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The Good Jobs Strategy

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Joe Nocera

At the Aspen Ideas Festival — an annual summer gabfest that presents all sorts of interesting ideas, from the improbable to the important — one of the big themes this year was jobs. How will America close the skills gap? Where will the good middle-class jobs of the future come from? I heard pleas for infrastructure spending as a job strategy, and creating jobs by unleashing our energy resources. There were speakers who believed that innovation would bring good jobs, and speakers who feared that some of those innovations — in robotics, for instance — would destroy good jobs.

And then there was Zeynep Ton.

A 40-year-old adjunct associate professor at the Sloan School of Management at M.I.T., Ton brought one of the most radical, and yet one of the most sensible, ideas to Aspen this year. Her big idea is that companies that provide employees a decent living, which includes not just pay but also a sense of purpose and empowerment at work, can be every bit as profitable as companies that strive to keep their labor costs low by paying the minimum wage with no benefits. Maybe even more profitable. Getting there requires companies to adopt what Ton calls “human-centered operations strategies,” which she acknowledges is “neither quick nor easy.” But it’s worth it, she says, both for the companies and for the country. Surely, she's right.

As Ton explained to me last week in Aspen — and as she has written in a book she published last year titled "The Good Jobs Strategy" — her thesis comes out of research she did early in her academic career on supply chain management in the retail industry, focused especially on inventory management. What she and her fellow researchers discovered is that while most companies were very good at getting products from, say, China to their stores, it was a different story once the merchandise arrived. Sometimes a product stayed in the back room instead of making it to a shelf where a customer could buy it. Or it was in the wrong place. Special in-store promotions weren't being executed a surprisingly high percentage of the time. She saw this pattern in company after company.

As she took a closer look, Ton says, she realized that the problem was that these companies viewed their employees "as a cost that they tried to minimize." Workers were not just poorly paid, but poorly trained. They often didn't know their schedule until the last moment. Morale was low and turnover was high. Customer service was largely nonexistent.

Yet when she asked executives at these companies why they put up with this pattern, she was told that the only way they could guarantee low prices was to operate with employees who were paid as little as possible, because labor was such a big part of their overhead. The problems that resulted were an unavoidable by-product of a low-price business model.

Unconvinced that this was the only approach, Ton decided to search for retail companies — the same kind of companies that needed low prices to succeed — that did things differently. Sure enough, she found some.

The two companies she talks about most frequently in this regard are a Spanish grocery chain called Mercadona and QuikTrip, a Tulsa, Okla.-based chain of convenience store/gas stations that competes with the likes of the 7-Eleven chain.

What first struck her about Mercadona is that the annual turnover was an almost unheard-of 4 percent. Why do employees stay? “They get decent salaries, four weeks of training that costs the company $5,000, stable schedules … and the opportunity to thrive in front of their customers every day,” Ton said in a speech she forwarded to me. The grocery business is low margin, where every penny counts. If Mercadona couldn’t keep prices low with this strategy, it would have abandoned it long ago.

QuikTrip, an $11 billion company with 722 stores, is a prime example of what Ton means by “human-centered operations strategies.” Paying employees middle-class wages allows the company to get the most out of them. Employees are cross-trained so they can do different jobs. They can solve problems by themselves. They make merchandising decisions for their own stores. The ultimate result of the higher wages QuikTrip pays is that costs everywhere else in the operation go down. At QuikTrip, says Ton, products don’t remain in the back room, and in-store promotions always take place, as they’re supposed to.

Ton’s interest in the good jobs strategy is more than academic now; she has become a proselytizer, trying to spread the word that every company would be better served by this approach. “The assumed trade-off between low prices and good jobs is a fallacy,” she says. As we worry about where middle-class jobs are going to come from, Ton’s is a message that needs to be heard not just in Aspen but all across America.

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