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EXECUTIVE SUMMARY

Despite the longest economic expansion in U.S. history, low unemployment, and decades of investment aimed at improving access to higher education, the expected rise in economic mobility and shared prosperity failed to materialize even before the recession triggered by the disruptions caused by COVID-19. Income inequality is the highest it’s been in fifty years, the wealth gap is on the rise, household and student loan debt have reached all-time highs, and the net worth of young people has declined dramatically over the past 25 years. These results call into question our collective understanding of how to meaningfully improve economic mobility and create a more inclusive economy.

There simply aren’t enough good jobs available to drive economic mobility and shared prosperity at the scale the American Dream demands.

This report marks the completion of Phase 1 of Work for Humanity and the Foundation for Inclusion’s collaborative research on key trends driving employment and economic mobility in the United States of America. In this context, we define economic mobility as the ability of an individual to improve their economic status and move upwards through national income quintiles over the course of one’s career. We provide a systemic diagnosis of the problem that looks across four closely related imbalances:

- **The Jobs Imbalance** is the familiar problem of unemployment: there are too few jobs for the number of people who need them.

- **The Access Imbalance** explains why unemployment figures underestimate the problem in some places: there are too few jobs that people can actually get to due to geographic, technical, sociopolitical, and identity-based barriers.

- **The Skills Imbalance** creates chaos for workers and businesses alike: some people have skills that (accessible) jobs don’t require, while some jobs require credentials that (available) workers don’t have.

- **The Desirability Imbalance** is a result of how the system adapts to the first three Imbalances: wages and working conditions improve or degrade depending on how desperate employers and workers are as a result of the previous three Imbalances.

While these Imbalances may be familiar to most readers, our research demonstrates how the Four Imbalances interact with adjacent factors and systems to maintain the status quo. One of the hallmarks of complex problems is the presence of interrelated problems with root causes that are impossible to untangle. Unlike a difficult technical challenge, you cannot simply break a complex problem into its component parts, solve each of those parts independently, then assume the collection of solutions will provide the outcomes you are seeking. Targeting any one of the Four Imbalances in isolation will likely increase the intensity of negative outcomes spurred by the other Imbalances, because it would only cause a shift in the system, not a deep transformation of dynamics.

In real terms, this means even if we could solve the Jobs, Access, and Skills Imbalances with a snap of the fingers, there simply aren’t enough good jobs available to drive economic mobility and shared prosperity at
the scale we desire. Nor can a lack of good jobs be resolved through policy mandates (such as increasing the minimum wage) or increased participation in labor unions alone, although both might be useful interventions. Direct services and linear models of change can only do so much when the outcomes are indirectly produced through nonlinear mechanisms.

We suggest three key actions interested stakeholders can take to increase the odds of beneficial, systemic change:

1. **Invest in understanding your role in producing system-level results**
   Which parts of the system do you work in? What are your spheres of influence? Which parts of the broader system might you be affecting in ways that undermine others’ efforts and which might be affecting your outcomes? System methods and tools can help answer these critical questions.

2. **Prioritize dynamic theories of change**
   It’s human nature to seek simplicity in the face of complexity, but there is no single solution that will produce shared economic prosperity. When we advocate for one solution without understanding how it affects solutions in other parts of the system, we impede progress toward the overall vision. To contribute to sustained progress, ensure your theories of change account for hidden feedback loops and the possibility of unintended consequences in all parts of the system.

3. **Build a network of systems change leaders**
   Complex problems require a culture of continuous learning that can evolve as problems evolve. Seek opportunities to build, bridge, and sustain networks of diverse stakeholders at local and regional levels, share knowledge effectively across silos and subfields, and create a culture of mutual responsibility, transparency, and co-leadership.

Considering the impact of the crises and tragedies that have unfolded just this year, our framework highlights why recovery will require us to go beyond efforts to revert to “normal.” We are hopeful these unfortunate events will serve as the tipping point where we collectively acknowledge that, in addition to addressing the problems caused by unjust systems, we must also transform the systems themselves, so that equity and shared prosperity are both natural and self-sustaining consequences.

To get there, we are planning a three-pronged approach for our Phase 2 efforts, in direct partnership with those on the front lines of these issues:

1. **Research**
   Map our partners’ efforts and those of stakeholders across all parts of the system, using the Four Imbalances framework as a guide.

2. **Capacity Building**
   Align efforts, develop shared metrics, improve information flow, mitigate unintended consequences, and co-create dynamic theories of change.

3. **Testing**
   Track the results of these efforts and feed them back into the strategies informing action.
The Four Imbalances we lay out—Jobs, Access, Skills, and Desirability—affect everyone but they are built upon systems rooted in colonialism, genocide, historical inequities, and structural racism, ableism, xenophobia, patriarchy, and exploitation. The effects of systemic discrimination across race, class, gender, religion, sexual orientation, ability, and age are rampant in deep, nuanced, and intersectional ways throughout the challenges discussed in this report. This fact pushes the outcomes of each Imbalance to disproportionately affect Black, Brown, Indigenous, and people of color (BBIPOC), with a particular weight falling on women, immigrants, and low-income communities.*

The impact of jobs and wages—or the lack thereof—goes far beyond personal finances: they exacerbate existing disparities and adversely affect long-term health outcomes and quality of life, which in turn reinforce barriers to jobs, stability, economic mobility, and well-being.

These reinforcing, vicious cycles are difficult to overcome because many initiatives focus on addressing individual components of this cycle rather than collectively dismantling and transforming the whole cycle. This, in short, is the motivation behind our approach to these issues.

The devastation caused by a pandemic that is deepening existing economic and health disparities, particularly among Black and Indigenous communities, is astounding, making it critical now more than ever that we approach this work with an even greater sense of collective urgency.

Many experts—especially those with lived experiences—have researched and written extensively about structural racism and the linkages between identity and social, economic, and health outcomes. Rather than duplicate this well-established work, we set out to build on this research and understanding by focusing on the interactions between the drivers of these detrimental outcomes and how they fit into the broader picture of shared prosperity. Our hope with the “Four Imbalances” framework is to offer a fresh, whole-system approach that integrates and transcends perspectives typically focused on symptoms.

We wrote this report with two main audiences in mind.

The first is philanthropic organizations, community-based organizations, financial institutions, and government offices designing programs related to the future of work, economic development, poverty alleviation, and education who feel frustrated by the lack of progress in these areas despite enormous investments over the last several decades. There is also a growing subset of these groups who want to find new ways to measure and restrategize their impact.

* As is often the case with emerging nomenclature, BBIPOC can be a controversial term. While this is the preferred inclusive term by some people who identify as Black, Brown, Indigenous, and people of color, there are others who equally prefer other terms for various reasons. In an effort to be specific, recognize unique struggles, minimize historical patterns of erasure, and not group different identities with widely differing experiences under an umbrella term as broad as “people of color,” we adopt the acronym BBIPOC in this report to refer to the range of communities that identify as Black, Brown, Indigenous, and/or people of color who are placed at varying kinds of structural disadvantage in America. Our intention is to present the term BBIPOC as a unifying phrase that embodies solidarity, inclusivity, and visibility, while also striking the balance between intersectionality and unique lived experiences.
The second audience is businesses large and small—and their investors—who recognize the critical role they play in resolving long-standing issues, such as racial and economic inequality.

We also believe that anyone who cares about the future of jobs and human potential will find value in the way we frame the driving forces behind these issues. It is those forces we will have to contend with if we want to rebalance the system to favor not just the number of jobs but the quality of life of workers.

This project began with questions about the future of work and automation, but we soon realized that in order to have more effective conversations about the future of work, we needed to first step back from the technical aspects and ground ourselves in the persistent patterns that past technological revolutions produced and today’s structures continue to uphold.

In the next phase of our work, we will apply our Four Imbalances framework to explore and experiment with potential leverage points for effective interventions that systematically account for these intersecting challenges.

We are currently seeking partnerships and funding for the next phase. Interested parties may contact us through this form.

While this work was a collaboration between Work for Humanity and the Foundation for Inclusion, we benefited from the valuable insights of knowledgeable colleagues and subject matter experts who kindly offered feedback, individually or at a cross-disciplinary roundtable we hosted in July 2020.

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I. INTRODUCTION

“The solution to stalled economic mobility cannot be found in things that workers need to do differently. … Education won’t help if there aren’t enough good jobs even for the highly educated; that’s a system-level problem. Investments in loans for skills-training or other education alone do not pay off when hiring discrimination and biases make job offers elusive. Many career paths remain infeasible because they are still enabled by generational wealth. Trying harder to find a job is impractical if the transportation that’s available can’t get you to the jobs that are open. Relocation isn’t feasible if housing is unaffordable. Working harder to move up the employment ladder is a false hope in the face of the glass ceiling or when local jobs and employers have no reason to keep you happy—or keep you at all. These are all system problems.”

—from Section II of this report

For people without assets or a solid middle-class income, it is impossible to accumulate savings, earn enough to avoid debt, or break out of vicious cycles triggered by unexpected expenses.

WHAT’S HOLDING YOU BACK?

Jen Kramer was admitted to the University of Maryland at the age of 16. Looking back, she admits she was academically prepared but emotionally unready for college. She dropped out just before her sophomore year. She landed a job in sales and quickly worked her way up through different organizations. She wore many hats, from training staff to developing branding and marketing campaigns. When the 2008 recession hit, it felt like the perfect time to go back to school to finish her degree. She completed a science degree with a focus in biostatistics and epidemiology, with a plan to pursue a new career in public health.

Unfortunately, due to a glut of public health workers at the time she was looking for jobs, even entry level positions required a master’s degree or Ph.D. When she tried to get back into sales, she discovered the qualifications had changed there, too. “Employers wanted someone with experience in platform sales,” she said in an interview with Work for Humanity in early 2020. “It had essentially become a tech job and I couldn’t convince hiring managers that I could learn whatever platform they were using.”
She eventually found a job back in sales, but had to move across the country and accept a 40 percent pay cut compared to what she had been making nearly 8 years earlier. She says she feels lucky. “At least I have a job that allows me to pay my bills. I haven’t taken a vacation in a long time. And I have to be careful about going out with friends. But it could be a lot worse.”

She’s right.

Many of the lowest-paid workers in airports, such as aircraft cleaning crews, security guards, and wheelchair attendants, have seen wages decline even as the pace of work increased. Nearly all of these jobs are now performed by contractors rather than airline employees. Over the last ten to twenty years, even as the economy and industry grew, their wages sank from $18 or $19 to around $10 an hour. One of the union representatives in New York City calls airports the plantations and sweatshops of the modern era. A study by UC Berkeley found that even in manufacturing, an industry once synonymous with good jobs in America, nearly one third of all workers relied on food stamps and other forms of public assistance to offset low wages.

And that was before the coronavirus-induced contraction of the economy.

It’s easy to imagine that stories like Kramer’s are just an aberration or bad luck. The idea that a lack of education or the lack of the right education is what limits upward mobility for the masses is still widely held. But there’s evidence to suggest that isn’t the case. Even the much repeated advice to get a science, technology, engineering, or math (STEM) degree doesn’t always yield the outcomes we expect at scale.

In 2019, at the height of the latest economic expansion, unemployment rates for recent graduates with degrees in mathematics (5.8 percent), engineering technologies (5.3 percent), computer science (4.7 percent), and biology (4.6 percent) exceeded the overall average (3.9 percent). Meanwhile, those with majors in art history, psychology, and the performing arts all fared better than average. In 2018, half of U.S. Colleges saw a majority of new graduates earning less than $28,000 a year.

How is it that a lack of education is a barrier to economic mobility, but having an education doesn’t really guarantee economic mobility either? Maybe economic mobility—the ability for an individual to improve their economic status and move upwards through national income quintiles over the course of one’s career—is constrained by something other than education.

**AMERICAN DREAMS, WORKER DESTINIES**

The American Dream is supposed to stand for equality of opportunity. For many, particularly for Black, Brown, Indigenous, and people of color (BBIPOC) and women, that equality has always been more aspirational than real. In its modern conception, reflected in economic reports and mainstream media, the American Dream relies on the assumption that a better life—and the creation of opportunity—is most accessible through a better economy. In this framing, what’s good in aggregate is almost certainly good for the individual.

Which is perhaps why so many economists and pundits find stories like Kramer’s—and many others like hers—to be so puzzling. Up until the market contraction due to the coronavirus pandemic, the United States had experienced what the National Bureau of Economic Research called “the longest U.S. economic expansion in history.” The Bureau of Labor Statistics’ monthly jobs report showed that, month over month, more jobs were created than lost between 2012 and the beginning of 2020. In addition to historically low unemployment rates, the major stock market indices quadrupled since the Great Recession in 2008.

Even at the time, many economists softened the cause for celebration by noting that both GDP and jobs have grown more slowly than in previous expansions, and wages are just barely outpacing inflation for the median
COVID-19 has dealt particularly lethal blows along the long-standing inequities of structural racism. Low-income women and BBIPOC communities are the hardest hit by the recession.

worker. According to the Census Bureau, income inequality in 2019 is the highest it’s been in the last 50 years. Research from Raj Chetty shows the chances of earning more than your parents went from 90 percent in 1940 to less than 50 percent today. Labor force participation rates have also been declining or flat since 2001—an unusual trend given how tight the labor market was supposed to be. But digging deeper into the numbers, as a September 2020 RAND working paper did, it seems clear that the median worker would be making as much as $102,000 annually if the distribution of economic growth had been the same after the 1970s as it had been before. As the mathematician who coauthored the RAND study remarked, “There is no way of slicing the numbers where people come out ahead.”

Last year, Work for Humanity teamed up with the Foundation for Inclusion to better understand the forces driving this seemingly broken system. Work for Humanity’s mission is to help workers, organizations, and communities thrive together through disruption and transformation. The Foundation for Inclusion specializes in transforming complex systems to maximize human potential for everyone.

In the narrative of the American Dream, a healthy economy produces good jobs, which produce enough income for individuals and households to purchase the means of survival and rise to a stable, middle-class life. We wanted to understand in greater detail why this system does not work for everyone—why a presumably good economy didn’t produce the shared prosperity that classic economics promises, and why many have seen their professional prospects stagnate or decline while others have enjoyed unprecedented opportunities for greater wealth.

Although this project began while the economy was still growing, the answers to these questions are all the more urgent as the country struggles with an unprecedented pandemic. The COVID-19 health crisis continues to devastate working communities all across America, catalyzing particularly lethal blows along the long-standing inequities of structural racism. As the country plunges into recession, there is a great deal of uncertainty about what a recovery and the future of work might look like, but there is no uncertainty that low-income women and BBIPOC communities are the hardest hit.

For people without assets or a solid middle-class income, the cost of living—often just the cost of food, water, shelter, and health care—can make it impossible to accumulate savings, earn enough to avoid accumulating debt, or break out of vicious cycles triggered by unexpected expenses. Considering this reality against the backdrop of historical inequities, institutional oppression, systemic violence and segregation, and a legacy of exploitative white supremacy, Indigenous, Black, Brown, and other communities of color in particular face seemingly insurmountable challenges. When working two or three jobs doesn’t earn you enough to pay your bills and feed your family, it is easy to conclude that the system is fundamentally broken.

To many in the general population (and politicians vying for their votes), there is a simple, if incomplete, explanation for this disconnect between economic growth and increasing income inequality and diminishing economic mobility: the system is rigged.

Without a deep understanding of this “system” and how it is “rigged,” however, it is difficult to see what changes to the system are even possible.
Systems are made up of things you can see, such as infrastructure and natural resources, and things you cannot see, such as relationships and beliefs. What makes them systems is the way all those things interact: the whole is never the sum of the parts, because complex interactions produce surprising and often counterintuitive results.

Systems are like stories: a single character can't know the full story, like the reader does. People are like those characters: they can react only to the things they see or feel, and others can react only to the things they see or feel, including each other’s reactions. No one person or organization knows the full story, so nobody knows how their actions might affect the things they can't see—or how the things they can't see might affect them.

Systems approaches are designed to help people see, understand, and address the full story.

From this perspective, each of the Four Imbalances is its own system. When there is an imbalance between jobs and workers—in numbers, in knowledge, or in power—different people are affected differently. But they act and react based exclusively on their own experiences and beliefs. The collective result is rarely what most people intend or desire. The sections on each of the Imbalances provide examples.

Even more confusingly, systems interact with each other, as sub-systems within bigger systems. So the Four Imbalances affect each other in ways that are hard to predict and even harder to reverse. High-tech hub cities end up with unaffordable housing prices. People who live in places with no good jobs never earn enough money to relocate for a better job. False beliefs about skills and economic mobility lead to results that suppress economic mobility—but somehow reinforce

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**Figure 1: Systems and the Four Imbalances**

**SYSTEMIC IMBALANCES**
- Income & Wealth
- Seed Capital & Social Capital
- Trade & Innovation

**SYSTEMIC IMBALANCES**
- Housing & Transportation
- Childcare & Healthcare
- Discrimination

**SYSTEMIC IMBALANCES**
- Income & Wealth
- Seed Capital & Social Capital
- Trade & Innovation

**SYSTEMIC IMBALANCES**
- Housing & Transportation
- Childcare & Healthcare
- Discrimination

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**#1—JOBS**
- Active Workers
- Active Jobs

**#2—ACCESS**
- Accessible Workers
- Accessible Jobs

**#3—SKILLS**
- Skilled Workers
- Skilled Jobs

**#4—DESIRABILITY**
- Desperate Workers
- Desperate Employers

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**SYSTEMIC IMBALANCES**
- Narratives & Beliefs
- Social Networks
- Norms & Biases

**SYSTEMIC IMBALANCES**
- Resources & Knowledge
- Education & Training
- Family Connections
the false beliefs. A Jobs Imbalance leads to an Access Imbalance, or a Skills Imbalance leads to a Desirability Imbalance, and so on. Interactions such as these are the primary topic of this report.

Finally, each of the Four Imbalances also interacts with other systems in society. If transportation infrastructure gets built based on where people live, then where people live becomes self-reinforcing—so a housing system that redlined Black communities half a century ago continues to affect access to jobs today. When the education system made it easier to get student loans so people with lower incomes could pursue college degrees and better jobs, colleges responded by raising tuition—and the resulting debt loads ended up limiting the job and housing options low-income graduates could pursue. Foundations and seed investors tend to require nonprofits and startups to limit the salaries of their founders—so the philanthropy and investment systems intersect with all Four Imbalances in ways that limit the aspirations of people who need an income to support their families.

Simply knowing that these systems interact like this is not enough to know how to solve the problems that result. But not understanding these interactions makes it impossible to find enduring solutions.

The Four Imbalances framework presented in this report is a first step toward helping people see how the larger story affects them and decide what role they might want to play in the larger story. It can be used now to give structure to multisector efforts to improve economic mobility and prosperity. In Phase 2, we will work with decision makers to pilot real-world applications to help coalitions make durable progress toward inclusive economies.
II. A BALANCING ACT

Without understanding complex systems, even well-intentioned, intuitively helpful interventions can produce disastrous unintended consequences.

We approached this work on economic mobility from a “whole system” perspective.

Analyzing monthly jobs reports or consumer confidence is important work, because such an analysis can identify apparent contradictions: If unemployment is so low, why aren’t wages rising more rapidly? If the demand for workers is so high, why aren’t workers from the Rust Belt migrating to better jobs? If technology poses such a high risk to jobs, why do people feel so overworked?

A whole-system perspective, however, moves beyond analysis to focus on synthesis: how do different systems—or different parts within a system—fit together in a way that produces such perverse outcomes? (See Figure 1, which introduces systems approaches and the overall framework discussed in this report.)

The result of our effort is not a set of economic models but a description of the feedback loops and systemic imbalances driving those outcomes.

Understanding these feedback loops and drivers in depth first, before prescribing solutions, is critical to refocus the narrative around root causes and upstream levers that can effectively transform the system as a whole, rather than cyclically address the symptoms produced by an ineffective and unjust system.

Without this understanding, even well-intentioned, intuitively helpful interventions can produce disastrous unintended consequences. Take, for example, the federally-backed student loan program developed in the 1960s. Designed to increase access to education and improve incomes for low-income and historically underrepresented communities,
minorities and the poor, instead the program gave colleges an incentive to maximize tuition, without providing any consequences if students dropped out and defaulted on loans. As a result, today 43 million adults collectively owe $1.51 trillion in student loans, 40 percent of undergraduates drop out before graduation (40 percent of whom are first generation college students), and fewer than 12 percent of children born in poverty earn a four-year college degree. Moreover, although young Black college graduates have higher incomes than white households without a high school diploma, they also have much higher debt-to-income ratios, which results in lower credit scores and greater barriers to home ownership, negatively affecting wealth generation over their lifetimes. Undoubtedly, this program appeared to be a success in the short-term as college acceptance rates increased. Fifty years later, economist Alice Rivlin, one of the lead designers of the program, felt they had “unleashed a monster.”

In this report, therefore, we present a new framework that identifies four closely related imbalances driving key trends in our system of employment and economic mobility (see Figure 1). We will explore how each of the following imbalances interacts with each other to expose systemic barriers to economic mobility. In Phase 2, we intend to build on this framework by mapping and testing a variety of opportunities that enable self-sustaining pathways to shared prosperity.

- **The Jobs Imbalance** is the familiar problem of unemployment: there are too few jobs for the number of people who need them.

- **The Access Imbalance** explains why unemployment figures underestimate the problem in some places: there are too few jobs that people can actually get to.

- **The Skills Imbalance** exacerbates the Access Imbalance and creates chaos for people and businesses alike: some people have skills that (accessible) jobs don't require, while some jobs require credentials that (available) workers don't have.

- **The Desirability Imbalance** is a result of how the system adapts to the first three Imbalances: wages and working conditions improve or degrade depending on how desperate employers and workers are as a result of the previous three Imbalances.

Seen from the perspective of individual workers and individual companies, the system can look out of balance: companies feel like they can't find good workers and workers feel like they can't find good jobs.

What the Four Imbalances framework shows us is that the system as a whole rebalances itself on the backs of such individuals: imbalances in jobs, access, and skills create a massive gap in good jobs. But because companies still need people and people still need income, that gap gets filled by undesirable jobs, which for many people are better than nothing—but still lock them into a life marked by frustration, trauma, scarcity, and injustice.
Moreover, the system of employment is embedded within broader social systems, so any biases present in society (e.g., gender roles, racial bias, classism) will affect who gets the most desirable jobs, who has access to the best schools, who gets referrals to unadvertised jobs, who gets mentored in career choices, and who gets investment to start their own business. Likewise, other systems within a society significantly influence employment: past housing discrimination influences who lives in places with poor transportation infrastructure, limiting the kinds of jobs people can physically get to; the childcare system affects the kinds of jobs people with children can get; the justice system influences the kinds of jobs available to people with criminal records; the quality of social safety nets affect the degree to which a minor job disruption turns into a major life disruption. All of these systems affect the Four Imbalances in different ways (see Figure 1)—the interactions are complex but they can be understood.

The next sections introduce each of the Four Imbalances in turn.

It is important to keep in mind that this framework is meant to be explanatory rather than prescriptive. That is, we hoped to explain some of the root causes that led to undesirable economic outcomes for so many, before jumping to the interventions required to redress those outcomes. This framework holds up even under the current economic circumstances triggered by COVID-19, which no one could have predicted when we began this initiative.

In Phase 2 of our work—for which we are seeking funding and partners—we will build on the Phase 1 framework to identify potential self-sustaining solutions and ways to focus resources and collective action. With that in hand, we may finally be able to discover paths from today’s Imbalances toward a true American Dream for everyone.
Figure 2: Jobs Imbalance

All of the Four Imbalances have the same structure: compare the number of jobs to the number of workers, and consider how workers and employers are likely to respond when one number is higher. In the case of the Jobs Imbalance, workers (top loop) will exit the workforce (either stop looking for a job or start their own business) if there are not enough jobs for the number of workers available, but will apply for those jobs if the imbalance shifts in the other direction. For their part, employers (bottom loop) will expand their offerings and create new jobs if there is surplus labor in the economy. But if there is a surplus of jobs, employers will automate some of them, close down some product offerings, hire immigrants, or offshore jobs that can be filled elsewhere. (Not shown are other factors that can create incentives to deviate from this expected pattern.)

As shown in Figure 2, both workers and employers play a role in bringing the system back into equilibrium when there is an imbalance:

- When there are more jobs than workers, employers may choose to automate, relocate or off-shore jobs, raise wages to attract workers, or even shut down operations.

- When there are more workers than jobs, especially for relatively long periods of time, workers may feel like they have no choice but to exit the workforce.

The Jobs Imbalance is the part of the system the average citizen is most familiar with. On occasion this surface-level understanding leads to suggestions such as, “There are 5 million open jobs and 4.5 million people looking for work. Everyone could have a job if they wanted one!”

As the next two Imbalances demonstrate, this is not quite true.
What happens when there are open jobs and available workers—but the workers cannot access the jobs? The jobs and workers become mutually inaccessible.

This is the Access Imbalance. An Access Imbalance can exist even where workers and jobs are located in the same city or county even when there is, technically speaking, no Jobs Imbalance. The ability to access a job is influenced by a number of factors, including geographical (e.g., jobs are too far away to make commuting practical, given existing transportation infrastructure), physical (e.g., work sites that make it difficult for people with disabilities to enter or navigate), technological (e.g., broadband connectivity is inadequate for reliable telework), and sociopolitical (e.g., employer policies forbidding telework, redlining and gentrification make housing near job sites unaffordable, poor access to credit blocks the path to entrepreneurship).

This Imbalance (see Figure 3) is largely invisible among the most commonly tracked economic indicators. It’s hidden by extra-long commutes, digital and broadband access, gig workers who take work wherever and whenever they can, job descriptions that unnecessarily signal generational wealth, private networking opportunities and referral systems, and those who leave the workforce because they have had to give up on finding a job (e.g., the formerly incarcerated, who are excluded by the standard qualifications of most jobs).

Transportation infrastructure also has an enormous influence over how feasible it is to take a job. For example, if you live in a place where the transportation infrastructure is 100 percent roads and your car is inoperable or you’ve lost your license to drive, then you are limited to jobs that are within walking or biking distance of your home. As a result, local unemployment rates can vary significantly from the national average.

**Figure 3: Access Imbalance**

A region might have exactly the same number of open jobs and available workers (i.e., no Jobs Imbalance) but still have employers that can’t fill open positions and workers who can’t find jobs they can get to.

An Access Imbalance arises when workers are available but employers either are too far away for a feasible commute, do not permit telework, do not accommodate disabilities, or have hiring practices that exclude some workers for reasons other than qualifications. When jobs and workers are mutually inaccessible, workers (top loop) have few choices but to relocate or exit the workforce, while employers (bottom loop) can relocate or automate some positions.
Even in places with public transportation, it can take hours to get from one part of a city to another. The Brookings Institution found that “the typical job is accessible to only about 27 percent of its metropolitan workforce by transit in 90 minutes or less.” Transportation issues play a significant role in the link between race and jobs, as well as the broader link between race and place, since BBIPOC often must also grapple with financial, historical, political, and sociocultural factors that affect where they live and work.

Historically, Americans have overcome the geographical challenges of the Access Imbalance through migration. If jobs dried up in one location—whether due to off-shoring, the bankruptcy of a large employer, or natural disaster—workers simply relocated to places with more opportunity. But that remedy seems increasingly unappealing. For example, fewer Americans moved in 2016 than in any previous year for at least half a century.

For a variety of reasons, many people are choosing to stay put, which can lead to low regional labor-force participation rates as people are forced to exit the workforce entirely. Moving costs money and many Americans do not have enough savings or credit to afford the expense. In the wake of the housing crisis, many homeowners are still stuck with too little equity to make selling their home profitable enough to cover the costs of moving: in many communities, the housing market remains extremely weak. Although poverty fell nationally, about a third of counties nationwide saw an uptick in poverty from 2016 to 2018, primarily in rural, thinly populated areas.

While it’s hard to know if it’s a cause or an effect, employers are resolving the Access Imbalance by increasingly choosing to locate jobs where high concentrations of workers already exist. According to another Brookings Institution report, employment growth directly correlates with population size. Of the jobs created since the Great Recession, 72 percent were added in cities with populations over 1 million.

This has, in turn, disproportionately driven up housing costs in large metropolitan areas like San Francisco and New York, making relocation to areas of high job growth even less feasible. As the economist Tyler Cowan explains, “poverty and low incomes have flipped from being reasons to move to reasons not to move.”

In short, companies are largely choosing to relocate or hire for new jobs where large concentrations of skilled workers already exist, and even skilled workers outside of those markets often don’t have the financial means to relocate. For instance, even if you’re a computer scientist in rural Vermont, you may not have the means to relocate to these larger metropolitan areas or earn enough to make up for the cost of living.

Beyond financial considerations, however, it is undeniable that overt and implicit discrimination—from referral practices through the hiring processes—contributes significantly to the Access Imbalance. They are remnants of legal discrimination from 20th century America, which excluded Black Americans from jobs or unions, or denied them well-paying positions. Although these practices are formally prohibited by policy now, current job referral practices still primarily benefit those who already have a job, or they are relegated to private networking groups that require generational wealth or proximity to wealth (graduation from four-year universities, access to elite events, etc.).
Following an August 2020 HuffPo/YouGov poll of 1,000 adults across America, the Huffington Post noted how discrimination occurs at every step of the hiring process:

During the application stage, resumes from equally qualified people are not judged equally: People with ethnic-sounding names are less likely to receive a callback and people with white-sounding names are 50% more likely to get a callback about the role, studies have shown. During job interviews, racial minorities in offices are penalized if their interview stories don't include a story of overcoming incredible odds, sociologist Lauren Rivera found in her research on hiring at elite consulting firms. And the persistent racial pay gap shows that even after Black and Latinx workers are hired, they can be trapped in a cycle of being underpaid compared to white peers.

Other stages in the process of finding and securing a job, such as “culture fit” and pay gap, overlap with several dynamics related to perceived skills and job desirability, which will be discussed in subsequent sections. But even if we are only talking about the initial steps of awareness of and ability to apply to open jobs, the odds are systemically stacked against BBPICO candidates, particularly women and immigrants. In fact, studies have found that Black American college graduates are about as likely to be hired as white people who have dropped out of high school. Other studies have illustrated further disparate effects of many hiring processes that discriminate by race, gender, class, ability, and sexual orientation, as well as religion, nationality, ethnicity, and immigration status.

One Princeton University study of 1,500 businesses in New York City revealed that Black job applicants without a criminal history were no more likely to get a job than white applicants with criminal records who were recently released from prison. But this is hardly a win in the fight against America's overly carceral policies, nor is it a sign of decreasing prejudices about formerly incarcerated communities. While former prisoners are at a distinct economic disadvantage across the board, the racialized effects among incarcerated communities are undeniable and have more to do with insidious biases that persist even when policies forbid job discrimination and other prejudiced practices.

Considering how policing, criminalization, redlining, and other forms of structural racism systemically target BBPICO, it is easy to see how many from these communities have no choice but to turn to low-wage gig economies, under the table work without benefits, or informal markets.

In all these ways and more, the Access Imbalance reinforces nuanced layers of systemic barriers to economic mobility and well-being that largely benefit those who are white, male, able-bodied, and have a financial safety net.

"The Access Imbalance reinforces systemic barriers to economic mobility and well-being that largely benefit those who are white, male, able-bodied, and have a financial safety net."

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#3: THE SKILLS IMBALANCE

If the skills and credentials that workers possess don’t match the requirements of accessible jobs, then there is a Skills Imbalance.

A Skills Imbalance can result from a shortage of workers with a particular skill—for example, employers in Dallas would hire more workers with a construction management degree if they could find them. This is what we commonly call a skills gap. But a Skills Imbalance can also happen when changing technology or the relocation of a large employer results in a surplus of workers with a skill that is no longer in demand, either locally (see Access Imbalance) or not at all. As industries such as mining and manufacturing have automated or relocated, for example, the result has been a surplus of workers skilled in those jobs but inexperienced in others.

This is one of the hardest Imbalances to rectify and has traditionally fallen on the shoulders of workers (see Figure 4). When faced with a shortage of jobs in their primary skill, the choice is to relocate (as in the Access Imbalance), to pursue education or training in a new skill, or to take a job that requires the skills they have, which typically results in underemployment and reduced wages.

For companies, the choice is to invest in a retraining program, invest in automation for those jobs where they can’t find workers, or review their internal credentialing system to see if perhaps their human resources department is using poor proxies for skills (e.g., requiring a college degree when really they just need basic technical literacy skills).

“...The Skills Imbalance is one of the hardest Imbalances to rectify and has traditionally fallen on the shoulders of workers.”

**Figure 4: Skills Imbalance**

Consider a region that has neither a Jobs Imbalance nor an Access Imbalance. There will still be open jobs and unemployed workers if some workers have skills employers don’t need and some jobs require skills workers don’t have. A Skills Imbalance can arise from a mismatch of qualifications, false beliefs about credentials (e.g., degrees, certifications), or bad timing. The reasonable response to a Skills Imbalance for workers (top loop) is to acquire new skills or credentials, and for employers (bottom loop) is to train or retrain workers or change hiring requirements.
One of the difficulties in addressing the Skills Imbalance through education and training is the lag in the system: it takes time for a skilled workforce to grow.

First employers have to signal a need for particular skills. There is no standard way of doing this today. It happens primarily through news media, in-house training programs, or direct arrangements with local educational institutions. Depending on the previous demand for the skill in a particular location, a curriculum may have to be developed.

Then workers have to complete the program of study, which could take months or years.

This kind of faulty signaling combined with a significant education lag frequently leads to oscillations in the workforce (see Figure 5). We’ve seen these periodically, where the news media proclaims a severe shortage of nurses or pilots, and people flood into training programs—even after the number of trainees equals the number of open jobs. Because of the lag in signaling, the early trainees fill the jobs, and the later graduates suddenly find their new skills are not as much in demand. There was a shortage before they entered the training program, and now there is a glut—exactly what Kramer found when she tried switching from sales to public health (see Introduction).

This is the danger when we try to close these gaps by, for example, pushing for education in current high-demand industries such as technology or healthcare. Technology jobs employ just 12.1 million workers or roughly 7 percent of all jobs, according to Cyberstate 2020, an annual US tech industry guide from The Computing Technology Industry Association (CompTIA). By contrast, the restaurant industry employed 15.3 million workers in 2019.

What is less often discussed is how employers themselves contribute to the very talent shortages they complain about. One way this happens is by restricting the qualifications for jobs more narrowly than is

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**Figure 5: Oscillation in Skills Imbalances**

When workers with a particular skill have difficulty finding work, some leave their field to acquire a different set of skills (first panel). Over time, attrition eventually leads to the opposite problem, where there are now jobs going unfilled because there is a shortage of workers with that skill—so employers ramp up recruitment and workers invest in retraining (center panel). But because training takes time, workers with the new skill enter the job market based on old information about demand for that skill, and many find there are no longer enough job opportunities for their new skill (last panel).
necessary. Degree inflation—where employers require a four-year college degree for jobs that previously did not require one—is a growing problem. A 2017 Harvard Business School study found that nearly 61 percent of employers rejected applicants with the required skills and experience simply because they didn't have a college degree, even though many employees already performing the job did not themselves have a degree. While it's certainly true that technology is changing the requirements for many jobs, in the same study two-thirds of companies admitted that stipulating a four-year degree excludes qualified candidates from consideration.

Such degree requirements disproportionately affect Black, Brown, Indigenous, and people of color, particularly women and those from low-income families, due to the intersecting impacts of race, gender and class. But even when degree requirements are met, bias further exacerbates skills gaps.

It is well known that the technology sector skews young, white, and male. As a result of bias and a desire among employers to reduce compensation, for example, older information technology workers often have a harder time getting hired and are more likely to lose their jobs despite decades of relevant experience. A 2017 study found that mid-career workers made up nearly half of the tech workforce, but only about a quarter of new hires. IBM is currently facing several lawsuits for age discrimination.

When it comes to racial and gender diversity, employers frequently complain of a lack of skilled talent, but Black and Hispanic individuals graduate with computer science degrees at much higher rates than they are hired. Why? In part because large tech companies tend to recruit from only a handful of elite universities that have relatively low percentages of BBPOC. Among Stanford’s computer science students, only 9.5 percent are Hispanic and 6.1 percent are Black. In general, low-income students make up only 3% of the student body at the most competitive schools. As TechCrunch points out, “the recruiting practices of Silicon Valley actually compound the structural race and economic inequities that are endemic at every step of the education-to-career ladder.”

There's one more thing that makes addressing the Skills Imbalance tricky: Most of the new jobs that are being created today pay very poorly, require activities that are exhausting or dangerous, or have notoriously poor working conditions.

That's not so much a problem of attracting the right skills as it is a problem of creating jobs worth taking—and this leads us to the fourth Imbalance, desirability.

#4: THE DESIRABILITY IMBALANCE

Not all jobs are created equal. Once an individual has cleared the first three imbalances—that is, they have found available and accessible jobs that match their skills—the question remains: can they find a good job? That may be harder than it sounds.

Economists and policy analysts rank a job's desirability primarily by its wages, which is why so many people are surprised when wages don't rise in response to a tight labor market.

However, a job's desirability is also about possibilities for career advancement, job security, benefits packages, the degree of status and fulfillment a job provides, safety, and so on. In some respects, this Imbalance might well encapsulate the original vision behind the American Dream.

There are, of course, a multitude of ways in which jobs can be undesirable. A recent article about one of the fastest growing jobs in America quipped, “Amazon’s warehouses are called fulfillment centers, with
no apparent appreciation for irony.” In addition to warehouse workers, migrant farm workers, garbage collectors, and fast food cashiers and cooks often struggle with fast-paced, body-breaking work for low pay, unpredictable hours, and little job security.

Even highly lucrative jobs can be miserable experiences. Women in male-dominated technical fields frequently face harassment in the workplace, and practicing lawyers exhibit clinical anxiety and depression at rates that range from 5 to 15 times those of the general population.

The expectation is that as unemployment decreases, particularly to levels nearing full employment, companies must enact workplace reform through rising wages, perks, and the elimination of undesirable workplace conditions in order to compete for available talent (see Figure 5). If unemployment is low, classic economic theory would expect the number of workers desperate enough to take an undesirable job to be low as well, since nearly everyone who wants a job has one, and presumably a good job, since labor is scarce. In other words, there should be more desperate employers than workers.

But that is exactly the opposite of what we saw during the most recent economic expansion: unemployment was low, but the number of people willing to take undesirable jobs was still high.

Further, when the Jobs Imbalance tips towards higher unemployment—as we see now in response to the COVID-19 crisis—we would expect to see wages fall, perks and benefits disappear, and more desperate workers than employers. And in fact, that’s also happening.

In other words, American workers end up being desperate whether the standard measures of economic performance are high or low (see Figure 6).

Figure 6: Desirability Imbalance

For a variety of reasons, the balance of power has shifted so strongly in favor of employers at the expense of workers that good jobs—with adequate pay, safety, flexibility, and meaning—are increasingly scarce. If employers (bottom loop) were desperate for workers, they would improve wages and working conditions to motivate workers and improve productivity. Instead, today’s Desirability Imbalance reflects the growing desperation of workers. This desperation causes workers to be less motivated and productive than they could be (top loop). But employers continue to believe the savings from not investing in desirability outweighs the loss in productivity that results—a belief that in many cases might simply be untrue.
It is critical to recognize that, similar to the disparate effects mentioned in the Access Imbalance, these patterns do not apply evenly across the board. For example, even when overall unemployment is low, it is generally higher for communities of color, who are also more often subject to low-wage, high-risk jobs, than are whites. Nearly five decades of data show that the Black unemployment rate is consistently twice the white rate. The unemployment divide is found to be even worse in metropolitan areas that are majority Black, like Washington, DC, where the Black unemployment rate was the highest in the nation, at six times the white rate.

Case in point: as overall unemployment numbers seemed to drop months after the initial COVID-19 shutdowns, unemployment rose among Black and Asian workers. As Valerie Wilson of the Economic Policy Institute explained, “What we saw when the pandemic hit was that there was an immediate and widespread job loss that hit all groups... And as we just have seen in May, the Black unemployment rate did not improve even as the overall rate declined.” Unsurprisingly, as many businesses began to open up in August 2020 after COVID-19 related closures, there is a “last hired, first fired” effect with Black people getting rehired at half the rate than white people.

High job desperation during times of low overall unemployment is an apparent paradox worth exploring. To understand how this can happen, imagine that as the economy recovered from the Great Recession, the preponderance of jobs created were undesirable ones. There is clear evidence that this is what happened.

- In 2019 The Great Jobs Study surveyed 6,600 workers around the country and found 60 percent rated their jobs as mediocre or bad. Lower-income workers, women, and workers of color were much more likely to be dissatisfied with their job.

- The recently released Job Quality Index—which provides a weighted average of “high quality” jobs that pay more than the average weekly wage and tend to have more hours per week compared to “low quality” ones—indicates there are 81 high quality jobs for every 100 low quality ones.

- The top five occupations that have added the most workers over the last ten years include food preparation and service, personal care and service, business and financial operations, and food and beverage service.

- Approximately 75 percent of new jobs added since 2009 pay less than $50,000 a year.

The result is that the average worker faces financial hardship.

Despite the longest continuous economic expansion in history and a roaring stock market, the share of national income allocated to wages, declined by 7% since 2000, a near historical low. Collectively speaking, our outstanding consumer debt (non-housing) is equivalent to more than 26 percent of our income.

Where wages on the low end are rising, it is primarily being forced, either by legislation or out of a desire for improved public image, rather than as a strategy to attract talent. Nineteen states and 21 cities have legislated increases to the mandated minimum wage. Unless such wins are met with an equal commitment by the companies themselves, this can result in a political see-saw as political figures, lobbyists, and advocacy groups seek to reverse the mandated increases, as we saw in Missouri a few years ago.
There’s one more wrinkle to this Imbalance: monopsony power.

Monopsony is a condition that arises through a concentration of power among buyers—in this case employers “buying” labor—in much the same way that a monopoly is a concentration of power among suppliers. A labor market is concentrated when a few firms dominate hiring, usually within a particular geographical region or industry.

When most people hear the term monopsony (assuming they have heard it at all), they think of the classic example of a small, remote town where employment is dominated by a single employer, such a mining company or prison. The modern day “company town” can be a little harder to spot. In 1972, there were approximately 3,000 meatpacking facilities in the U.S. Today, fewer than 200 remain, and two-thirds of meatpacking takes place in just 100 plants owned by six companies. Whereas meatpacking facilities used to reside in heavily unionized, large cities, most plants today are in rural towns like Greeley, CO. Nearly 80 percent of those employed in frontline positions in the industry are immigrants, refugees, and people of color. In late 2019, JBS, one of the Big 6 meatpacking companies, employed over 10 percent of the workforce in Greeley. Since 2009, it has repeatedly been cited for serious health and safety violations, landing it a spot in OSHA’s Severe Violator Enforcement Program for employers who have demonstrated indifference to worker safety. More recently, JBS came under fire again for failing to protect workers from COVID-19. When a local lamb processing facility filed for bankruptcy due to COVID-19 disruptions to the food supply chain, the facility was acquired by JBS, further increasing their grip on the labor market.

Mergers and acquisitions, hyper-specialization, non-compete clauses, and changing technology all make it harder for workers to find jobs that match their skills and easier for employers to keep wages low and resist workplace reforms.

But monopsony is not only an issue for small, rural enclaves. Research by Azar, et al. shows that the average market has the equivalent of only 2.3 recruiting employers, meaning monopsony is prevalent even outside small, rural enclaves. Mergers and acquisitions, hyperspecialization, non-compete clauses, and changing technology all serve to make it more difficult for people to find accessible, alternative jobs that match their skills, which in turn allows employers to keep wages low and resist workplace reforms.

Our Economics 101 expectations on desirability are not met because the market isn’t fully competitive—60 percent of markets are highly concentrated, affecting nearly 1 in 3 workers. Despite a strong economy, the number of desperate workers still outweighs the number of desperate employers. Since having a job, even a bad one, is better than no job at all for most people, monopsonistic practices allow employers to keep wages low and understaff their operations by simply asking more of those who remain. This burden falls most heavily on BBIPPOC and low-income communities, especially women.

The Desirability Imbalance is how our system of employment and mobility adjusts to the first three Imbalances. As the beginning of this chapter points out, imbalances in jobs, access, and skills create gaps in good jobs. And because of monopsony, bias, and the other factors discussed here, those gaps are filled with undesirable jobs because workers are more desperate than employers.
There is a widespread belief that entrepreneurship is the answer for those wishing to escape undesirable jobs. The myth that nearly anyone with a computer can now start a business and make a fortune often ignores the realities of most small businesses and how the various Imbalances impact one's ability to pursue self-employment. In America, jobs provide access to a whole suite of benefits and protections, including minimum wage, sick leave, overtime pay, health insurance, and pension plans. In addition to the loss of benefits, there are also significant Access and Skills Imbalances that impede the transition from low-wage work to self-employment. Many face unequal access to capital, mentorship, social networks, high-speed internet, and education in the broad spectrum of skills entrepreneurs must learn, such as sales, marketing, and finance. As a result, a 2013 study examined the outcomes of incorporated versus unincorporated businesses. Incorporated businesses were more often founded by white males who tended to be highly educated, had high self-esteem, and were already successful in salaried employment. On average, these entrepreneurs earned 36 percent more per hour than they did in their previous professions. Unincorporated businesses, on the other hand, were typically founded by those who worked low-wage jobs prior to starting their business. The unincorporated business owner, what we typically call self-employed, on average earns 16.5 percent less than their salaried counterparts. What this strongly suggests is that entrepreneurship is indeed a path for upward economic mobility, but primarily for those who were already succeeding in traditional employment.

This Imbalance shows that the solution to stalled economic mobility cannot be found in things that workers need to do differently. It’s not that American workers need to try harder. Education won't help if there aren't enough good jobs even for the highly educated; that's a system-level problem. Investments in loans for skills-training or other education alone do not pay off when hiring discrimination and biases make job offers elusive. Many career paths remain infeasible because they are still enabled by generational wealth. Trying harder to find a job is impractical if the transportation that’s available can't get you to the jobs that are open. Relocation isn't feasible if housing is unaffordable. Working harder to move up the employment ladder is a false hope in the face of the glass ceiling or when local jobs and employers have no reason to keep you happy—or keep you at all. These are all system problems.

This isn’t meant to blame employers (or let them off the hook): they are embedded in the same system as their employees.

The larger point is that it’s the system that’s out of balance, and it’s the system that needs to be transformed. That transformation needs to take place across all Four Imbalances.
III. THE FOUR IMBALANCES IN ACTION

Where labor is in high demand, we would expect that employers would raise wages or provide other incentives to attract workers. Expectations didn’t match reality.

NURSING SHORTAGES AND STRIKES

At the beginning of 2020, workers in SEIU 1199NW, a union of health care workers in Seattle, WA, went on strike. Nearly 7,800 registered nurses, licensed practical nurses, pharmacists, technicians, professionals, therapists, mental health workers, certified nursing aides, housekeepers, and dietary staff across seven Swedish Providence facilities participated in the walkout.

At the time of the strike, there were about 900 vacant staff positions at Swedish Providence hospitals in Seattle. Six hundred of those positions were for registered nurses, 50 percent of which had gone unfilled for 60 days or longer. As we mentioned earlier, where labor is in high demand, indeed when it is in dire deficit, we would expect that employers would raise wages or provide other incentives to attract workers and prevent costly losses due to an inability to provide services.

As seen elsewhere, expectations didn’t match reality.

The primary concerns of the union included wages failing to keep up with the cost of living, the staffing shortage, and a lack of security for patients and workers. The CEO of Swedish said he was disappointed in the strike in light of the 11.25 percent raise over four years the hospital offered. The union countered that the company pays almost 40 percent of its employees below the salary necessary to afford the average one-bedroom apartment in the city. Seattle is one of the most expensive cities in the country, due to an influx of tens of thousands of highly paid tech workers at companies such as Amazon, Facebook, Google, and Microsoft. A recent estimate put the cost of living in Seattle 56 percent above the national average and the median monthly rent approximately 2.7 times more.
Compounding the staffing shortages were a series of layoffs along with high staff turnover. One nurse at the Ballard hospital shared that all of the hospital’s intravenous nurses, who specialize in the administration of medications and fluids through an intravenous (IV) line, had been laid off. Other nurses, such as Sabrina Rasch, complained their patient workload had increased to the point of being almost unbearable, and more importantly, unsafe for patients.

And yet, the hospital system continued to expand. Approximately 2,000 more babies were born in their hospitals in 2018 compared to 2015, but only three additional nurses were added to the labor and delivery departments. The hospital added 145 more beds during the same time period, but only one additional environmental service worker to clean and disinfect patient rooms.

How can this be? We can now use our Four Imbalances framework to analyze the situation.

One explanation is that the hospital cannot afford the wage and staff increases the union is asking for. Several hospitals in the region have filed for Chapter 11 bankruptcy protection and the margins in acute care, which Swedish specializes in, are diminishing. However Providence Health Systems, Swedish’s parent organization, does not appear to be an organization in duress. The nonprofit is one of the largest and richest hospital chains in the country. It had $12 billion in cash reserves in 2019, which it invests in a variety of venture capital funds and private equity firms, at times earning more from its investments than it does from serving patients. The total compensation for the top 14 executives at Providence increased 59 percent in 2017.

Whether higher wages, if provided, would alleviate the staffing shortages is another question. Media has advertised a national nursing shortage for more than a decade. Washington state is sixth in the country for a deficit of nurses and other health care workers. This represents both a Jobs and a Skills Imbalance, where there are more jobs than qualified workers.

There are, however, large discrepancies in the concentration of nurses nationally. Florida and Ohio are projected to have surpluses, while Western states such as California, Oregon, and Washington already struggle with shortages. Recent data from Health and Human Services suggests there could actually be an excess of 300,000 nurses nationally by 2030. This represents the Access Imbalance, where we see a geographical mismatch between the location of jobs and workers.

The Access Imbalance plays a local role. Nurses at Swedish are required to be within a 30-minute drive of the hospital when on call. As housing costs outpace wages, that requirement becomes harder and harder for staff to meet from their own homes. Several nurses we talked to confided they rent hotel rooms, stay with friends, or even sleep in their cars to meet the requirements while on call.

There is also a Skills Imbalance. As approximately 60,000 nurses have retired from the profession every year since 2012, new nurses have been graduating to fill the void. This has shifted the median age of the workforce, where novices now outnumber those in the middle of their career. For this reason, some say the shortage is one of experience rather than nurses per se. And of course, there are over 100 nursing specialties, each with their own required training.
The Desirability Imbalance tends to bring the overall system back into equilibrium (albeit an undesirable one), and monopsony is often one of the drivers.

As it turns out, health care is one of the least competitive markets in the country.

Swedish was once a fierce competitor of Providence Health & Services. The two organizations decided to merge in 2008 to save costs. The combined organization now operates 27 hospitals, mostly concentrated in five states in the western part of the United States. Swedish Providence hospitals now make up the top four largest hospitals as ranked by admissions in the state of Washington.

Nationally, mergers and acquisitions in health care rose 14.4 percent in 2018. Research on mergers in health care shows they produce a profound impact on the wages of skilled labor over time. In one case, cumulative increases in pay for professional workers were more than 25 percent lower compared to peers in more competitive markets even four years after two hospitals merged.

Outside formal mergers, health care systems are increasingly forming multiregional conglomerates to reduce competition and lower costs. Even drug stores are pursuing partnerships in order to open clinics inside stores.

Practically speaking, this means when a worker leaves an employer like Swedish, the combination of the Access Imbalance and the Skills Imbalance results in fewer and fewer options for alternative employment, even in a field where there is a significant labor shortage.

While Swedish Providence did not create the monopsonistic conditions in their industry, it does appear to benefit from the various trends that produce them. As workers lose options for alternative employment, they also lose bargaining power, allowing the hospital to resist union demands even while presumably trying to attract and compete for limited talent.

In a 2017 interview, Claudia Faust, head of recruiting at Swedish Medical Center, acknowledged her job was “to minimize the increases of the salaries that we are going to have to pay to get people to come and do the work that we need to do.” Although the union had requested a 23.25 percent increase in wages over four years, the new contract signed in April 2020 only provided a 13.5 percent increase over three years, only 2 percentage points higher than what management had initially offered despite over a year of negotiations and the strike.

The COVID-19 pandemic has put an even sharper focus on this case, as the conditions, choices, and hazards that fall on nurses and other essential workers have been exposed to a new degree. What was already a bad situation for workers is set to only get worse.

“COVID-19 took what was already a bad situation for workers and made it worse.”

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IV. CONCLUSIONS

Targeting any one of the Four Imbalances in isolation will likely increase the intensity of negative outcomes spurred by the other Imbalances because it would only cause a shift in the system, not a transformation of the root causes within the system (see Figure 7).

For instance, many believe the solution to improving economic mobility is mostly one of education. If we could just boost college graduation rates or give people a strong background in science, technology, engineering, and math (STEM), everyone could have a good job with a future. Indeed, major competitions like the X Prize’s Rapid Reskilling prize and MIT Solve’s Reimagining Pathways to Employment challenge primarily focus on improving access to education or speeding it up.

What becomes clear from our analysis is that interventions aimed at addressing the Skills Imbalance will continue to have minimal impact if we do not also address the lack of good jobs produced by the Access and Desirability Imbalances with similar intensity.

These findings are in alignment with a recent report by RaceForward that the commonly held belief that the lack of mobility and shared prosperity is primarily a pipeline problem centers the issue “almost entirely on individual initiative and work ethic rather than systemic effects.”

Even if we gave everyone in the U.S. a college degree and the means to relocate with a snap of the fingers, not much would change. As Darrick Hamilton explains, “we exaggerate the functional role of education to the expense of understanding the functional role of wealth. ... And that is clearly marked by the fact that Black households where the head graduated from college typically have less wealth than white households where the head dropped out of high school.” Indeed, research shows that even with higher education, Black and Latino communities have a much smaller likelihood of getting...
good jobs than whites with the same or less education, which has contributed to growing racial and gender wealth divides. Such gaps not only exist for Native women across occupations, “it actually widens with higher education levels.”

Even aside from the systemic biases and barriers that selectively prevent access to good jobs, what our framework illustrates is that there simply aren’t enough existing good jobs to go around, and that only reinforces the detrimental impact of those biases and barriers.

As the state of Washington’s Future of Work Task Force recently concluded, “A robust future of work strategy must address the fact that many of the fastest growing jobs do not provide a living wage, or opportunities for career advancement, spurring further income inequality for a growing number of workers.”

In complex socioeconomic systems, imbalances in one part of the system tend to get rebalanced somewhere else. Think of an imbalance as creating pressure somewhere in the system. In the figure, that pressure can escape along any of the arrows to just about any other part of the system, rebalancing some things and further unbalancing others. When a worker moves to take a new job, that represents a direct rebalancing of an Access Imbalance. But sometimes the imbalances accumulate and the effects cascade outward: a shortage of jobs in a community (Jobs Imbalance), exacerbated by poor transportation infrastructure (Access Imbalance), can be further exacerbated by a glut of workers in the same field (Skills Imbalance). As the local economy comes to a standstill, it loses even more jobs to relocation or automation, or monopsonistic employers create undesirable jobs to absorb the surplus of desperate workers. The first three Imbalances are rebalanced by a growing Desirability Imbalance.
THE MAKING OF A GOOD JOB

What qualifies as a “good job” should address far more than wages of course. Access to healthcare, a predictable schedule, paid sick leave and vacation time, and safe and humane working conditions should be the minimum bar to clear in workplace reform.

Work for Humanity and the Foundation for Inclusion imagine a world where work enriches us not just financially, but intellectually, emotionally, socially, and spiritually. By this measurement, very few jobs indeed would currently qualify as a good job.

The preponderance of low wages, leading to a lack of disposable income, partly explains why GDP growth has been so poor compared to stock market increases and previous economic expansions. Your low-wage employee is someone else’s potential customer. As the nation heads into a recession, the lack of disposable income becomes widespread economic fragility that threatens the economic prospects of us all. Consumer spending declines, which makes it harder for businesses to stay afloat, resulting in even lower wages, additional layoffs, and bankruptcies.

The seeds of our current economic disaster were sown long before the COVID-19 pandemic hit.

This is not necessarily inevitable, however. As Zeynep Ton explains in her book *The Good Jobs Strategy*, retailers such as Costco, Trader Joe’s, and QuikTrip all produce high profits, in many cases several times higher than their industry average, while still delivering on fair wages and good working conditions. Ton explains that in addition to offering higher wages, these companies also seek operational excellence, which derives in part from a significant investment in employee training. A 2006 study compared the impact of such investments on the business performance of direct competitors Costco and Sam’s Club. Although Costco offers employees significantly more in wages and benefits, Costco earned nearly twice as much operating profit from each hourly employee as Sam’s Club did.

Skilled, motivated employees are not just more productive; they are also more adaptive and capable of more autonomy—critical skills as the coronavirus has upended industries such as manufacturing and food service. One Chinese manufacturer was able to quickly rebound from restrictions thanks to an organizational overhaul in 2012 that remade the company into a collection of agile, self-managing business units that have the autonomy to make their own decisions as conditions change. Ton points out it’s difficult for workers to create the time or motivation such autonomy requires when they are overworked and feel trapped in bad jobs.

If such outcomes are possible, why are we seeing the creation of so many bad jobs?

It’s easy to believe the issue is primarily one of corporate and shareholder greed. While there’s undoubtedly some of that, we believe there are two primary reasons companies are wary of pursuing a good-jobs strategy.

First, there is a prevalent belief that the only way to survive, much less meet market expectations—especially in low margin industries such as retail, fast food, and other service industries—is to keep labor costs as low as possible. CEOs ranked labor costs as their top challenge to profitability in 2020. Cutting salaries or reducing hours so that employees no longer qualify for benefits creates the appearance of strong, profitable growth even in mature companies where actual growth may be sluggish.
But research by Ton and others has shown that increasing the amount spent on payroll in a store resulted in increased profit margins. It turns out that the cost of overworked, underskilled, unhappy employees far outweighs the cost of increasing people's salary and improving working conditions. If board members, shareholders, and organizational leaders really want to increase profits, they should insist on exploring a good-jobs strategy.

A second reason executives may balk at rethinking their business operations and organization is that they are already struggling to respond to the increased complexity in the marketplace. Stock buybacks and mergers and acquisitions have been significantly more prevalent during this economic expansion than in the past, possibly because they are faster and easier strategies for delivering on the mandate to maximize shareholder value, at least in the short-term. Historically, companies saw more value in investing in research and development, education and training, and raising wages than stock buybacks and dividends. Economist Mariana Muzzacato has also noted the increasing financialization of the economy. When Facebook pursues a cryptocurrency and Uber explores becoming a bank, it is a sign that the primary source of business value may be in trouble.

And that has real implications for economic mobility. Mergers and acquisitions, automation, and hyperspecialization have all been shown to reduce workers’ negotiating power, slow wage increases, and reduce labor’s share of profits. In other words, these strategies directly contribute to monopsony power, and may be an overlooked benefit to corporations that employ them. Indeed, wage suppression can act as an economic stimulus in the same way tax cuts can, allowing a company to expand even as it complains about a labor shortage, as we saw in the nursing example.

THE PRESSURE OF PROFIT

Executives are operating in the most interconnected, complex market in history. As natural disasters, the coronavirus pandemic, and recent international tariffs have made clear, the world and the rules for succeeding in business can change in an instant. Even outside presumably once-in-a-century disasters, companies must also become carbon neutral within the next decade, keep up with rapidly changing technology, and avoid public relations disasters on social media. It’s fair to say many companies are struggling.

A recent analysis showed that all the gains on the New York Stock Exchange in 2015 could be attributed to just the top 200 companies. The remaining 3,218 listed companies lost money in aggregate. In August 2020, the performance of just six companies drove the S&P 500 to gain almost 5% and set a record. The remainder of the companies in the index lost 4% on average. According to Deutsche Bank Securities, nearly a fifth of all publicly traded companies in the U.S. are zombies—a company that is unable to pay its debt servicing costs with current profits and is kept alive through relentless borrowing. Zombies aside, the average lifespan of a company on the S&P 500 has gone from 60 years in the 1950s to less than 20 years today.

While we can’t necessarily point to cause and effect, the shift from stakeholder capitalism to shareholder capitalism does not appear to have worked out well for either businesses or workers, only the shareholders themselves.
There are two ways to increase the number of good jobs: either reform the jobs that already exist or create new ones. Given the scale and difficulty of the problem—in order to truly improve the prospects for economic mobility we will need to create tens of millions of good jobs across the economy and country while simultaneously reimagining work in light of COVID-19—both strategies will be needed.

Current efforts primarily focus on policy changes in order to reform bad jobs. For example, the Fight for $15 movement has successfully raised the minimum wage floor to $15 per hour in 32 cities and counties. And where private sector unionization has been successful, such as SEIU’s efforts with airport workers in the Northeast, they have won a living wage of $12 to $19 per hour for their workers, in some cases more than doubling their salaries. California recently passed AB5, a law that extends employee classification to gig workers in the state.

Policy changes have unintended consequences once implemented in a system where all the factors discussed in this report are so tightly interconnected: cause and effect are hard to discern when you target just one issue at a time. Hard-fought gains in policy can get rolled back as improvements in one part of the system draw energy from other parts of the system, and people adapt to the changes as a matter of course. Recession and changes in political leadership can have significant effects—direct and indirect—on efforts to create more good jobs. As policies and systems change, so do people’s behaviors and beliefs.

**THE ART AND SCIENCE OF BELIEF**

Unless a company’s leaders have an internal desire or belief that such changes can also be beneficial for the company, policy changes tend to incentivize the pursuit of creative loopholes that sidestep the original intent and result in a cascade of unintended consequences that can make things worse for some workers.

In California, for example, not only are companies such as Uber and Postmates seeking legal relief from AB5, which could see the closure of both companies if the law is upheld, but Vox Media ended contracts with about 200 freelance writers, citing the new law as their reason for doing so. Several other media companies followed suit. That’s not to say policy changes aren’t helpful. Antitrust legislation against monopsony practices, for example, would almost certainly be beneficial. But as the world becomes more complex, more polarized, less predictable, and faster paced, policymaking may be a riskier approach to the creation of good jobs than many assume.

As the world becomes more complex, more polarized, less predictable, and faster paced, policymaking becomes a riskier approach to system change.

An alternative is to help companies, boards of directors, and their shareholders recognize and buy into the benefits of good job creation, even and perhaps especially when the economy is struggling. In order to thrive in a world that is rapidly changing beneath your feet, businesses in every industry will require a skilled, motivated, and agile workforce that can help them stay relevant and competitive.

What our framework suggests is that overcoming the necessary Access and Skills Imbalances will be extremely difficult if companies do not simultaneously flip the switch on the Desirability Imbalance.

As we note in the beginning of the report, this framework is meant to be explanatory rather than prescriptive. But there are some key observations we can make now.
Foremost among them is that all systems have unwritten rules. These rules emerge in part from formal laws and regulations. But mainly they emerge from the cumulative effects of millions of people interacting across hundreds of intersecting issues.

Entrenched patterns of collective behavior are both causes and effects of people’s beliefs about how the world works, and they are hard to change—but they do change from time to time, and that change can be guided. In fact, system rules are some of the most powerful leverage points for societal change—and beliefs are among the more accessible paths to those leverage points.

While not exhaustive by any means, we have identified several beliefs that seem to serve as systemic barriers to economic mobility (see Table 1). For example, the belief that a college degree indicates both one’s skill and motivation to work not only leads to degree inflation in job requirements, but also perpetuates double standards in working conditions. Hourly workers may be subjected to severe penalties for clocking in even a minute late, while salaried, degreed employees may set their own schedules and grant themselves permission to attend a child’s after-school activity. Changing that belief could have a significant effect on the Desirability Imbalance.

Furthermore, we know that markers of identity, particularly race and gender, have a tremendous effect on how workers are treated, regardless of educational qualifications. Explicit beliefs and implicit biases about race and gender intersect with beliefs about how education correlates with work ethic or deservedness. Changing these core beliefs underpinning employer behavior and policies would have a greater effect on the problem of a “leaky pipeline” than any training and retention program targeting individual workers.

Of course, systemic change will require much more than just changing beliefs in order to meaningfully address the prevalence of monopsony and create significant improvements in economic mobility. It will also require bold leadership across the stakeholder ecosystem. Business schools will need to teach their students how to pave the way to stakeholder capitalism and the value in doing so. Those in economic development

Because it is almost impossible to create systemic change without addressing them, beliefs and narratives will be central to our work in Phase 2.

<table>
<thead>
<tr>
<th>Table 1. Illustrative Beliefs Constraining Change</th>
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<tr>
<td><strong>Employer Beliefs</strong></td>
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<tr>
<td>“It’s good business to keep labor costs as low as possible.”</td>
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<tr>
<td>“A college degree indicates not only how well someone will perform, but also how hard they are willing to work.”</td>
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<tr>
<td><strong>Worker Beliefs</strong></td>
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<tr>
<td>“My situation will never improve, so there’s no reason to pursue further education.”</td>
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<tr>
<td>“I can’t compete with younger workers if I change careers later in life. I’ll never get hired.”</td>
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<tr>
<td><strong>Societal Beliefs</strong></td>
</tr>
<tr>
<td>“There are plenty of good jobs, but not enough workers with the right education to fill them.”</td>
</tr>
<tr>
<td>“I got where I am because I worked hard, which means my success is available to anyone willing to work hard.”</td>
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might withhold tax breaks for companies that don’t create good jobs and hire local residents. Philanthropists can spur good job creation across the nonprofit sector. Boards of directors and shareholders can insist on reducing the pay ratios between the most highly compensated employees and the lowest.

Some of these interventions might be ineffective or have unintended consequences, however—which is why in Phase 2 of our work we intend to study them in the context of the Four Imbalances and the system of economic mobility.

But changing beliefs—and the broader narratives that sustain them—at scale is a necessary step and often an overlooked one. While they can be difficult to “see,” narratives are a life force: they fuel beliefs, shape perceptions, and influence action. Over time, a narrative like that of the American Dream can take on a life of its own, igniting strong emotions and decisions that continue to produce or reinforce negative outcomes. Because it is almost impossible to create systemic change without addressing them, beliefs and narratives will be central to our work in Phase 2.

Seeing the full complexity of a problem, and knowing the lurking possibility of unintended consequences, can make tackling these issues feel overwhelming. Here are three concrete actions interested stakeholders can take to begin to increase the odds of beneficial, systemic change:

1. Invest in understanding your role in producing systems effects

As the classic saying goes, every system is perfectly designed to produce the results it gets. As part of that system, you, too, have a role in producing unwanted outcomes, even if your part of the system appears to be succeeding. This can be rewarding work since it is far easier to change our own behavior and beliefs than that of others.

2. Prioritize dynamic theories of change

It’s human nature to seek simplicity in the face of complexity, but there is no one solution that will yield shared economic prosperity. When we advocate for one solution, often at the expense of solutions in other parts of the system, we impede progress towards the vision. Pay attention to the information that emerges from feedback loops, both at the micro and macro levels and in the short and long-term, and be willing to experiment with multiple, and sometimes counterintuitive, approaches.

3. Build a network of systems change leaders

Complex problems require a coalition of stakeholders that share a common vision and metrics as well as a learning culture that can evolve as the problem changes. Seek opportunities to get and keep stakeholders at the table, share knowledge effectively across silos and subfields, and create a culture of mutual responsibility.
In Phase 2, we move from theory to practice, helping those on the front lines map the impact of their efforts, test potential strategies and solutions, and help mitigate unintended consequences.

V. PHASE 2 PLANS

Phase 1 of our research demonstrates how the feedback loops in the Four Imbalances work together to maintain the status quo. One of the hallmarks of complex problems is that they are a set of interrelated problems with root causes that are extremely difficult to untangle. Unlike a difficult technical challenge, you cannot simply break a complex problem into its component parts, solve each of those parts independently, and then assume the collection of solutions will provide the outcomes you are seeking.

We hope that our Phase 1 research begins to increase awareness about the many ways well-intentioned people may be unintentionally perpetuating the very problem they are trying to solve. As we’ve shown, this often happens because there are a suite of beliefs and assumptions that produce behaviors and interventions that affect the symptoms of problems but do not drive systemic change.

In Phase 2 of our research, we want to move from theory to practice, helping those who are on the front lines of these issues better understand and map the impact of their efforts, test potential strategies and solutions, and help mitigate unintended consequences across the system. Rather than merely answering the questions “What is happening and why?” we will help people grapple with “What might happen and what should I do?”
Although the exact form of our Phase 2 work will be designed based on our partners and funding levels, we can identify three major thrusts:

1. **Research**

We will continue mapping out the factors affecting the Four Imbalances (see Figure 7) to identify targeted leverage points for systemic change, analyze the impact of various stakeholders on other efforts in the ecosystem (for example, in a particular geographic area), and predict potential unintended consequences on other parts of the system. We will also analyze the narratives and beliefs of each stakeholder and map the information pathways those narratives and beliefs take.

2. **Capacity Building**

We will work with a coalition of agencies and organizations focused on directly addressing the various problems caused by the Four Imbalances to align efforts, develop shared metrics, and improve information flow in order to produce mutually reinforcing activities and better collective impact. This ultimately leads to a shared theory of change that focuses on the interdependencies of a few, key initiatives that are capable of driving significant and sustainable system wide impacts.

3. **Testing**

As we make recommendations to our partners and they implement those ideas, we will feed the results of those efforts back into our predictive model and evolve. In this way, research feeds into action, results feed back into research, research feeds back into action. Working with our partners, we envision acting as the connective tissue making the actions of many others more effective (individually and collectively, upstream and downstream).

This is, by necessity, a longer-term effort. In complex social problems, interventions can appear to work in the short term and yet cause unwanted outcomes in the long term, as we saw in the student loan example. College attendance increased in the short term, a seeming success, but college graduation rates and therefore the income benefits that come from obtaining a degree, particularly for the target population, did not. Ideally, this latter metric would have spurred further investigation and experimentation to identify the problem and predict better interventions.

We are actively seeking partners who are dedicated to the continuous learning necessary to transform economic mobility over the next 5–10 years, who understand we cannot just optimize the parts but must improve the beliefs, relationships, and information flow across the system, and who can or are willing to bring together upstream and downstream interventions for a more holistic approach to solving the problem. If you are interested in collaborating with us as we shape the next phase of this work, please [contact us through this form](#).
VI. ABOUT THE AUTHORS

Jen Gresham is the founder of Work for Humanity, a nonprofit aimed at helping workers, organizations, and communities thrive together during a period of global transformation. Previously, she served as a career and business coach for clients around the world, helping individuals from the unemployed to senior executives create more income, influence, and impact. She is a Ph.D. scientist and 20-year Air Force veteran. She previously served as the Assistant Chief Scientist of the Human Performance Wing, where she helped lead a $100 million research portfolio in human-centered science spanning the fields of biology, psychology, and technology.

Arpitha Peteru, President of the Foundation for Inclusion, is a creative strategist and researcher devoted to catalyzing systemic change that maximizes equity, justice, and accountability. By retooling evidence-based approaches and leveraging dynamic technologies, Arpitha seeks to transform complex challenges, particularly those at the convergence of universal human rights ideals, harm prevention, and innovation. She has significant experience organizing with communities deeply affected by structural and direct forms of discrimination, violence, and trauma, and has facilitated efforts across government, corporate, philanthropic, and nonprofit sectors. As a cross-disciplinary and participatory practitioner, Arpitha draws on a wide range of whole-system tools to help build self-sustaining solutions that advance a more just and inclusive world. She co-founded the Foundation of Inclusion to be a lab for such systems transformation strategies.

Bob Lamb is CEO of the Foundation for Inclusion and a strategist, adviser, and specialist in complex social systems with more than 50 research publication credits, speaking engagements in more than 20 countries, and a 20-year record of uncovering the hidden knowledge that affects success in organizations and societies. His work advising civilian agencies, military institutions, think tanks, nonprofits, and corporations led him to develop the “dual-system” approach to helping organizations and coalitions overcome internal barriers to effective strategy for fast-moving, complex challenges. He co-founded the Foundation for Inclusion to put the dual-system approach into practice, using a wide variety of qualitative, quantitative, visual, hybrid, and experimental approaches to understand and influence complex societal structures impeding human potential. An award-winning journalist covering technology, business, and finance, he changed careers after 9/11 and earned a Ph.D. in policy studies in an interdisciplinary program combining economics, security, and ethics.
REIMAGINING INCLUSIVE ECONOMIES
Systemic Opportunities and Challenges to Economic Mobility and Shared Prosperity
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