

ILR School

The Urgency for a New Social Contract The Role of Business in Improving Health and Health Equity

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National Academy of Sciences, Engineering, and Medicine
December 13, 2022

WE MUST HAVE A SUSTAINABLE SOCIAL CONTRACT

“People are born free, and that people are everywhere in chains: **people could only experience true freedom if they lived in a civil society that ensured the rights and well-being of its citizens**”.

Rousseau, 1762



KEY POINTS FOR TODAY



Economics is not like the weather



Low wages are central to poor population health



We know what to do



There are both growing social movements and new tools for success

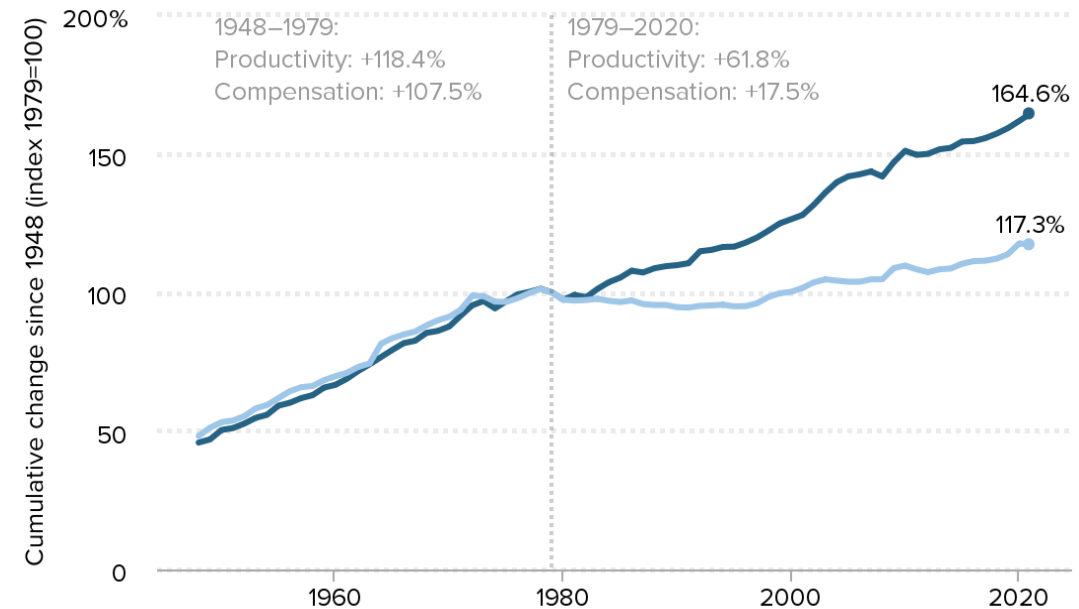


We must build from the ground up and cannot wait for national solutions

ECONOMICS IS NOT LIKE THE WEATHER

The gap between productivity and a typical worker's compensation has increased dramatically since 1979

Productivity growth and hourly compensation growth, 1948–2021

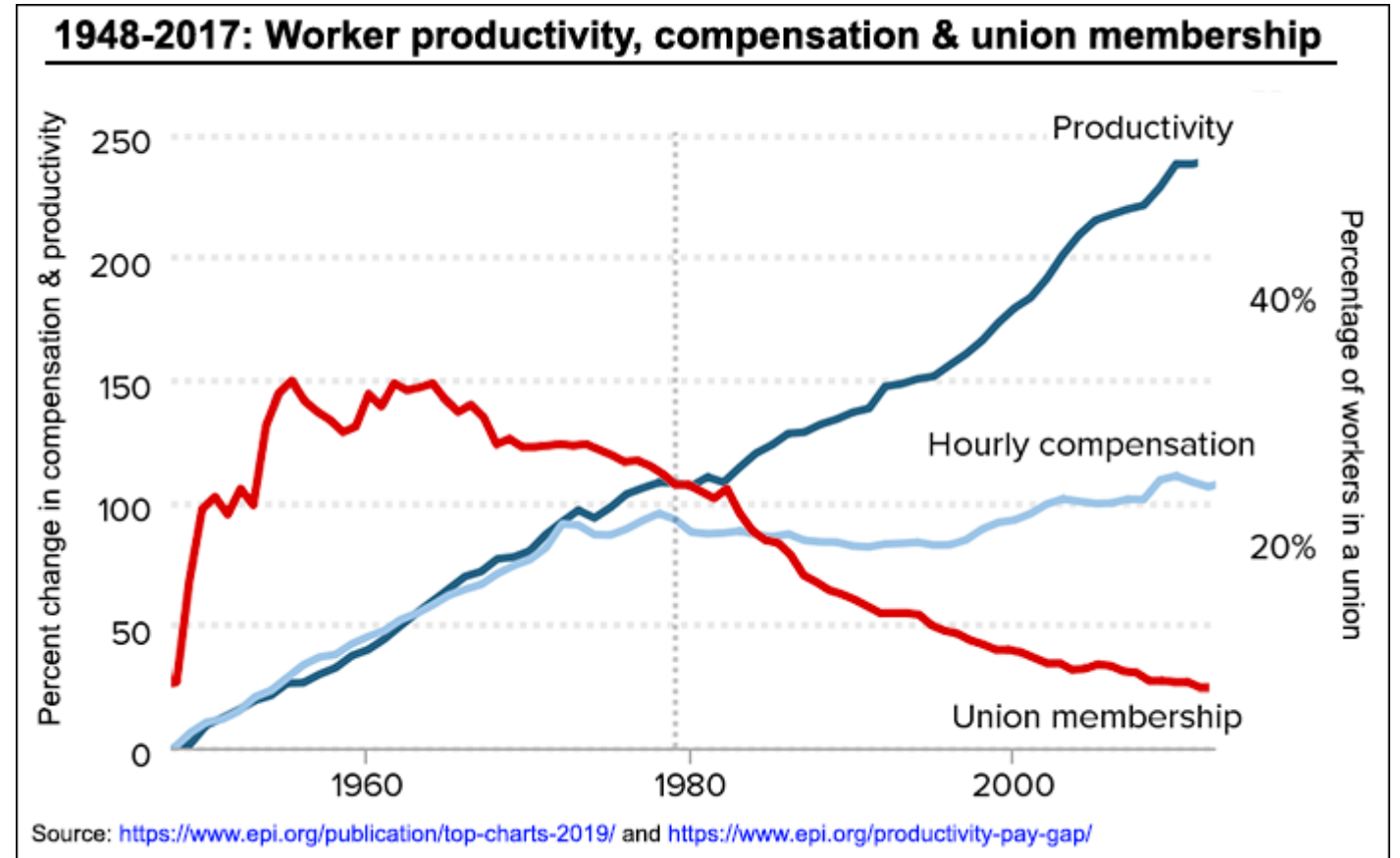


Notes: Data are for compensation (wages and benefits) of production/nonsupervisory workers in the private sector and net productivity of the total economy. “Net productivity” is the growth of output of goods and services less depreciation per hour worked.

Source: EPI analysis of unpublished Total Economy Productivity data from Bureau of Labor Statistics (BLS) Labor Productivity and Costs program, wage data from the BLS Current Employment Statistics, BLS Employment Cost Trends, BLS Consumer Price Index, and Bureau of Economic Analysis National Income and Product Accounts.

Economic Policy Institute

ECONOMICS IS NOT LIKE THE WEATHER, PART 2



WHAT HAPPENED?

EROSION OF THE SOCIAL CONTRACT

LIVING WITH LOW WAGES

Almost **one-third (31.9 percent)** of the labor force in the United States earns **less than \$15 per hour** as of 2022.

In other words, more than **51.9 million people** in the United States are **earning less than \$31,200 a year**.

KANSAS CITY, MO

	1 ADULT				2 ADULTS(1 WORKING)				2 ADULTS(BOTH WORKING)			
# of Children	0	1	2	3	0	1	2	3	0	1	2	3
Living Wage	\$17.19	\$32.82	\$39.85	\$52.03	\$27.06	\$32.63	\$38.36	\$41.82	\$13.53	\$18.15	\$22.86	\$26.43
Poverty Wage	\$6.19	\$8.38	\$10.56	\$12.74	\$8.38	\$10.56	\$12.74	\$14.92	\$4.19	\$5.28	\$6.37	\$7.46
Minimum Wage	\$11.15	\$11.15	\$11.15	\$11.15	\$11.15	\$11.15	\$11.15	\$11.15	\$11.15	\$11.15	\$11.15	\$11.15

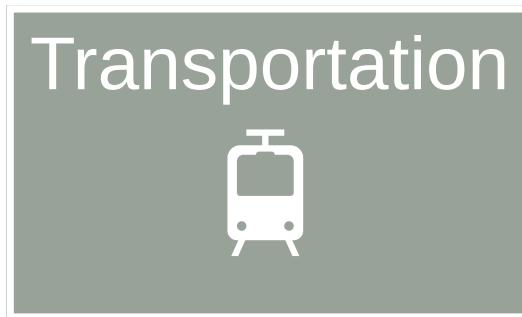
Living Wage Calculation for Jackson County, Missouri

The living wage shown is the hourly rate that an **individual** in a household must earn to support his or herself and their family. The assumption is the sole provider is working full-time (2080 hours per year). The tool provides information for individuals, and households with one or two working adults and zero to three children. In the case of households with two working adults, all values are **per working adult, single or in a family** unless otherwise noted.

The state minimum wage is the same for all individuals, regardless of how many dependents they may have. Data are updated annually, in the first quarter of the new year. State minimum wages are determined based on the posted value of the minimum wage as of January one of the coming year (National Conference of State Legislatures, 2019). The poverty rate reflects a person's gross annual income. We have converted it to an hourly wage for the sake of comparison.

For further detail, please reference the [technical documentation here](#).

WHAT DOES A LIVING WAGE INCLUDE?



* *Does **not** include savings or vacation*

Glasmeier, Amy K. Living Wage Calculator. 2020. Massachusetts Institute of Technology.
livingwage.mit.edu.

WHAT DO PEOPLE LIVE ON?

Median earnings of full time workers, 2022		
	Weekly	Hourly Equivalent
All	\$1,070	\$26.75/hr
<i>Men</i>	\$1164	\$29.10/hr
<i>Women</i>	\$ 971	\$24.28/hr
Kansas City, Missouri		
Living Wage	\$1057.20- \$1,594.00	\$26.43 - \$39.85/hr
Minimum Wage	\$446.00	\$11.16/hr

BLS, October 18, 2022; MIT Wage Calculator

NATIONAL EARNINGS DISPARITY RELATIVE TO WHITE WORKERS

Race or Ethnicity	Number of Workers	Share of Workers	Average Weekly Earnings	Earnings per Dollar
White	97,484,953	62.67%	\$1,046.52	\$1.00
Black	17,781,185	11.43%	\$791.02	\$0.76
Native American/American Indian	1,037,819	0.67%	\$801.99	\$0.77
Asian-Pacific Islander	10,071,279	6.47%	\$1,168.82	\$1.12
Hispanic/Latino	26,849,181	17.26%	\$762.80	\$0.73
Multiracial	2,318,129	1.49%	\$852.18	\$0.81

U.S. Department of Labor, Office of Federal Compliance Contract Programs

THE MYTH OF THE WAGE-PRICE SPIRAL

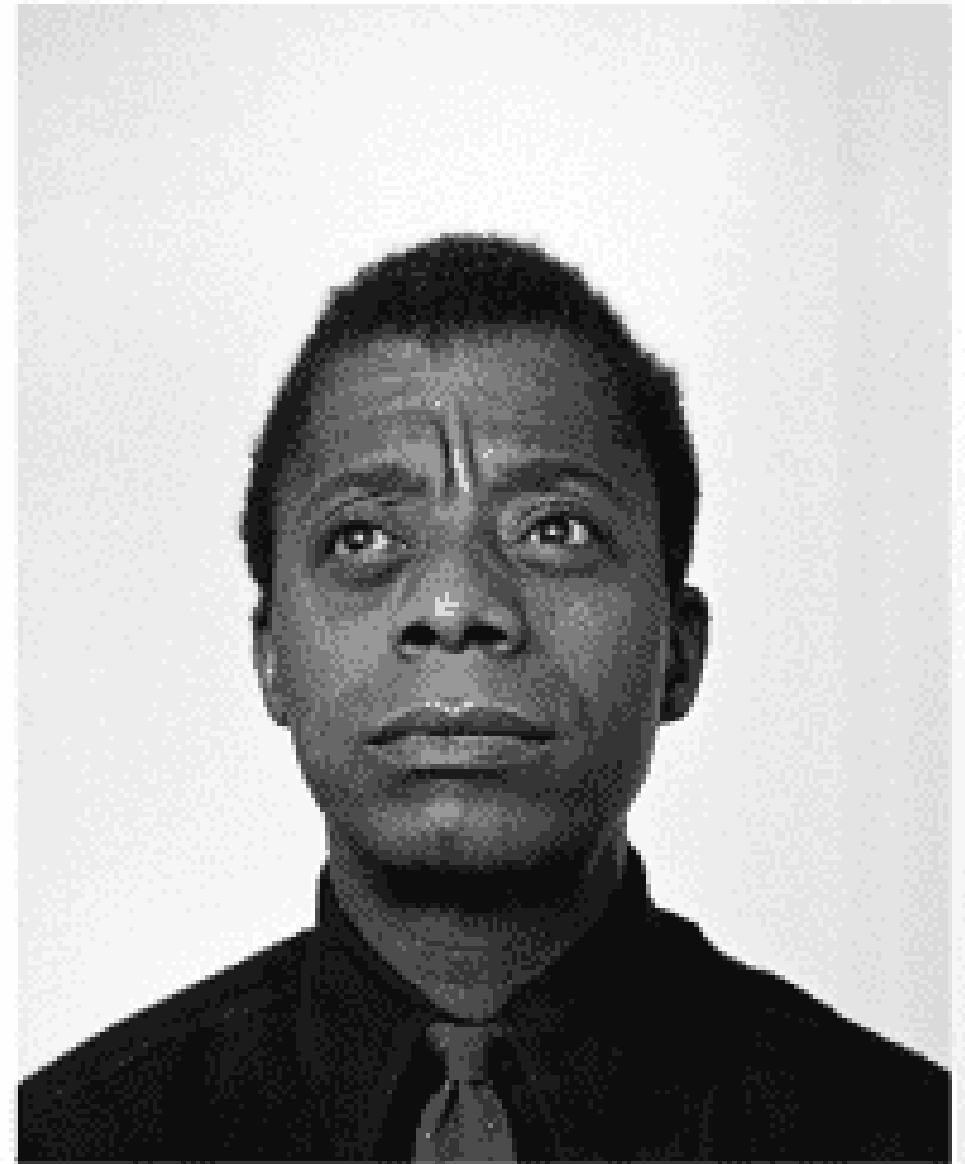


“Labor isn’t the only input into most goods and services. When the cost of labor increases, the costs of the other inputs don’t necessarily change. So the overall cost of producing a good or service doesn’t increase as much as the cost of labor alone”

**“ANYONE WHO HAS
EVER STRUGGLED WITH
POVERTY KNOWS HOW
EXTREMELY EXPENSIVE
IT IS TO BE POOR.”**

- James Baldwin

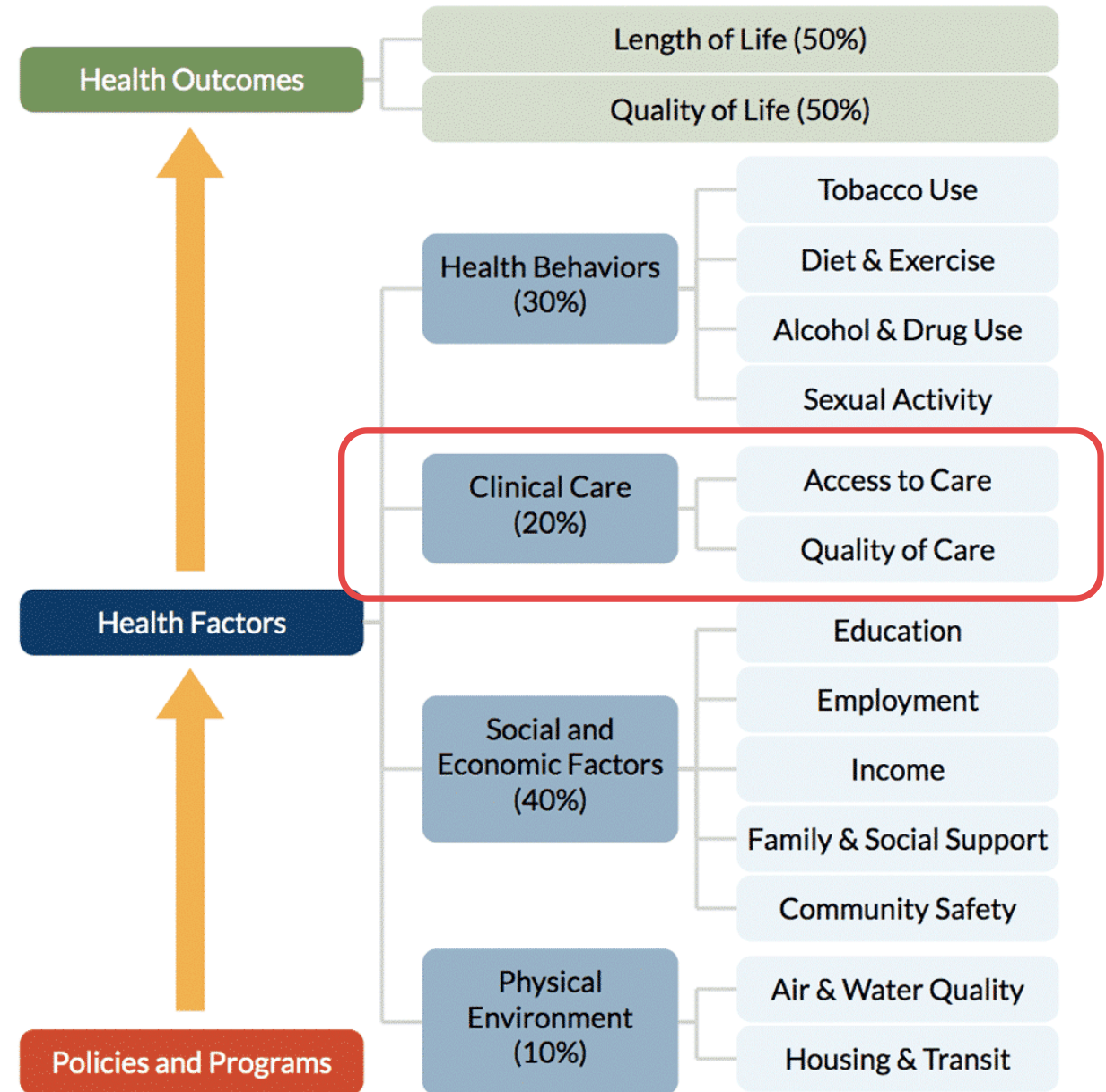
Nobody Knows My Name, 1961



HEALTH AFFAIRS, **OCTOBER 4 2018:**

“Income is strongly associated with morbidity and mortality across the income distribution, and income-related health disparities appear to be growing over time.”

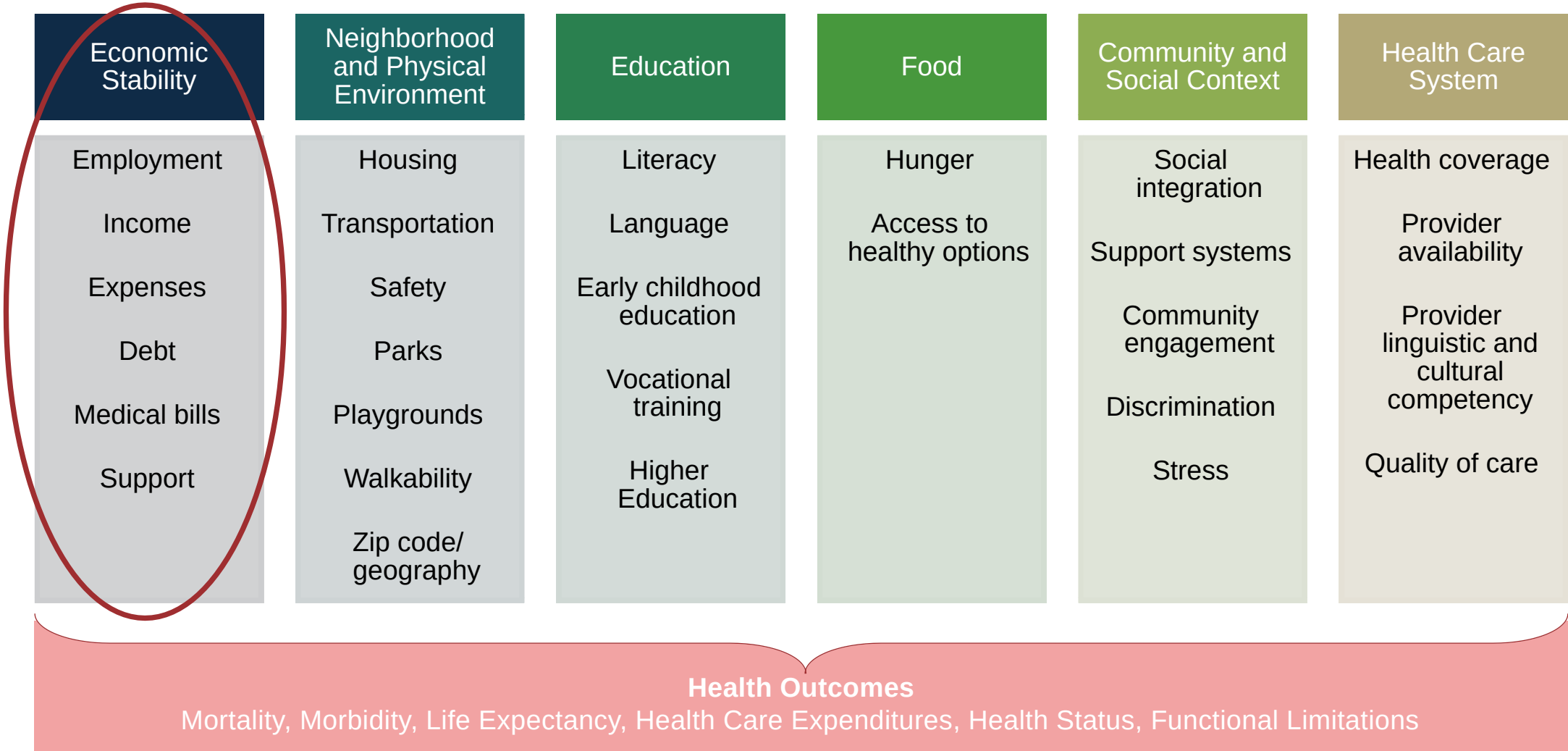
CLINICAL CARE REPRESENTS ONLY 20% OF WHAT DETERMINES POPULATION HEALTH



County Health Rankings model © 2014 UWPHI

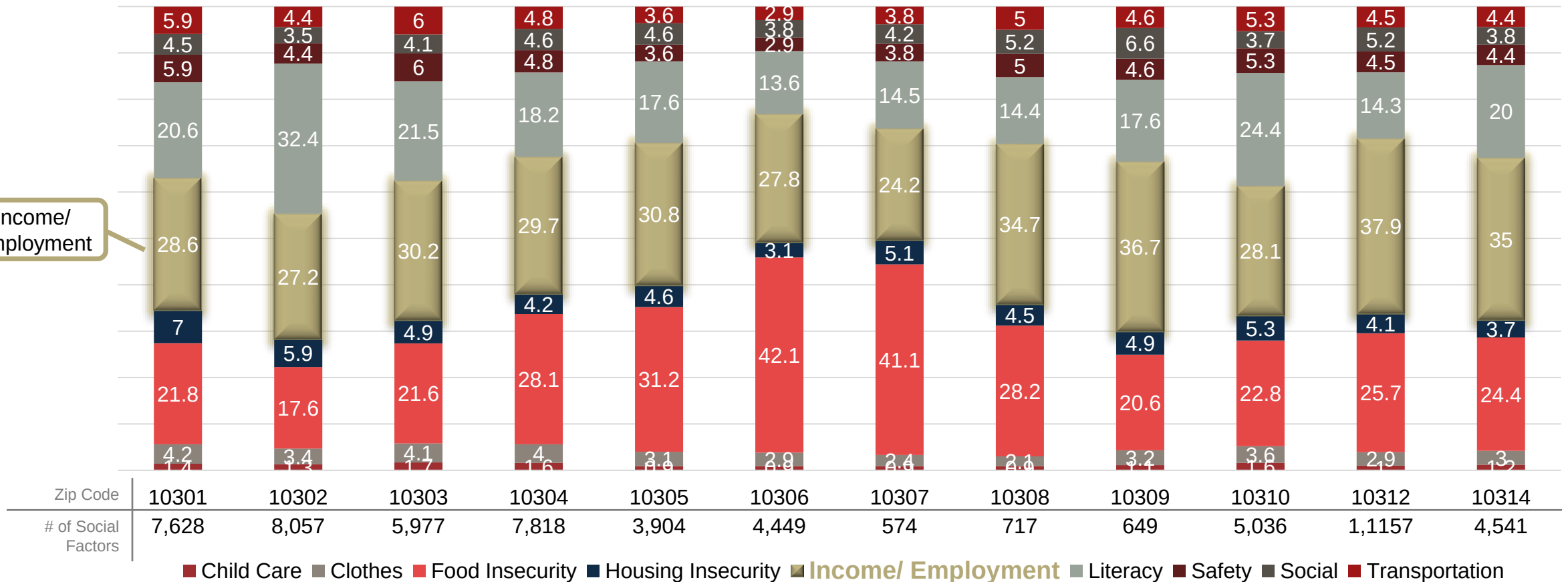
WE KNOW THIS...

SOCIAL DETERMINANTS OF HEALTH



MOST COMMON CONTRIBUTOR TO POOR HEALTH: **INCOME/EMPLOYMENT**

Staten Island Social Needs Assessment by Zip Code:
July 2019 – Feb 2022



GROWING CONSENSUS FOR A NEW SOCIAL CONTRACT

U.S. Chamber of Commerce

The Opportunity Project – A New Social Contract for a Changing World, **November 29, 2017**

“If we are to continue to experience the growth we need to fuel our economic success, then we need a new social contract.”

National Employment Law Project

A New Social Contract for Workers, **September 2019**

“We need to envision a new social contract that puts people and our planet first, one that emerges from community, worker and social-movement driven solutions promising a more equitable and liberated future for all. We can, and must, fight for and build this future together.”

Lee Dyer, ILR Emeritus Professor of HR Studies and
Thomas A. Kochan, MIT Professor

Shaping the Future of Work: A Handbook for Action and a New Social Contract, **February 4, 2021**

A call to action to develop good jobs and strong business while overcoming social and economic divisions.

GOOD JOBS ARE ESSENTIAL FOR GOOD LIVES.

“Our great challenge is not simply creating jobs but assuring that they are good and, by the same token, upgrading the quality of existing work. We have the tools to achieve these goals but need to come together and build the will to move forward.”



Paul Osterman,
Nanyang Technological University (NTU)
Professor of Human Resources and Management
MIT Sloan School of Management

WE KNOW HOW TO DO THIS

High performance work systems require broader jobs, enhanced training, employee involvement, and smarter operational and production strategies. Proponents of this view commonly cite examples of firms in low wage industries that have seemingly been successful while adopting high road employment practices.

Creating New Jobs, An Industry Based Strategy
Paul Osterman, MIT Press, Cambridge, MA, London, England, 2019

**WE
KNOW
HOW
TO
DO
THIS**

Our Value Compass

“Kaiser Permanente’s Value Compass succinctly defines the organization’s shared purpose... a recognition of the challenges that every member of the group has the responsibility to meet every day.”

“Building a Collaborative Enterprise” Harvard Business Review, July-August 2011



**WE
KNOW
HOW
TO
DO
THIS
IN:**

Retail

Residential Construction

Long-Term Care***

Hospitals and Outpatient Care

Restaurant

Manufacturing

Trucking

Paul Osterman

Who Will Care for Us? Russel Sage Foundation, New York, 2017

Creating Good Jobs MIT Press, Cambridge Massachusetts, London, England 2019

COLLECTIVE VOICE AND BALANCING POWER: SOCIAL DIALOGUE

“What is interesting about this moment is a dynamism of both activism and intellectual thought that we really haven’t seen, perhaps in 100 years.

I think we need to be open-minded to new approaches, not in place of traditional unionism and collective bargaining by any means, but to open up the dialogue to engage more about other avenues.”

Wilma Liebman,

Former Chair National Labor Relations Board
LERA, Perspectives on Work, 2022, Volume 16



WHY U.S. LABOR LAWS NEED TO BE REVAMPED, BUT WE CANNOT WAIT...



Harvard Law professors Sharon Block (right) and Benjamin Sachs are releasing a report with the aim to reform American labor laws.

Harvard Gazette, January 2020



“The movement’s success is inspirational,” said Yannet Lathrop, a policy analyst at the National Employment Law Project. “It has helped 26 million workers across the US win \$150bn per year in additional pay. Its impact for workers of color is significant. About 12 million workers of color have benefited and their additional earnings are \$76bn a year.” For workers whose wages rose, this means an average raise of roughly \$6,000 a year.

The Guardian, November 23, 2022

THE SOCIAL CONTRACT BEGINS AT HOME



BACK TO KANSAS CITY BY WAY OF THE WHITE HOUSE

<https://www.youtube.com/watch?v=oXNPDh4Q6qc>

