

Introducing the Good Job Score Assessment Tool

By the Two Sigma Impact Team

Robust quantitative approaches to measuring job quality across companies and industries have proven elusive. That's why we created the Good Job Score Assessment Tool. Our core metric for evaluating job quality, the tool is designed to inform management teams and investors on how their company is performing across four dimensions of a Good Job.¹

¹ Please refer to footnote 6 on page 3, and the Disclaimer at the end of this paper, for more information on the assumptions and limitations of the Good Job Score Assessment Tool.

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Introduction

Two Sigma Impact's investment thesis is that good jobs make better companies, especially in services businesses, where workers effectively are the product—and are key to customer service delivery.

Two Sigma Impact collaborated with the professional services firm PwC US² to examine the relationship between job quality and business performance in US companies. We believe that too often, employers focus on reducing workforce-related costs (which are easily measured in comparison to workforce output value), which has in many cases proven detrimental not only to workers but to companies' own bottom lines. Two Sigma Impact believes (and [has argued previously](#)) that, contrary to traditional management science, helping companies create better jobs can actually unlock previously untapped sources of value.

A growing body of research, along with Two Sigma Impact and PwC's collective years of experience working with numerous organizations, indicates that companies that focus on job quality and good jobs are more successful financially than those that don't.³ Similarly, workforce issues consistently top the list of issues that Americans wish company leaders would prioritize.⁴ Yet, a major gap remains in the research: how to define and measure what a "good job" is, in a standardized, scientific way that is useful to investors and companies, and that is broadly

² Two Sigma Impact and PwC US entered into an agreement to collaborate in developing thought leadership around "good jobs".

³ See, for example, research from Good Jobs Institute and Investor Responsibility Research Center Institute (IRRCI): Bach, K., Kalloch, S., & Ton, Z. (2019, June 26). The Financial Case for Good Retail Jobs. Harvard Business Review. Beeferman, L., & Bernstein, A. (2015). The Materiality of Human Capital to Corporate Financial Performance. Investor Responsibility Research Center Institute. https://lwp.law.harvard.edu/files/lwp/files/final_human_capital_materiality_april_23_2015.pdf.

⁴ Tonti, J. (2021). SURVEY ANALYSIS: In Great Resignation, Americans Are United in Wanting Action on Wages and Jobs, and Accountability from Corporate America. JUST Capital's 2021 Issues Report. Retrieved April 6, 2023, from <https://justcapital.com/reports/survey-analysis-in-great-resignation-americans-are-united-in-wanting-action-on-wages-and-jobs-and-accountability-from-corporate-america/>.

⁵ Harter, J. (2023, January 25). U.S. Employee Engagement Needs a Rebound in 2023. Retrieved April 6, 2023, from <https://www.gallup.com/workplace/468233/employee-engagement-needs-rebound-2023.aspx>.

⁶ The GJS Assessment Tool represents Two Sigma Impact's current approach to evaluating and monitoring companies for job quality, which Two Sigma Impact believes is an important value creation metric. The GJS Assessment Tool is provided for illustrative purposes and is intended to supplement, and not replace, the quantitative and qualitative evaluation of a company's employment characteristics and other corporate operational metrics. There can be no guarantee that use of the GJS Assessment Tool will achieve any of the objectives described herein. Other analytical frameworks could produce different results based on selection of different inputs or weightings than those developed by Two Sigma Impact. The GJS Assessment Tool is in its preliminary stages and its parameters and output are expected to be modified, in certain instances materially, over time. Please see "Disclaimer" for important information.

replicable over time and across industries.

While some companies use surveys to measure how engaged employees are, these tend to focus on what companies want—greater productivity—rather than what workers want: good jobs. We believe this gets the order of operations wrong and that good jobs are the necessary precondition for productivity. Given that only one third of US employees are engaged at work, and one in six are actively working against the interests of their employers,⁵ our view is that unless companies understand how to measure job quality from the perspective of workers, they will find it difficult to improve the many facets of engagement.

As management consultant Peter Drucker famously remarked, "If you can't measure it, you can't manage it." Many frameworks exist for defining and evaluating job quality, but there is no clear evidence-based metric that is voice-of-worker derived, holistic, and applicable across multiple sectors — in other words, a measure that can help an organization understand how it is doing on the job-quality front.

As private equity investors who seek to apply the scientific method to our work, and who are in a position potentially to help architect and drive positive financial and social change, Two Sigma Impact worked with PwC to create a framework that is designed to help assess and improve job quality over time and across industries, inside and outside of our diverse portfolio.

The Good Job Score Assessment Tool: A standard instrument for measuring job quality across companies and industries

The Good Job Score ("GJS") is Two Sigma Impact's core metric for evaluating job quality at companies.⁶ This measure is voice-of-worker derived, as noted above, and serves as a novel data source (alongside more traditional financial and operational metrics) that provides a consistent quantitative measure of a previously hard-to-define concept. A company's GJS informs the value-creation strategies and tactics that we seek to align on with management teams to grow healthy companies.

As investors, Two Sigma Impact believes that looking at this GJS metric on a consistent basis, in collaboration with our management teams, not only raises awareness of job quality in the board room but also sparks informative discussions about how to operationalize improvements.

Two Sigma Impact worked with PwC and Two Sigma's Sustainability Science team, which provides data science expertise for ESG and social impact efforts, to develop the GJS Assessment Tool through rigorous research and methodologies—outlined in this paper—aiming to effectively measure a company's job quality and fill measurement gaps in this space. We also aimed to confirm the tool is unbiased across employee demographics and characteristics and valid across multiple sectors, and that deploying it and tracking progress over time would be as easy as possible.

In essence, the GJS Assessment Tool can be a standardized instrument—that is, a statistically reliable and scalable voice-of-worker assessment—for measuring job quality, and management teams and investors can use it to quickly gauge company performance across what we see as the four key dimensions of a quality job.

We believe the GJS Assessment Tool can prove valuable to three core main stakeholder groups:

- **Investors**, to help inform company valuations and investment decisions, and to help them hold management teams accountable for job quality once they have invested.
- **Company management teams**, to enhance data-driven understanding and accountability that point the way to action. We believe it also can serve as an early warning indicator that provides the ability to identify any disparities across employee cohorts on different job dimensions, enables benchmarking vs. competitors, and can help demonstrate return on human capital investments.

- **Workers**, to better advocate for their needs with objective metrics and benchmarks, and to make it easier for workers to choose the top employers—further heightening management accountability.

In the following sections, we outline how we approached creating the GJS Assessment Tool, what we've learned from it so far, how we're using the tool, planned next steps, and how to learn more.

Creating the GJS Assessment Tool

When we set out to create the GJS Assessment Tool, we knew our first task was to settle on a definition of what exactly characterizes a good job from the worker's perspective. Only then could we devise an objective, valid standard measure of job quality.

Defining a Good Job

Two Sigma Impact selected PwC as our collaborator in this work. PwC has deep experience in human capital value creation and ESG services, including in the private equity context, and we viewed them to be well-positioned to help us validate our thesis and develop [our initial "good jobs" framework](#) and diagnostic voice of worker survey tool.

We first studied existing "good job" constructs and gathered insights on their strengths and weaknesses. We found that these measures are often more qualitative than quantitative, and are frequently derived from publicly available information, as opposed to from workers themselves.⁷ Next, we conducted an intensive literature review, analyzing 448 metrics from 191 sources, such as news articles, academic reports, and government reports, to understand the research landscape regarding "good jobs." The data indicated compelling links between investments in workers — including providing job flexibility, attracting and accessing diverse talent pools, providing clear career pathways and progression opportunities, and connecting work to a broader mission and purpose—and positive business outcomes related to revenue and profitability.

⁷ See, for example, JUST Capital's [Annual Rankings](#) and the [American Opportunity Index](#) from The Burning Glass Institute, Harvard Business School and Schultz Family Foundation.

Based on our findings, we then designed and deployed an 81-item workforce survey to 1,000 workers. This survey was an effort to understand their perceptions and learn how aspects of worker experience relate to indicators of job quality and companies' financial outcomes.

Following this initial research phase, we analyzed the survey data and identified a smaller, "core" subset of 32 items most relevant to the issues we were interested in (see "face validity test," below). We then deployed a survey with these 32 items to over 10,000 employees from 1,000 different companies, across industries, to further test and seek to validate the reliability of these questions across a wide sample of workers.⁸

Ultimately, we aligned on four core dimensions of a Good Job (see Exhibit 1).⁹

Exhibit 1. The Four Dimensions of a Good Job

Leadership

Senior leadership has the skills, capabilities, and genuine desire to engage the workforce

Purpose

The company's mission and values are clear to employees and connected to their work

Growth

Employees feel they have the feedback, support, and opportunities to learn and grow in their careers

Fairness

Employees feel they are safe in the workplace, fairly compensated and have sufficient flexibility to maintain work-life balance

Aligning on measurement of a Good Job

Building on our work with PwC, and in conjunction with Two Sigma's Sustainability Science team, we next set out to validate that our assessment tool was standardized and scalable. We also aimed to identify items that either did not reliably measure a good jobs dimension, did not relate strongly to other items measuring similar good jobs dimensions, or did not have a consistent interpretation across individuals.

We determined that the measurement instrument needed to satisfy several key criteria, while also meeting the following expectations:

1. **Face validity:** Do the assessment's questions intuitively get at the topics we are interested in?
2. **Construct validity:** Do the questions accurately measure what we are trying to measure? Are the key dimensions of a good job included?
3. **Internal validity:** Do responses hold across different employee characteristics, such as education level, tenure, gender, race and ethnicity, etc.?
4. **External validity:** Can this survey be scaled beyond the study sample? Do our measurements align with similar measures derived from different data?

While our previous work helped us to align on various questions that we believe represent the four dimensions of a good job (i.e., face validity), we sought to further refine the items to a critical subset that passed additional validity tests. In collaboration with PwC, we deployed the same 32-item survey to nearly 6,000 employees across 61 Russell 1000 companies with an emphasis on sampling a wider employee demographic as well as a larger representation of individuals from each company.¹⁰ This emphasis facilitated greater insight into the variation among responses within a company and helped to improve our estimates for a company's GJS.

⁸ Industries covered in the survey include, among others: Banking & Capital Markets, Financial Services, Hospital & Healthcare, Manufacturing, Retail, Technology.

⁹ See also Warren Valdmán's TED Talk, [What makes a job "good"—and the case for investing in people](#). The term "Good Job" refers to Two Sigma Impact's definition of the term.

¹⁰ Note that the identities of the 61 companies are, and were in connection with deploying the survey, anonymized from Two Sigma Impact.

Once the data was collected, we used a statistical technique called latent factor analysis to narrow the survey down to even fewer questions, while retaining as much information as we determined necessary to reliably measure each of the Good Job dimensions and calculate an overall GJS. While we may be able to capture more information from a larger survey, we believed such an assessment would be overly cumbersome and time-consuming for employees and anticipated it leading to poor response rates and potentially unreliable responses.

Through this analysis, we were able to narrow the assessment down to 12 questions that form the basis of our GJS Assessment Tool, as shown in Exhibit 2. Calculating the GJS entails using modeled weights from each question to obtain scores for each respondent. Employee scores within a company can then be averaged to produce a GJS and the dimension sub-scores (Leadership, Purpose, Growth, and Fairness) for an entire company.¹¹

Seeking to confirm our assessment tool is standardized and scalable

With a leaner assessment in place, we performed tests that compared several statistics across the survey populations along dimensions such as gender, race and ethnicity, age, education, tenure, and level/position in a given company. The primary goal of these tests was to confirm that results were consistent and generalizable across employee subgroups. Overall, we determined that the measure was invariant across all the different survey population subgroups, meaning that any variation in employee response reflected assessed differences in job quality and not different interpretations of the questions themselves.

Exhibit 2. 12 Questions Form the Basis for Good Job Score Assessment Tool

Leadership

1. When changes occur, senior leaders at my company do a good job of explaining the reasons behind them
2. Senior leaders at my company seek and respond to feedback from employees
3. Senior leaders at my company demonstrate a sincere interest in the well-being of employees

Purpose

4. I understand my company's values
5. I understand my company's broader mission and purpose
6. I understand the link between what I do in my work and my company's mission and values

Growth

7. My supervisor/manager has made a personal investment in my growth and development
8. My company provides me with learning opportunities to develop the skills I will need for the future
9. I have opportunities for career advancement/mobility at my company

Fairness

10. My company pays me fairly for the work I do
11. I have a physically safe and healthy work environment
12. My company enables me to have a balance between my job and personal life that works for me

¹¹ More details on the estimation methodology and scoring are available in the [Methodology Guide](#).

Good Job Score vs. other measures of corporate effectiveness and financial performance

Finally, we sought to validate our GJS Assessment Tool against other external, yet similar, measures of job quality. In addition, in an effort to further support our thesis that Good Jobs make better companies, we examined the relationship between a company's GJS and various financial and performance measures.

Corporate effectiveness

We compared our GJS and dimension sub-scores with corresponding measures from both the [Drucker Institute Model for Corporate Effectiveness](#) and [JUST Capital's Rankings](#).¹² We found that:

- The overall Drucker Effectiveness score had moderate (~40%) correlation with the GJS, with metrics under Employee Engagement & Development being the most strongly correlated with the GJS and sub-scores (55-60%). Metrics under the Social Responsibility and Financial Strength categories showed lower levels of correlation at 20-25%, with Innovation and Customer Satisfaction metrics seeing low/no correlation at ~15% and <5%, respectively.
- For JUST Rankings, worker-related issues showed the strongest correlation (40-50%) with our GJS, while overall rankings moderately correlated with GJS, at ~25%.

It is important to validate newly constructed instruments by confirming that they track external sources that are thematically similar. GJS's strong correlations with Drucker Employee Engagement metrics and JUST Capital's worker-related data provide evidence of its validity.

Financial performance

We also tested to see how GJS results track against companies' financial fundamentals. Using publicly available data for the 61 companies we surveyed, we collected metrics such as share price, gross margin, operating margin, free cash flow, and current ratio, among others, along with their respective changes over the 2018-2022 period.

This correlation analysis was preliminary and meant to set up further studies. It's worth emphasizing that while we found enough evidence to support proceeding with our research, at this stage we aren't drawing firm conclusions. That having been said, we observed the following preliminary data points:

- Moderate positive (30-40%) correlation between GJS and current fundamentals such as free cash flow-to-sales ratio, current ratio, and profit margins.
- Strong negative correlations (-40-50%) with the net debt ratio and debt paydown, indicating, in our view, that companies with a higher GJS are also more likely to be financially healthier.
- A slightly weaker signal (20-30% correlation) with year-over-year change in free cash flow, end cash, and operating income, which we would expect to be more correlated with changes in GJS over time.
- Little to no correlation with changes in share price, which we attribute to significant macroeconomic factors (post-Covid changes, etc.) and market volatility over the last few years.

In Two Sigma Impact's portfolio of private companies, where we have more granular visibility into business KPIs, we have also seen a correlation between job quality and other business financial indicators. Together with the management teams of companies in our portfolio, we aim to look at job quality for employees at such companies relative to employee retention, operational effectiveness, and profitability. (For more on how Two Sigma Impact is applying the assessment tool to our portfolio of private companies, see [How We're Using the GJS Assessment Tool](#), below.)

¹² (2022). 2022 Methodology for the Drucker Institute's Company Rankings. Drucker Institute. Retrieved April 6, 2023, from <https://www.drucker.institute/2022-methodology-for-the-drucker-institutes-company-rankings/>

(2022). Our Methodology. JUST Capital. Retrieved April 6, 2023, from <https://justcapital.com/our-methodology/>

The Good Job Score

In an effort to facilitate the interpretation of the GJS, we include here a sample Good Job Score Report (Exhibit 3). GJS is calculated on a scale of 1 (low) to 5 (high), with an overall score and sub-scores for each of the four dimensions of a Good Job:

Exhibit 3. Sample Good Job Score Report



We recommend that companies and investors look for overall improvement over time in absolute terms, high performance versus competitors, and greater consistency among employee responses. (Understanding variation is important because, even if mean scores are high, an elevated variation in responses across a company could indicate that there are pockets of opportunity across different groups or departments.)

In looking at Two Sigma Impact's own portfolio, which currently comprises middle-market companies, we don't expect these companies to be leading in all dimensions. We work with management and human resources to build the foundation for scaling as an employer of choice with high-quality jobs. We endeavor to invest in management teams who are motivated by this mission and who have a plan to invest in their workers. (See How We're Using the GJS Assessment Tool, below.)

What We've Learned So Far

Although Two Sigma Impact and PwC are in the process of collecting more data to further these analyses and to establish benchmarks across sectors/industries, company size, and other stratifications, we can derive some preliminary insights using our current sample of 61 Russell 1000 companies.

Preliminary insights: GJS by sector

As mentioned above GJS is calculated on a scale of 1 (low) to 5 (high), with an overall score and sub-scores for each of the four dimensions of a good job. For our current sample, the average GJS is 3.9; with a range from 3.3 to 4.3. It's important to keep in mind that this initial sample was designed in an effort to validate the instrument. We expect to observe more variation as the data corpus around this new assessment continues to grow and diversify beyond the large companies that comprise the Russell 1000.

As Exhibit 4 shows, the GJS and its sub-scores vary by sector, as does the amount of variation in the range of scores. Across the board, the Consumer sector lags behind the other sectors (Business Services, Healthcare, and

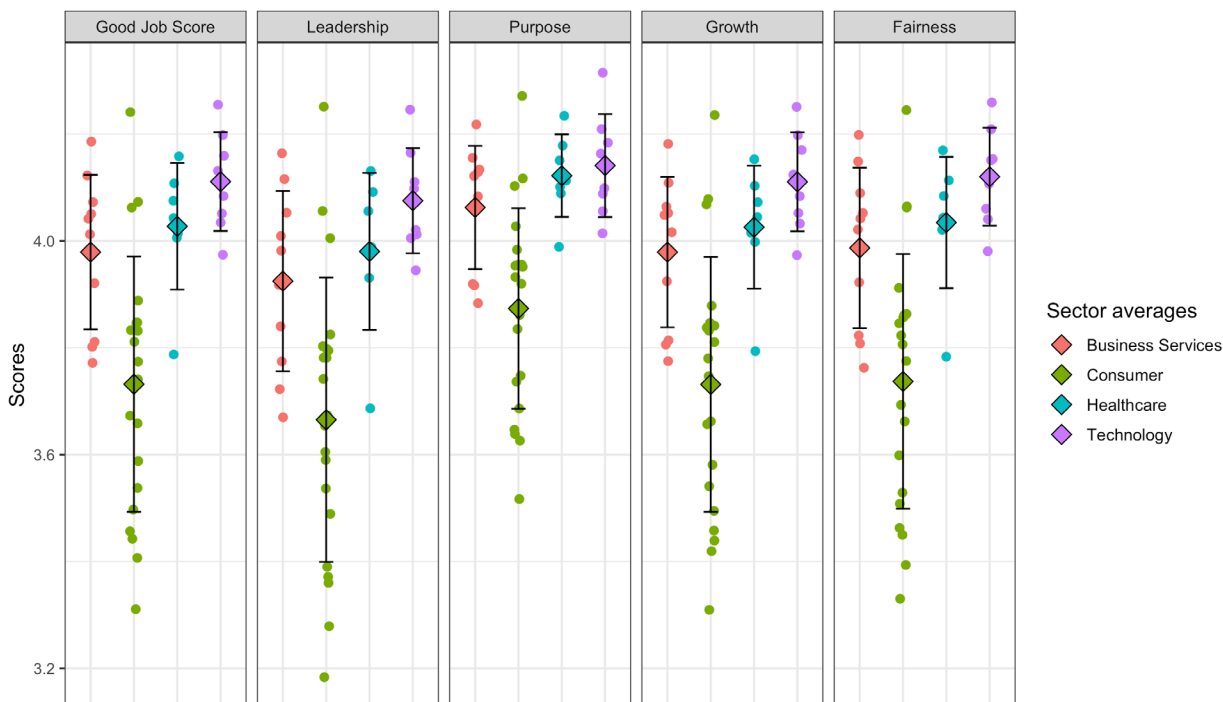
Technology) in terms of job quality, and interestingly also demonstrates a wider range of scores, indicating more variation among companies. We hypothesize that this sector is less homogenous than the others, with a more diverse employee base. Another potential explanation for the wide variation in GJS for the consumer sector is that it employs more varied strategies for workforce management.

In this 61-public company data set, we found that, across sectors, the Leadership dimension had the lowest average score, and the Purpose dimension had the highest average score.

We therefore believe that it's critical to focus on Leadership up front – and this is often a key first step for Two Sigma Impact as investors. We have found that getting leadership (and the right organizational structure for the business model) in place quickly is essential to unlocking the other dimensions of a Good Job.

As we refine these benchmarks further over time, we expect to be able to provide deeper insights into a company by comparing its scores against those of other companies in the same sector.

Exhibit 4. GJS and Subscores by Sector (September 2022)



How We're Using the GJS Assessment Tool

Having made significant progress toward validating the methodology behind the GJS Assessment Tool and the degree to which it is an effective measurement of a company's job quality, Two Sigma Impact envisions companies deploying it at least annually to help track progress and identify actions that are aligned with their scores and respective needs.

That said, Two Sigma intends to run the assessment at different intervals depending on M&A activity, leadership transitions, and other, similar events. The realities and broader change agenda at each company inform our approach.

For Two Sigma Impact's portfolio of private companies, we seek to analyze results across key demographics (e.g., by department, tenure, gender, race and ethnicity, etc.) and work with management teams to design and implement solutions in an effort to address opportunity areas. In certain cases, these companies are not yet tracking a variety of workforce data. In such instances, we work with them to create a repeatable process for doing so. In combination with other worker data, such as retention and operational efficiency, we view the GJS as an important data point for holding management teams accountable for taking job-quality action steps.

We are currently in the process of deploying the latest instance of the GJS Assessment Tool at several of the companies in our portfolio. We recognize that metrics inform actions and that the right actions in the right sequence are paramount to sustaining positive change.

As we focus on helping companies drive both positive social and financial results, we share leading practices, tools, and vendors that we anticipate will help them succeed. We are also in the process of building out a library of Good Job-oriented actions ("workforce levers") that we plan to refine over time through continuous improvement and with our implementation business partners, such as JUST Capital and the Good Jobs

Institute. Exhibit 5 shows a sample of workforce levers that companies in our portfolio have employed (or are planning to employ).

Exhibit 5: Illustrative Workforce Levers

Leadership

- Identify and close leadership gaps at the board and C-suite levels
- Invest in executive coaching for the complete leadership team
- Develop and implement a diversity, equity and inclusion (DEI) strategy
- Implement an anonymous upward feedback mechanism and process to address concerns

Purpose

- Ensure company mission statement, values and team norms reflect ambitions / intentions
- Design and implement a robust internal communication program that includes town halls
- Publicize business objectives and key results and tie to manager and team performance

Growth

- Develop an internal mobility program that includes career pathways
- Ensure Human Resources is adequately resourced to lead and drive talent development and performance management
- Offer tuition-assistance program

Fairness

- Conduct a living-wage analysis
- Review compensation model and market data, and link pay to performance
- Ensure adequate paid time off
- Create an "emergency fund" for employees in need to utilize

We also plan to incorporate learnings from [PwC's recent \\$2.4 billion investment in its employees' well-being](#) to bring greater flexibility and agency to its own workforce as we work to both measure and manage job quality in our investment process.

Next Steps

In light of the GJS Assessment Tool's early outputs, Two Sigma Impact and PwC believe more than before that job quality influences business performance. Preliminary analysis indicates that a company's GJS is positively correlated with other employee engagement metrics and promotes key financial outcomes.

We are excited by the GJS momentum, and more work remains to be done. In collaboration with PwC and Sustainability Science, we are embarking on the next phase of research. Our goal is to expand our panel research to capture GJS results and additional insights from a broader set of companies, in order to:

1. Understand and report on statistically significant linkages between GJS and company performance, and
2. Establish more robust GJS benchmarks (e.g., by industry, company size).

Two Sigma Impact and PwC have a bold ambition: for the GJS to become the core voice-of-worker metric for measuring and benchmarking job quality in all companies.

Learn More

We are excited about the work ahead and the opportunity to share the GJS Assessment Tool broadly with investors, company management teams, and workers. We have open-sourced the tool, making it freely available for companies to use in an effort to help measure and improve job quality within their own organizations.

- Visit goodjobscore.com to begin using the Good Job Score Assessment Tool at your company
- For a deeper discussion about the GJS methodology and scoring, view our [methodology guide](#)
- To learn more about how you can deploy, analyze, and improve your Good Job Score and connect your talent investments to financial and social value creation opportunities, click [here](#) to contact PwC
- Click [here](#) for more information about Two Sigma Impact

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