable incomes and benefits as well as career advancement opportunities, in exchange for worker loyalty and productivity.

The United States has not built a robust social safety net that would allow people to access core labor and employment protections and benefits during times of contingent, under- and unemployment. At a time when employment security is eroding, how can opportunity for economic security be ensured? Some benefits are becoming available outside traditional employment relationships, such as retirement accounts and the health insurance exchanges created by the Affordable Care Act (ACA). However, the vast majority of employment protections and benefits continue to be explicitly tied to employment. This is problematic considering the growing insecurity of employment for many workers, particularly low-income workers. Because economic security policies have lagged behind changes in employment security, state advocates for low-income workers must remain vigilant in identifying ways to build economic security for workers who bear the brunt of changing employment practices.

c. Business Models

The dominant business model in the American economy traditionally has been a privately owned or publicly traded company that hires employees, pays regular wages and provides employees with basic protections and benefits. As discussed above, this model has been evolving at many companies. As many companies have severely narrowed their focus on “core competencies” and eliminated or contracted out other functions such as janitorial services and employee benefit management, some are seeking to eliminate their workforces altogether. This is what is happening with the new “sharing economy” or “on-demand economy” or “gig economy” that relies on huge networks of independent contractors to deliver services such as transportation, house cleaning and delivery of goods. A recent survey by Intuit estimates that 3.2 million people work in the on-demand economy and projects this will increase to 7.6 million by 2020. This is a small but growing fraction of the 143 million people in the American workforce today.

The “sharing economy” benefits workers who need flexibility, part-time work and/or supplemental income. Indeed, the rise of “sharing economy” may be a consequence of the stagnant wages that force workers to supplement their full-time income with digital side job or part-time work just to maintain their current standard of living. However, the downsides to workers in this type of employment arrangement include the lack of guaranteed income, hours, standard work protections or benefits; the need to assume both the employer and worker portion of Social Security payments and most business risk; and typically having no control over the rates charged for their services.
Other business models may be more beneficial for low-income workers because they prioritize labor as an asset to be leveraged for the good of the company and its sustainability rather than seeing it as a cost center that needs to be reduced. Alternative business models include worker co-ops, Employee Stock Option Plans (ESOPs), benefit corporations and “open-book” management models. These are discussed later in this brief.

Additionally, Zeynep Ton, an Associate Professor at MIT Sloan School of Management, has coined the term “good jobs strategy” to describe operational strategies innovative companies have adopted that are good for investors, shareholders and workers. For example, companies like Quik Trip, a convenience store chain in the Midwest, deploys a combination of strategies to provide good jobs and achieve strong business outcomes. These strategies include generous compensation and benefit packages and full-time schedules designed to retain employees and create a stable and loyal workforce. Intensive entry-level training and continuous cross-training are investments that cultivate engaged employees who understand and can help improve the business. Slight overstaffing—operating with “slack”—helps to ensure workers can perform jobs well and can identify improvements in operations. The company limits the number of different types of products to ensure that customers have access to consistent and easily-found products and that employees know the products well and can provide high-quality assistance to customers. Because the company invests in its workers with good wages, training and respectful job design, its employees are able to help the company assess its operations and strengthen the bottom line.

d. Worker Rights and Voice

Union membership in the United States has fallen from a peak of almost 35 percent of all wage and salary workers in 1954 to 11 percent in 2014, when only 6.6 percent of private-sector workers were unionized. Twenty-five states—mostly in the west and south, but more recently northern ones too—have passed “right to work” laws. These laws limit labor agreements that require workers to pay union dues. State and federal courts have weighed in with mixed decisions regarding labor law, and recently the Supreme Court issued a ruling that likely will weaken union membership. During its 2015-16 term, the Supreme Court also will decide two cases regarding workers’ rights to form a labor union or file a class-action lawsuit for a labor violation.

Worker representation in the political system is also declining, accompanied by an increase in corporate lobbying and political financing.

Traditional union organizing is premised on a fading employment model: “a direct employer–employee relationship, a single workplace and responsibilities that can be managed via a set contract that remains in place for a number of years.” This creates the need for new models of worker organizing and representation. Some traditional unions have recognized this.

The Service Employees International Union (SEIU) has expanded its organizing efforts to include workers who are not members of the union and may never join, for example supporting the fast food workers’ Fight for $15 and a Union campaign. The AFL-CIO has formed Working America, an affiliation of non-union members that organizes communities around labor and community issues. The AFL-CIO also has strengthened partnerships with worker centers and other community organizations to engage in non-traditional organizing to benefit workers.

Alternative forms of labor organizing also have emerged and blossomed. “Alternative labor” or “alt labor” are nonunion worker organizations, such as worker centers and worker alliances. They include organizations such as the National Guestworker Alliance, Restaurant Opportunity Center (ROC), National Domestic Workers Alliance, National Day Laborers Organizing Network, National Taxi Workers Alliance and the Workers Defense Project. According to Dr. Janice Fine, a prominent scholar on worker centers, in 1992, there were fewer than five centers nationwide. As of 2007, there were at least 160 worker centers in over 80 cities, towns and rural areas, and more than 200 by 2013.

Another emerging model is Coworker.org, which provides an online platform for workers to communicate, organize and engage in collective action. A primary vehicle is online petitions around specific actions to improve working conditions. Coworker.org is an inaugural participant in the Workers Lab, which seeks to incubate and accelerate the next generation of efforts to amplify and strengthen worker voices by investing in “scalable and self-sustaining solutions that have the promise to significantly improve conditions for working people.” The Workers Lab incubation
Public policy—federal, state and local—has a critical role in responding to and addressing the changes that are taking place.

e. Education and Skills Training

An important component of the traditional employer-employee contract has been opportunities for career advancement in exchange for hard work and loyalty. Education and training are significant ingredients for career advancement, yet employers’ investment in lower-wage workers’ skills development has been scant. A recent study found that 58 percent of formal employer-provided training dollars go to college graduates while only 17 percent goes to workers with a high school education or less.27 This is unfortunate for workers with lower levels of education since workplace-based training is among the most convenient training arrangements for workers and employers alike.

As workers are left on their own to finance their education and skills development, they face several significant challenges. One is the reality that full-time well-paying jobs with benefits are typically filled by college graduates. A recent report from the Center for Education and the Workforce at Georgetown University found that “out of the 2.9 million jobs created since the recovery, 2.8 million have been filled with workers with at least a Bachelor’s degree.”28 The report also found that 1.3 million of the 1.9 million middle-wage jobs went to workers with Bachelor’s degrees.29

The other challenge is the reality that accessing college is becoming more difficult for low-income students and workers as college costs continue to rise. For example, a College Board analysis reveals that the average published tuition and fees at public two-year colleges and universities increased by 14 percent in 2015 dollars over the five years from 2010-11 to 2015-16, following a 13 percent increase between 2005-06 and 2010-11. The increase for public four-year colleges was even greater during these periods.30 Tuition and fees are just one component of the cost of postsecondary education. Other costs include housing, transportation, child care, books, supplies—all of which can be significant for working adult students and parents. An important reason for the increase in tuition and fees is the decline in state investments in public higher education.

Thus, workers looking to increase their education and skill level face more challenges than ever before. This does not bode well for their future ability to secure well-paying jobs or to gain the skills that meet employers’ needs.

STATE POLICY ACTION

The dynamic interplay of these five issue areas, technology and public policy is creating disruptive change in the economy and society that will affect the future of work. As with all major social and economic disruptions, there is a transition period between the old and the new, and this is the case today. Although the traditional employer-employee relationship is eroding, it is still the dominant policy framework for providing income and social safety net benefits in this country. It is imperative for policymakers to shore up what is left of this relationship while simultaneously exploring and experimenting with new social contract models and supporting policies.

The future of work may very well bring a mix of traditional employment, independent contracting and hybrid employment models, which is why it is important to avoid wholesale abandonment of any one model or assumption of any one prevailing new model. All possibilities are on the table. Of utmost importance is strengthening the economic security and mobility of workers, especially the most vulnerable, whatever their employment status.

Toward this end, public policy—federal, state and local—has a critical role in responding to and addressing the changes that are taking place. This section outlines state policy ideas both for strengthening the traditional employment model and for protecting and supporting workers outside the traditional employer-employee relationship.
Both are important as business models and the employer-employee relationship continues to change.

**Policies That Strengthen the Traditional Employment Model**

State policies to strengthen the traditional employment model can be categorized into the five areas where change is occurring: (a) employment and labor relationships, (b) economic security: income and benefits, (c) business models, (d) worker rights and voice and (e) education and skills training.

**a. Employment and Labor Relationships**

The future of work will be shaped largely by the developments in several key areas of labor and employment policy: wages, worker classification, worker bills of rights and worker scheduling. Additionally, state procurement policy can encourage better labor and employment practices.

At the core of the employer-employee relationship are the wages paid in exchange for work. The primary state policy that can strengthen this fundamental component of the future of work for low-wage workers is to:

- **Raise the minimum wage from the current federal rate of $7.25 per hour.** Fourteen states across the political spectrum have updated their minimum wage laws in the last year: Alaska, Arkansas, Connecticut, Delaware, Hawaii, Maryland, Massachusetts, Michigan, Minnesota, Nebraska, Rhode Island, South Dakota, Vermont and West Virginia.31 It also is important to fight state policies that would block cities and towns from increasing their minimum wages, e.g., state policy in Kentucky and Missouri.

The relentless cost-cutting by many companies and the rise of business models such as digital platforms providing on-demand services have challenged the traditional legal classifications of workers. Previously workers were viewed as either employees—for whom companies are required to provide a baseline of worker protections and benefits—or independent contractors who are not covered by any minimum protections or benefits such as minimum wages, workers compensation, contributions to Social Security or federally-protected right to join a union. State policies to address worker misclassification issues include:

- **Clarify and update guidance for proper classification of workers within the context of these new business practices and emerging models.** States can draw upon the recent interpretation by the U.S. Department of Labor’s Wage and Hour Division, which clarifies proper determination of a worker as an employee or contractor under the 1938 Fair Labor Standards Act definitions.

- **Issue administrative rulings regarding the classification of workers.** For example, seven states have issued rulings that classify Uber drivers as independent contractors: Colorado, Georgia, Illinois, Indiana, New York, Pennsylvania and Texas. In California, rulings for specific workers have been mixed, with a 2012 ruling that an Uber driver was an independent contractor and two separate 2015 rulings that Uber drivers were employees.33 Also in 2015, the Florida Department of Economic Opportunity ruled that an Uber driver is an employee and therefore eligible for unemployment insurance.

Another issue related to worker classification that has emerged with the rise of company subcontracting is joint employer liability, which defines which companies connected to a worker’s employment are responsible for that worker. State policy regarding joint employer liability could include:

- **Issue state department of labor guidance defining “joint employer.”** Such guidance could be based on the National Labor Relations Board’s new, broader standard specifying which companies in a worker’s chain of employment are responsible for that worker.34 For example, the North Carolina Justice Center, a Working Poor Families Project state partner, has proposed that the state issue guidance clarifying employer responsibilities and worker rights and providing examples from different industries.

Some low-wage workers, such as domestic workers and farmworkers, may be correctly classified, but still lack access to basic employment protections because they are exempt from the Fair Labor Standards Act. One way some states have addressed this problem is to:

- **Adopt workers’ bills of rights, which are policy packages that provide various protections, basic rights and benefits for workers in**


Worker scheduling issues have emerged recently as a serious threat to the quality of low-wage work, especially in the retail, restaurant and hospitality sectors. Utilizing sophisticated software algorithms and maintaining a large labor pool, managers craft schedules with irregular shifts targeted for peak customer demand. Workers also are assigned on-call shifts and can be sent home during slow periods. Such schedules result in volatile incomes, making it difficult for workers to manage their finances. Often, these schedules are posted with short notice: 56 percent of service workers surveyed recently receive their schedule one week or less in advance of their shifts. This confounds workers’ ability to arrange childcare, spend time with family and engage in education or training. By maintaining a large labor pool, managers also can distribute hours to keep many employees working less than 30 hours per week and avoid triggering the need to provide benefits. Examples of state policy actions to curb harmful scheduling practices include:

- Adopt state “right to request” laws that give workers “the right to request a flexible and/or predictable and/or stable schedule without fear of retaliation.” Vermont has such a policy.
- Adopt worker bill of rights laws for specific workers. For example, San Francisco passed a “retail workers bill of rights” in late 2014 with comprehensive scheduling reform. Among other provisions, it requires large chain companies “to give workers two weeks notice of their schedules, pay workers for the shifts when they’re on call and give hours to current employees instead of hiring more.” The San Francisco Board of Supervisors member who led the city legislative effort is now in the California state house and is leading a similar effort there.
- Pass comprehensive worker scheduling policy. Connecticut, Maryland, Illinois, Indiana, Massachusetts, Michigan, Minnesota, New York and Oregon have proposed legislation that other states can use as models. (At the federal level, policymakers have introduced the Schedules That Work Act, which seeks similar scheduling reforms.)

Lastly, state procurement and grant policies can be powerful tools to improve company practices and policies for low-wage workers. These tools can be used to:

- Establish employment standards that companies contracting with the state must meet. For example, the North Carolina Justice Center has proposed leveraging state procurement by forbidding public contracts from using contingent workers.
- Establish standards for companies receiving funds or services through workforce, economic development and other state grant programs. For example, Corporate Social Responsibility standards could be defined and applied to grant programs.


The second category of policies to strengthen the traditional employment model include those that stabilize income and improve access to core benefits, particularly for low-wage workers. Potential state policy actions include:

- Reform unemployment insurance policy to expand and strengthen unemployment insurance for low-wage workers. National organizations like the National Employment Law Project and the Center for Law and Social Policy (CLASP) have conducted an important analysis and proposed state policy recommendations on this issue.
- Adopt state paid family and medical leave and paid sick days policy. Four states—California, Connecticut, Massachusetts and Oregon—and several cities have passed paid sick days laws since 2006.
- Work with employers to maximize health care coverage under the Affordable Care Act and use innovation waivers allowed under ACA to maximize opportunities for quality affordable health care coverage for all.
- Offer portable, state-based retirement programs that either encourage employers to provide coverage using the state program and/
or encourage automatic enrollment of workers directly into the state programs. California, Connecticut, Illinois and Maryland have such policies and other states like Washington are pursuing this strategy. In November 2015, the U.S. Department of Labor issued two pieces of guidance to clarify federal laws on retirement programs and help states move toward development of state-based programs.

State policymakers may need to revisit state tax policy to raise additional revenue to cover expanded public benefits. This could include closing tax loopholes; raising taxes across the board or for particular taxpayers or tax brackets; and/or instituting new taxes such as a carbon emissions tax.

c. Business Models

As described earlier, employer-employee relationships and the economic security of workers is eroding due to changes in the traditional business model and the growth of entirely new models. State policy can encourage business models that are more worker friendly.

Two examples of worker-friendly business models include Employee Stock Ownership Plans (ESOPs) and benefit corporations. ESOPs are employee benefit plans that offer a company’s workers an ownership stake in their company and are the most common form of employee ownership in the United States. According to the National Center for Employee Ownership, as of 2015, 7,000 companies had ESOPs covering 13.5 million employees. State policies to support ESOPs include:

- Provide financing to support businesses in transitioning stock from current investors to employees in ESOPs, e.g., Indiana’s ESOP Initiative.
- Provide training, technical assistance and financial support to businesses transitioning to the ESOP model, e.g., the Massachusetts Office for Employee Involvement and Ownership. Unfortunately, the Massachusetts program was defunded in 2008; however, with most state budgets improving since the recession, state policymakers could consider creating a similar program to support ESOPs in their states.

Benefit corporations are incorporated in their respective states with a special legal designation that allows them to pursue the “creation of material positive impact on society and/or the environment, as opposed to merely maximization of profit and shareholder returns.” This dual mission “frees the leaders of these businesses to make decisions based on considerations other than just short-term profits without the threat of lawsuits or takeovers by shareholders dissatisfied with their choices.”

States can support benefit corporations through actions to:

- Adopt benefit corporation policy. Thirty states plus the District of Columbia have passed benefit corporation legislation and legislators in five states are actively working to pass such legislation, according to B Lab—a nonprofit organization that certifies “B Corporations” or “B Corps,” assists with benefit corporation policy development and advocacy, and aggregates data on B Corps. (“B Corporations” or “B Corps” differ from “benefit corporations” in that the benefit corporation is a legal designation conferred by a state, and B Corps is a certification earned by meeting certain standards and granted by the B Lab.)
- Provide training, technical assistance and financial support for benefit corporations similar to the Massachusetts program for ESOPs. For example, state departments of labor could support benefits corporations in strengthening practices and policies around worker compensation and benefits, job quality and career advancement.

d. Worker Rights and Voice

The future of work most certainly will be influenced by the future of worker voice. What can be done now to strengthen worker voice within traditional employment? State policies are weakening unions through the current labor rights legal structure, but perhaps existing federal and state labor laws are anachronistic. Some policy thought leaders have proposed repositioning the right to unionize from a right under labor law to a civil right. To act on this proposal, states could:

- Add to state civil rights law the right to unionize. This would enable workers to sue their employers for discriminating against them based on union membership and receive punitive damages. This is a stronger enforcement mechanism than the current remedy under the National Labor Relations Act.
Board, where employers pay owed wages and compensation (a cost small enough that many employers are willing to violate employment law and just pay the back wages).54

e. Education and Skills Training

Both the public and the private sectors have an important stake in ensuring that workers have the education and skills necessary to obtain well-paying jobs and to meet the workforce needs of employers. Thus both have a role to play in ensuring that education and training opportunities are aligned with employer needs.

State policy makers can invest in specific strategies that foster partnerships between employers and postsecondary education. The strategies can include:

- State-level business-higher education councils. Many states have such councils, but they often are focused on traditional students. The growing concerns about the future of work and the disruptive trends discussed in this brief may provide an opening for state advocates. They could encourage these councils to widen their scope to include nontraditional students and programming and direct state-supported training resources to employers willing to invest in their low-skilled workers.

- Targeted training programs. States can fund postsecondary education institutions to partner with employers to design low-wage adult-friendly programs. For example, early in 2015, Arkansas passed the Workforce Initiative Act Regional Workforce Grant Program, which provides grants to regional workforce partnerships consisting of mandatory partners from secondary education, postsecondary education and employers representing critical needs in the region. The goals of the program are to create long-term relationships between education and business, increase alignment across educational institutions and create credentialed career pathways for students.55

- Payroll tax diversion training programs. A handful of states have created innovative financing policy and mechanisms to fund workforce education and training through diversions of some state payroll taxes. These policies can be structured to address low-skilled workers’ needs. For many years, Iowa has granted community colleges the authority to issue bonds to finance workforce education. Community colleges work with companies to train new or incumbent workers, and the bonds are “paid over ten years by diverting a portion of the newly trained workers’ state income tax.” Kansas has a similar program, but the state issues the bonds on behalf of the colleges. Michigan’s program, created in 2008, utilizes a training pool of funds rather than bond funding, but maintains the payroll tax diversion component. Although this program was set to expire in 2018, it was recently renewed and extended through 2023.57

State policy can also incent employers to strengthen the education and skill levels of low-skilled workers. Examples include:

- Incumbent worker training. Many states have incumbent worker training programs, and the federal Workforce Innovation and Opportunity Act of 2014 provides new opportunities for states and local areas to invest in this strategy (see the Summer 2015 Working Poor Families Project policy brief, Implementing WIOA: State Policy Choices to Assist Low-Income Working Families).58

- Apprenticeships and other work-based learning. Forty-four states and the District of Columbia fund and operate their own state apprenticeship offices. South Carolina’s
The Apprenticeship Carolina program perhaps is the most well-known due to its size—761 apprentice programs and 13,634 total apprentices served to date—and robust financial support for participating companies in the form of a $1,000 tax credit per year per apprentice for four years.59

- State corporate tax credits. Many states have tax credits for corporations investing in training their workforce. Given employers’ preference for investments in higher skilled workers, it is important to target these tax credits to low-skilled workers so as not to replace existing employer investments and to benefit those most vulnerable to disruption caused by the changing work environment. For example, Georgia’s Retraining Tax Credit provides businesses “a tax credit of 50 percent of their direct training expenses [for employees to learn new skills or learn to use new equipment], with up to $500 credit per full-time employee, per training program. The annual maximum of the credit amounts to $1,250 per employee.” Of course, a downside to state tax credits is that they reduce tax revenue that could be used to fund additional workforce education and training.

POLICIES THAT PROTECT AND SUPPORT WORKERS OUTSIDE THE TRADITIONAL EMPLOYER-EMPLOYEE STRUCTURE

For some workers, the traditional employer-employee relationship already has faded away, and they are independent contractors, freelancers or “gig economy” workers either by choice or by necessity. What types of state policies can be adopted to protect and support these workers as they negotiate this new world of work? And, what forward-looking state policies should policymakers and advocates consider today for a future workforce that may include even more workers outside the traditional employer-employee relationship? This section describes some state policy actions that could benefit low-income workers who are outside the traditional employer-employee relationship:

**Labor and Employment Relationships**

- Apply core state labor and employment protections to all workers no matter their employment classification. The National Employment Law Project has proposed this approach, which builds from an existing model of “statutory employees” in which Social Security law requires businesses to pay Social Security and Medicare taxes for certain categories of workers.61 This may be simpler than defining an entirely separate third class of worker, as some have proposed.

- Limit business use of contract and other contingent labor. First, as proposed by the North Carolina Justice Center, restrict the employment of temporary workers by companies contracting with the state and require that all workers “up and down the subcontracting chain are paid a living wage and are covered by federal and state wage and hour laws and worker protections.” Second, “limit the amount of time a company is allowed to use temps before being required to hire them directly and forbid the use of temps for any work that is considered part of the core function of the business.”

- Assess state or city “fair share fees” or “bad business fees” on companies that pay workers so little that they have to rely on public assistance programs to make ends meet. Revenue from these fees could provide a pool of funds to support low-wage workers. Leveraging these fees could also incent companies to increase their pay and/or meet other employment standards, depending on how they are structured.

**Economic Security: Income and Benefits**

- Provide state-designed social insurance benefit packages or accounts for workers who work and/or contract with multiple employers. Employers would pay a certain amount into each worker’s account, prorated for the number of hours worked (similar to an “hour bank” in the building trades) or another rate. There are numerous examples to draw from including “multiemployer plans” in the building trades, multiple employer welfare arrangements (MEWAs) for non-union workers, MBO Partners model in Silicon Valley, and the “Individual Security Accounts Model” proposed by Steven Hill from the New America Foundation.

- Revisit state-supported public employment programs. Given the trend of technology replacing some or all aspects of many
jobs, some commentators have suggested that policymakers need to initiate public employment programs similar to the Work Projects Administration or WPA of the 1930s Depression Era. Some are concerned that there simply may not be enough work to go around in the future; the declining labor force participation rate of men and youth may be an early signal of this.

- Adopt a state universal basic income. The idea is that government provides an unconditional cash grant to all citizens no matter how much their income is from other sources. Proposed grant levels vary from $1,000 per month to $10,000 per year (Charles Murray) to a floor just above poverty level (Scott Santens).

The program would be funded in part by eliminating means-tested assistance programs, which in some schemes include Social Security and Medicare as well as programs like public assistance and food stamps. Presumably, other funding from new or expanded taxes would be necessary, including possibly a value-added tax, a tax on financial firms or a carbon tax. The state of Alaska’s Permanent Fund Dividend program is a similar concept, providing an annual dividend “to [all eligible] Alaska residents from investment earnings of mineral royalties. The annual payment enables Alaskans to share in a portion of the State minerals revenue in the form of a dividend to benefit current and future generations.” The 2015 dividend amount is $2,072. In the 1970s, the United States experimented with a cousin to universal basic income, the “negative income tax.” The existing federal Earned Income Tax Credit (EITC) is a cousin to the negative income tax idea, but leaves out childless low-income people.

Business Models

- Support worker coops, a time-honored model in which the company is owned and democratically governed by worker-owners. State policies to support the development and growth of worker coops include the 2015 California Worker Cooperative Act (AB 816), which allows companies to incorporate in the state as worker cooperatives and provides a legal framework for the development and governance of these models. In 2015, New York City (with a population and budget bigger than many states) set aside $1.2 million for education and training resources as well as technical, legal and financial assistance to new and existing worker coops. This is the largest investment in the sector ever made by a city government in the United States, according to the U.S. Federation of Worker Cooperatives.

Worker Rights and Voice

- Support community bargaining authorities that provide community-based bargaining for workers. As proposed by Saket Soni, executive director of the National Guestworker Alliance, a community bargaining authority is “a local body that would help organize and aggregate workers to negotiate higher wages, improve working conditions and build worker organizations.” The advantage of community bargaining authorities is that they establish “an ongoing mechanism [for workers] for negotiating with the state to establish higher wages or raise industry standards...[and] institutionalize mechanisms for aggregating workers and building the kind of self-sustaining organization that would let workers—especially those trapped at the bottom of supply chains—negotiate with employers and the state.” State policymakers could authorize such authorities and enforce the outcomes of their negotiations. The “fair share fees” mentioned above could fund community bargaining authorities and any benefits they provide.

Education and Skills Training

Given the importance of technology for many jobs as well as being able to identify and access job opportunities, all workers need to know more about how to use and manage technology. This suggests that digital literacy and technology training are critical components of the future of workforce development. Also, more workers who know how to design, set up, fix and improve technology tools will be needed.
**Next Steps**

To foster greater attention to these policy issues and ideas, WPFP state partners may want to consider the following recommended actions:

- Establish the future of work as an important state public policy issue that warrants attention by state policy makers; business, community and worker leaders; and advocates for low-income working families and communities.

- Assess the state context to identify specific worker and employer needs. Include the need for policies that both strengthen the traditional employer-employee relationships and better protect and support workers outside the traditional structure. Identify policy opportunities that support good jobs and put them on the organization’s agenda, and activate policymakers and allies in support.

- Host forums and write policy briefs highlighting business models that prioritize workers as assets to be leveraged for the good of the company and its sustainability. Identify and hold up employers who incorporate the value of the social good as part of their business model.

- Convene low-wage workers or collect low-wage worker stories to provide an educational platform about how the changing nature of work is impacting them and their families.

- Examine economic sectors where technology has affected workers compensation, worker scheduling, the skills needed by workers and other aspects of the nature of work. Highlight changes that have emerged in these sectors and identify the need and opportunity for state policy changes like those described in this brief.

- Bring stakeholders together to review and discuss emerging and innovative practices that benefit workers and employers. Use these gatherings to build support for near-term priorities.

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**Recommendations**

1. Establish the future of work as an important state public policy issue.
2. Assess the state context to identify specific worker and employer needs.
3. Host forums and write policy briefs highlighting business models that prioritize workers.
4. Convene low-wage workers or collect low-wage worker stories to provide an educational platform.
5. Examine economic sectors where technology has affected workers compensation, worker scheduling, the skills needed by workers and other aspects of the nature of work.
6. Bring stakeholders together to review and discuss emerging and innovative practices that benefit workers and employers.

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**ENDNOTES**

1 Vickie Choitz is Associate Director of the Economic Opportunities Program at the Aspen Institute, and Maureen Conway is a Vice President at the Aspen Institute and Executive Director of the Economic Opportunities Program. The authors would like to acknowledge the following individuals for their assistance in reviewing this paper: Laura Dresser, Center on Wisconsin Strategy; Wesley Tharpe, Georgia Budget and Policy Institutes; Teresa Boyer and Karen White, Rutgers’ Center for Women and Work; and Deborah Povich and Brandon Roberts, Working Poor Families Project.


4 However, some have recently argued that shifting demographics might cause a reversal of these trends: “In an influential paper this month, Morgan Stanley economists Charles Goodhart, Manoj Pradhan and Pratyancha Pardeshi argue that we are on the verge of a global turnaround in wages. For the past 30 years, business profits have surged on the back of a demographic glut of labour: the babyboomers of the west augmented by the newly urbanised workforce of the global south, plus millions of women brought into the labour force. Now the catch-up effects of urbanisation will peter out, they say—and, at the same time, the falling birth rate will create a shortage of labour, triggering a rise in the bargaining power—and wages—of workers. That, in turn, will trigger the rollout of innovations such as McDonald’s touchscreens across the economy. Capital and labour will rebalance: the surge in business-profit rates that happened after 1989 will subside; and Thomas Piketty’s dire predictions about 21st century inequality will be disproved.” Excerpt from Paul Mason, “The era of cheap labour is over,” The Guardian, September 27, 2015. http://www.theguardian.com/commentisfree/2015/sep/27/the-era-of-cheap-labour-is-over. Accessed December 10, 2015


13 “Welfare capitalism” is described by Michael Lind of the New America Foundation as an approach by visionary business leaders such as Henry Ford and the president of General Electric to forgo government-provided benefits and minimum wages and instead rely on “paternalism by companies that would not only pay decent wages but also provide health insurance, pensions and in some cases child care.” This was the beginning of the employer-based social safety net that is fraying in the twenty-first century. See Michael Lind, “The Next Social Contract: An American Agenda for Reform,” New America Foundation, 2012. https://www.newamerica.org/economic-growth/the-next-social-contract-an-american-agenda-for-reform/. Accessed December 10, 2015.


17 According to The National Center for Employee Ownership, open book management includes the following components: sharing the income statement and balance sheet with most employees; sharing other data with employees (such as productivity and plant utilization/quality data); encouraging employees to use the information in their daily work; training employees to understand financial numbers; and sharing the financial results through a gainsharing program. See: “What Is Open-Book Management?,” blog post dated May 23, 2014, http://www.nceo.org/articles/open-book-management/printable. Accessed November 2, 2015.


20 For example, in June 2014, the Supreme Court decided in the Harris v. Quinn case involving home care workers (Harris) that unions could not collect “agency fees” from home care workers who did not want to join the union. These fees cover the cost of the union’s collective bargaining and contract-administration activities, but do not cover the political activities.


23 For example, in 2006, the AFL-CIO Executive Council authorized worker centers to formally affiliate with state labor federations, local labor councils and Working America. At the same time, the AFL-CIO entered into an historic partnership with the National Day Laborer Organizing Network under which the two organizations pledged to work together on state and local enforcement of rights, worker protections in areas including wage and hour laws, health and safety regulations, immigrants’ rights and employee misclassification, as well as immigration reform. See http://www.aflcio.org/About/Worker-Center-Partnerships, accessed October 2, 2015. In 2013, the AFL-CIO elected Tefere Gebre as executive vice-president charged with strengthening partnerships with faith-based, community, and other non-union organizations.

24 Coined by writer and former union organizer, Josh Eidelson, in 2013 article in The American Prospect titled, “Alt-Labor.”


29 Ibid. page 13.


33 In 2012, the California Labor Commissioner ruled that an Uber driver was an independent contractor. But in two other rulings in 2015, the Labor Commissioner and the state Employment Development Department ruled that individual drivers in these cases were Uber employees, not contractors, and owed reimbursement for business expenses the driver paid for (in the first case) and unemployment insurance payments (in the second case). The first ruling was upheld by the San Francisco state court, and the second ruling was upheld by an administrative law judge and the California Unemployment Insurance Appeals Board. In addition to these state administrative rulings, class action lawsuits have been filed across the country against many “sharing economy” companies by workers who believe they are employees and not contractors of the companies.

34 In August 2015, the National Labor Relations Board (NLRB), responsible for regulating and implementing the 1935 National Labor Relations Act and handling related labor violations, revisited the definition of “joint employer.” The previous definition created under the Reagan Administration was quite narrow and required the parent company to have direct control over a significant swath of business operations in order to be considered a “joint employer.” In contrast, the
2015 definition no longer requires direct control; a franchise agreement or contractual relationship is enough to show influence over working conditions and, therefore, qualify as a “joint employer.” This means that companies that contract out labor such as office cleaning, package distribution, or other commonly contracted work are jointly responsible for labor law violations committed by the contractor company. It also means that the rights of workers to unionize and negotiate over wages, benefits, and working conditions extends to the parent companies as well as the contractors. See the NLRB posting, “Board Issues Decision in Browning-Ferris Industries,” August 27, 2015 at https://www.nlrb.gov/news-outreach/news-story/board-issues-decision-browning-ferris-industries, Accessed November 3, 2015.


An Inside Look at the Hiring and Scheduling Crisis in the Hourly Workforce, WorkJam, September 2015.


38 Lydia DePillis, “The next labor fight is over when you work, not how much you make,” Washington Post, May 8, 2015. https://www.washingtonpost.com/news/wonk/wp/2015/05/08/the-next-labor-fight-is-over-when-you-work-not-how-much-you-make/, Accessed December 10, 2015. As with other labor laws, enforcement is a critical but often difficult component of the policy change. San Francisco has adopted a unique strategy to overcome limited government funding and capacity to enforce these new policies: the city has partnered with community organizations to educate retail workers about their new rights and report violations.

39 At the federal level, in early 2015, the Obama Administration issued an executive order requiring federal contractors hired in the future to pay a minimum wage of $10.10 per hour. In September 2015, the president signed another executive order requiring future federal contractors to provide at least seven days of paid sick leave to their workers. State policymakers can adopt similar standards for their state contractors.


42 See the Family Values at Work webpage on Paid Sick Days


44 The Government Accountability Office (GAO) has recently issued a report featuring case studies on state strategies in California, Illinois, Maryland, Massachusetts, Washington and West Virginia to expand private sector workplace retirement savings program coverage, as well as potential challenges states may face and recommendations (http://www.gao.gov/assets/680/672419.pdf). State policymakers could use these case studies to create their own state-based retirement programs to encourage worker retirement savings in portable state-sponsored programs.


49 Indiana’s ESOP Initiative (IED) was created in 2007 by the Treasurer of State’s Office and offers a ‘link deposit’ program in which the Treasurer’s Office will buy up to $50 million in Certificates of Deposit to provide low-interest capital to
companies to purchase the company’s stock from original shareholders and provide to company employees. The Treasurer’s Office also maintains listings of ESOP companies and resources on its website. See: http://www.in.gov/Toe/2360.htm. Accessed October 15, 2015.

50 In 1989, the Massachusetts legislature passed policy to create the Massachusetts Office for Employee Involvement and Ownership (MASSEIO) to provide “education, outreach and promotional efforts” to promote and expand ESOPs. This office provided training and technical assistance to prospective and established ESOPs as well as a dollar-for-dollar match to qualified Massachusetts-based companies “to help defray the costs of professional services to consider or implement a broad-based employee ownership plan” (www.masseio.org). Unfortunately, according to the MASSEIO website, “Due to the fiscal crisis confronting state government, the Commonwealth Corporation suspended the operation of the Massachusetts Office for Employee Involvement and Ownership (MASSEIO) effective October 1, 2008 until further notice.”


52 By law, every benefit corporation must produce a benefit report, and a nonprofit organization called the B Lab offers a “B Impact Assessment,” which varies by country, sector, and size of organization. The assessment includes several categories including one on workers, which includes collection of data on basic metrics on numbers of workers; compensation, benefits, and training; worker ownership; and work environment. See http://bimpactassessment.net/. Accessed October 2, 2015. According to B Lab, there are 1,442 B Corporations across 42 countries representing 130 industries.


54 Richard D. Kahlenberg and Moshe Z. Marvit, fellows at the Century Foundation, authored a book in 2012 proposing to add “the right to organize a labor union, without employer discrimination, to Title VII of the Civil Rights Act.” This would provide workers the same legal remedies for discrimination on the basis of unionizing as for discrimination of the basis of race, color, sex, religion and national origin, which means they could sue their employers for punitive damages under the Civil Rights Act rather than simply receive owed wages and compensation under NLRB rulings. In July 2014, US Representative Keith Ellison (D-MN) and several co-sponsors introduced the Employee Empowerment Act (H.R. 5280), which would allow a worker to bring a civil case against an employer under the Civil Rights Act of 1964 for an unfair labor practice including suppressing union organizing. In September 2015, US Senator Patty Murray (D-WA) and Representative Bobby Scott (D-VA) introduced the Workplace Action for a Growing Economy (WAGE) Act, which also would allow workers to sue their employers for violations and strengthens the NLRB, among other provisions. State policymakers could consider similar legislation adding an individual right to unionize to state civil rights laws.


61 Rebecca Smith and Sarah Leberstein, Rights on Demand: Ensuring Workplace Standards and Worker Security In the On-Demand Economy, NELP, September 2015.


64 The seed of the social insurance benefit packages or accounts idea comes from the building trades model of a “multiemployer plans” which are employee benefit plans “to which more than one employer contributes.” (Steven Hill, New Economy, New Social Contract: A Plan for a Safety Net in a Multiemployer World, New America Foundation, August 2015.) Unions typically negotiate these plans for their members, joint labor-management partnerships manage them, and a board of trustees with equal representation from labor and management governs the funds created by the plans. The benefits in the packages can vary, but some are on par with those provided by large corporations, including not only personal infrastructure benefits such as health care benefits, but also benefits such as child care, financial assistance for housing and legal services. Via a negotiated agreement,
“typically the employer pays a set amount per each worker, pro-rated according to the number of hours the employee works for that employer (often called an ‘hour bank’ system)” (Hill, August 2015). These plans are legal entities overseen by the National Labor Relations Act (NLRA) and the Employee Retirement Income Security Act (ERISA). States may have similar policies regulating these types of social insurance plans. These policies could be revisited to cover more types of workers, provide more benefits, or possibly even to include additional types of alternative labor worker collectives. For individuals who are not part of a union, there is a similar model called a multiple employer welfare arrangement (MEWA), which is most often used to provide medical benefits.

In Silicon Valley, a similar model is emerging. Private agencies such as MBO Partners “act as the ‘employer of record’ for contingent tech workers” and provide a “centralized benefit administration” service for wages and taxes as well as a variety of benefits (Hill, August 2015). Building from these models, Steven Hill at the New America Foundation has proposed “Individual Security Accounts” for workers in the “sharing economy: multiple employers would pay prorated amounts based on an hour bank system into a worker’s account to cover core employment protections as well as any defined personal infrastructure benefits. The plan also could be structured to deduct from workers’ pay the worker contribution to these benefits in order to free workers from the burden of separately managing these payments (Hill, August 2015).

Also known as “universal minimum income,” “guaranteed basic income,” “guaranteed income” and “basic income guarantee.”

Advocates of universal basic income believe that there will not be enough work for everyone in the future and, therefore, some basic income outside of work will be needed. They also argue that providing an income floor gives workers a safety net which empowers them to leave bad jobs and pursue their passions rather than just working for basic income. Conservative advocates like the reduction in government bureaucracy, and libertarians like the freedom a cash grant provides as opposed to heavy-handed, intrusive government programs. Detractors are worried about possible disincentives to work. Whether one supports this idea or not, big challenges include overcoming the deeply engrained psychological link between work and income in a deeply capitalist country such as the United States, and, of course, paying for such a large program (as well as the resistance to eliminating existing means-tested programs). Other countries have successfully experimented with this model including Canada, India and Namibia, and Switzerland is planning a referendum in 2016 for a universal basic income program. In the 1970’s, the United States experimented with a cousin to universal basic income, the “negative income tax.” Originally proposed by conservative economist Milton Friedman, the negative income tax trials provided payments to people with incomes below a certain amount, and they paid no taxes. The cash grants decrease as incomes increase. The ultimate idea was to replace means-tested programs with a broad-scale negative income tax. For more on universal basic income see https://www.tumblr.com/search/scott+santens, http://www.fastcoexist.com/3040832/world-changing-ideas/a-universal-basic-income-is-the-bipartisan-solution-to-poverty-weve-never-tried, http://www.washingtonpost.com/news/in-theory/wp/2015/09/28/universal-basic-income-a-primer/.

See the Alaska Department of Revenue, Permanent Fund Dividend Division at http://pdf.alaska.gov/Division-Info/About-Us. Accessed October 15, 2015. The main criteria for eligibility is Alaskan residency for the entire calendar year preceding the date one applies for a dividend and the intention to remain an Alaskan resident indefinitely at the time one applies for a dividend.


According to Melissa Hoover, executive director of the United States Federation of Worker Cooperatives, other state policies that would support the worker coop model include “high road” economic development policies that attract and support businesses with good employment practices; tax policies to incentivize retiring owners, including Baby Boomers, to sell companies to their employees (the 1984 federal “1042 rollover” tax policy that provides a tax advantage for ESOPs apparently also covers workers coops); and potential replication of “Italy’s Marcora law, which allows unemployed workers to use their accumulated unemployment benefits to capitalize a cooperative” (http://community-wealth.org/content/converting-existing-businesses-worker-cooperatives). State policy in support of worker coops is nascent, and there is plenty of room for new and innovative ideas.


Ibid.