

FUTURE OF WORK IN CALIFORNIA



A NEW
**SOCIAL
COMPACT**
for work and workers



INSTITUTE FOR THE FUTURE



Commissioners

Members of the Future of Work Commission were appointed by Governor Gavin Newsom to help create inclusive, long-term economic growth and ensure Californians share in that success.

Mary Kay Henry, Co-Chair

President, Service Employees International Union

James Manyika, Co-Chair

Chairman & Director, McKinsey Global Institute

Roy Bahat

Head, Bloomberg Beta

Doug Bloch

Political Director, Teamsters Joint Council 7

Soraya Coley

President, California Polytechnic State University, Pomona

Lloyd Dean

CEO, CommonSpirit Health

Jennifer Granholm*

Former Governor, State of Michigan

*Resigned from Commission upon nomination as U.S. Secretary of Energy

Lance Hastings

President, California Manufacturers & Technology Association

Carla Javits

President & CEO, Roberts Enterprise Development Fund (REDF)

Saru Jayaraman

President, One Fair Wage
Director, Food Labor Research Center, UC Berkeley

Tom Kalil

Chief Innovation Officer, Schmidt Futures

Ash Kalra

State Assemblymember, California District 27

Stephane Kasriel

Former CEO, Upwork

Fei-Fei Li

Professor & Co-Director, Human-Centered Artificial Intelligence Institute, Stanford

John Marshall

Senior Capital Markets Economist, United Food and Commercial Workers

Art Pulaski

Executive Secretary-Treasurer & Chief Officer, California Labor Federation

Maria S. Salinas

President & CEO, Los Angeles Area Chamber of Commerce

Peter Schwartz

Senior Vice President of Strategic Planning, Salesforce

Henry Stern

State Senator, California Senate District 27

Mariana Viturro

Deputy Director, National Domestic Workers Alliance

Betty Yee

Controller, State of California

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Commission Staff

Anmol Chaddha,

Manager

Alyssa Andersen

Julie Ericsson

Ben Gansky

Georgia Gillan

Marina Gorbis

Jean Hagan

Lyn Jeffery

Ilana Lipsett

Anthony Weeks





Letter from the Co-Chairs

March 2021

It has been our distinct privilege to chair the California Future of Work Commission over the past 18 months. We have had the pleasure of working alongside a group of esteemed and committed Commissioners who are leaders in their fields and who have contributed a wide array of ideas, experiences, and perspectives. This diverse group of strategic thinkers came together, ready to be bold, ambitious, and imaginative about what is required of us over the next decade to make sure all working people in California of every race, ethnicity, and gender have what they need to support their families, save for the future, and thrive.

The importance of addressing the present and future challenges for work and workers in California has been clear from the start, and has been made even more pressing amidst the COVID-19 pandemic and the economic crisis that followed. The dedication, ambition, and bold ideas that the Commissioners contributed, and the inputs we have received from workers, employers, the public, and other stakeholders, have been instrumental to the Commission's ability to recommend a path forward to address these challenges.

Governor Gavin Newsom established the Future of Work Commission on May 1st, 2019, to "study, understand, analyze, and make recommendations regarding the kinds of jobs Californians could have in the decades to come; the impact of technology on work, workers, employers, jobs, and societies; methods of promoting better job quality, wages, and working conditions through technology; modernizing worker safety net protections; and the best way to preserve good jobs, ready the workforce for the jobs of the future throughout lifelong learning, and ensure shared prosperity for all."

The Commission has worked intensively over the last 18 months to assess the challenges related to the present and future of work in California, identify areas of focus, and develop recommendations for action. The Commission met with workers, employers, researchers, educators, civic leaders, and other stakeholders in public convenings held across various regions of the state, and virtually after COVID-19 hit. Although the Commission began its work prior to the COVID-19 pandemic, it has continued to work amidst the pandemic. As a result, the Commission's findings and recommendations incorporate the reflections and learnings that the COVID-19 pandemic has so far illuminated regarding the current and future challenges facing California workers, as well as the findings of the Task Force on Business and Jobs Recovery, launched by Governor Gavin Newsom to advise the administration on rebuilding as quickly and safely as possible from the pandemic-induced recession.

As the culmination of the Commission's work, this report includes the Commission's Key Findings and its recommendation for a new Social Compact for work and workers in California by 2030.

Our vision for the Social Compact is based on a common understanding of shared values between employers, workers and their unions/organizations, education and training institutions, entrepreneurs, investors, corporations, technology developers and platforms, nonprofit organizations, government at all levels, the state, and others, and a commitment from each stakeholder to undertake actions, individually and collectively, that uphold these values and advance bold, measurable moonshot goals around five priorities by 2030 that translate this new Social Compact for Work and Workers into reality. While the five priorities we focus on are not comprehensive by any means, we believe they are essential to a future of work and workers in California. Our vision for the Social Compact is also based on a view of California that is always looking forward and creating a strong, innovative, competitive, and sustainable economy that attracts and creates opportunities for all. California is home to a diverse set of employers and entrepreneurs whose commitment and collaboration to advance these ambitious goals will be central to the achievement of the desired results.



While the Commission has concluded its work, the efforts to support work and workers in California are ongoing. The work to add to, improve, and turn recommendations into realities will require commitment and action from all stakeholders coming together, including employers, workers and their unions/organizations, education and training institutions, entrepreneurs, investors, corporations, technology developers and platforms, nonprofit organizations, the state, and other members of civil society who play important roles with respect to work and workers in California.

We would like to thank all our fellow Commissioners for their work and their commitment to building a better future for work and workers in California. The Commissioners brought their diverse backgrounds and experiences to the work of the Commission and its shared goal, and for this we are grateful. We also thank the many workers, employers, civic leaders, other stakeholders, and members of the public that provided valuable input during our convenings and roundtables. We also want to thank the many researchers in California and elsewhere whose work we drew on, as well as other task forces on the future of work that we learned from. We are grateful to the Institute for the Future, who designed and led our process; and members of the Governor's team, Secretary of the Labor and Workforce Development Agency Julie Su, Senior Policy Advisor for Higher Education Lande Ajose, Senior Advisor on Economic Strategy and External Affairs Aneesh Raman, and former Chief Economic and Business Advisor Lenny Mendonca, for their support and guidance. We also would like to thank our chiefs of staff, Peter Colavito, Brittany Presten, and Monique Tuin for their contributions to the work of the Commission.

Finally, we thank Governor Gavin Newsom for his vision and leadership in establishing this Commission, and his dedication to building and rebuilding the Future of Work right here in California.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary Kay Henry".

Mary Kay Henry
President, Service Employees International Union

A handwritten signature in black ink, appearing to read "James Manyika".

James Manyika
Chairman & Director, McKinsey Global Institute

Introduction

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California, the fifth-largest economy in the world, has been, and continues to be, at the center of many of the world's innovations in science, technology, and business.

Many of these innovations have become the foundations of economies everywhere, and California's entrepreneurs and businesses are the leaders in many aspects of the American and global economy. While California boasts a strong and vibrant economy by most measures of growth, too many Californians have not fully participated in or enjoyed the benefits of the state's broader economic success and the extraordinary wealth generated here, especially workers and workers of color who are disproportionately represented in low-wage industries. While real wages for high-income workers have increased over the past 40 years, median wages have generally stagnated, and even slightly declined for low-income workers. There has been growth in both high-wage and low-wage jobs, leading to a hollowing out of the middle class and a declining share of workers receiving health or retirement benefits—important sources of economic security and key measures of job quality. Moreover, not all regions of California have fully participated in California's economic success and vibrant economy.

Though we anticipate technological change and advancement, the effects of that change are not inevitable. California aspires to be a high-road state and prides itself on its strong commitment to working people, where worker protections are just as critical to our identity as our technological innovations. The California Future of Work Commission was established by Governor Gavin Newsom to “study, understand, analyze, and make recommendations regarding the kinds of jobs Californians could have in the decades to come; the impact of technology on work, workers, employers, jobs, and societies; methods of promoting better job quality, wages, and working conditions through technology; modernizing worker safety net protections; and the best way to preserve good jobs, ready the workforce for the jobs of the future throughout lifelong learning, and ensure shared prosperity for all.”

In its work, the Commission has been guided by several key questions: What is the current state of work and workers in California? What are the key challenges and opportunities for work and workers in California? What is our vision for the future of work in California? How can we chart a path to reach that vision? At the same time, how do we address the present challenges facing workers in California? In this way, the Commission became concerned with both the present and future of work.



The Commission has spent 18 months meeting and listening to workers, employers, researchers, and other members of civil society to understand the current state and future of work and workers in California. The scope of the Commission's work has gone beyond the common topics of technological change and automation and has encompassed a wider range of substantive topics that are critical to the future of work. This includes shifts in growing sectors and job types, the evolving nature of work arrangements, the increasing costs of many basic necessities such as health and housing, national and global trends, demographic and regional trends, and the impacts of the COVID-19 pandemic as well as anticipated future shocks such as public health crises and climate change.

The Commission has found that there are many challenges facing work and workers today, and many more in the future if these challenges are not addressed. Our current political moment, defined by a devastating public health crisis that has had severe negative impacts on our economy and a new federal administration that can provide the national leadership to accelerate and scale adoption of these recommendations, also creates urgency and possibility. In order to address these challenges and fully capture the opportunities that lie ahead, the Commission proposes a bold new Social Compact for work and workers in California. To achieve the new Social Compact, employers, workers, the state, and civic society each have important roles to play.

Executive Summary

This Executive Summary articulates the **Key Findings of the Commission**, and the **Commission's recommendation for a Social Compact for Work and Workers in California**.

Key Findings of the California Future of Work Commission

Through its work, the Commission identified critical challenges for California to address for work and workers. Many of the challenges for work and workers have existed for years. Here we focus on those that, if unaddressed, could persist or worsen. These challenges are informed by technological and economic trends underway in California and by anticipated future shocks and opportunities. Many of the challenges identified by the Commission have been exacerbated by the COVID-19 pandemic.

Challenges of inequity, economic mobility, and low-quality work

- 1. Address the unequal distribution of wages, income, and wealth.** Inequality is worsened by the growth of low-wage jobs, decline of middle-wage jobs, and wage stagnation experienced by a large share of workers, particularly when there are limited pathways to move from low-wage to higher-wage work. Thirty-one percent of California workers make less than \$15 per hour.
- 2. Tackle workforce inequalities across race, gender, and vulnerable populations.** Vulnerable populations face wage gaps, employment gaps, exclusion from the workforce, and disproportionate employment in low-quality jobs. These workers face inequalities across race, gender, age, education level, sexual orientation, disability status, military service history, housing status, citizenship status, and criminal record. Working people of color are over three times more likely than white workers to live in poverty.
- 3. Tackle workforce inequalities across California's regions.** A growing divide in economic advancement between coastal and inland counties, and between rural and urban communities, leads to inequality in income and employment between geographic regions in California. Just five large California counties make up more than two-thirds of California's economy in terms of economic output and employment.
- 4. Ensure that more workers have quality jobs.** Quality jobs provide a living wage, stable and predictable pay, control over scheduling, access to benefits, a safe and dignified work environment, and opportunities for training and career advancement. Fewer than half of California workers report being in a quality job.
- 5. Empower worker voice and organization.** Declining worker power and organization has been a significant contributor to inequality, declining job quality, and violation of workers' rights. The share of California workers that are members of unions declined from 24 percent in 1980 to 15 percent in 2018. While the probability of low-wage employment is reduced by 33 percent if a worker has a college degree, it is reduced by 39 percent if a worker is a member of a union.

Challenges of work-adjacent issues and broader quality of life

6. **Address work-adjacent issues that create barriers to employment and job quality.** Rising costs of housing, transportation, childcare and early childhood education, health care, and other living essentials place a substantial burden on low-wage and middle-wage workers. More than half of renter households in the state are housing cost-burdened, paying more than 30 percent of their incomes toward housing.
7. **Strengthen the social safety net for today and the future.** The social safety net needs to be broadened to provide real security and to adapt to new realities of the labor market, including increased income volatility, various types of employment relationships, and more contingent work, and adjust for demands of an aging workforce, growing numbers of working parents, greater need for care, and the ongoing possibility of significant workforce disruptions.

New opportunities and challenges in the Future of Work

8. **Support workers in transition.** Technological change, public health crises, climate change, and other labor market impacts will require many workers to change occupations, build new skills, match to new jobs, relocate, and adapt to evolving workplace requirements for health and safety.
9. **Safely enable technology and protect workers in a data-driven future.** As new technologies are adopted in the workplace, workers will require adequate transparency and protection for collection of data in the workplace, benefits from the data they generate, and mitigation of algorithmic bias in areas like hiring and worker assessment.
10. **Build skills to prepare for jobs of the future.** Workers should be empowered with the skills to meet future needs in the labor market, including greater demand for critical thinking, collaboration, and creativity, in sectors from care work to climate mitigation to digital technology and beyond.
11. **Make the most of California's position as a global leader to make California the place where workers thrive.** California possesses a diverse set of assets: world-class innovation, the diversity of its people, strength in agricultural production, world-class university systems, technology innovation in Silicon Valley, and a history of leadership and strong protection for workers. These assets should be leveraged to make the Golden State work for everyone.

Challenges further exacerbated and brought to light by the COVID-19 crisis

The COVID-19 pandemic has exacerbated many of the challenges already identified for work and workers in California. The pandemic has amplified and accelerated existing trends and challenges, bringing many aspects of the future of work forward. Moreover, the pandemic has exposed new challenges and imperatives. Workers particularly impacted include essential and front-line workers, workers who cannot work from home, and workers vulnerable to temporary furloughs, reductions in hours or wages, or permanent layoffs. Many of these vulnerable workers are employed by small businesses and/or in sectors that have experienced diminished activity due to public health concerns, and many have lost benefits that were tied to their employment. In addition, the pandemic has highlighted interdependencies between work, income and economic security, and health.

12. Support and value essential workers. The pandemic and 2020 wildfires have highlighted the occupations that are essential to society, and also revealed that society's essential workers tend to be undervalued and under-protected despite their importance. Essential and front-line workers face both economic vulnerabilities and health and safety risks, and are disproportionately female and workers of color.

13. Support workers disproportionately impacted by external shocks (e.g., COVID-19). COVID-19 highlighted the particular plight of workers (mostly low-income) who work in sectors and occupations where they must be physically present to work—the work cannot be done remotely—as well as the plight of workers in sectors that may experience diminished activity amidst shocks or are employed by small businesses, which often have limited resources and capacity to support their workers and sustain employment and the associated benefits such as employer-provided health care when external shocks occur. In addition, many workers lack protections (e.g., unemployment insurance) to weather these shocks.

14. Restart and accelerate job creation and growth. California's unemployment rose from a historic low of 3.9 percent in February 2020 to 16.4 percent in April 2020 and 8.2 percent in November 2020. The COVID-19 pandemic made more than 6.4 million jobs in California vulnerable to permanent layoffs, temporary furloughs, or reductions in hours or wages. As public health concerns persist, consumer preferences evolve, and companies adopt new technologies and business models, many jobs lost in the pandemic may not return. Meanwhile, jobs that experienced high growth during the pandemic are not all quality jobs.

15. Apply, enforce, and extend workplace protections. The COVID-19 pandemic has highlighted the need to protect workers and workplaces, and support small businesses. California has some of the strongest worker protections that must continue to be fully enforced. Workplace protections must be extended in areas where they do not currently exist. Front-line workers and workers who must be physically present to work must have support to enable them to stay home when sick, have access to appropriate protective equipment, and be ensured safe and sanitary workplaces.

These challenges are actively recognized by stakeholders across California. A number of initiatives to address these challenges have already been advanced and operationalized through the Governor's Task Force on Business and Jobs Recovery, or the individual work of Commissioners and other stakeholders.



Commission's Recommendation: A Social Compact for Work and Workers in California

Our vision for the Social Compact is based on a common understanding of shared values between employers, workers and their unions/organizations, education/training institutions, entrepreneurs, investors, corporations, technology developers and platforms, nonprofit organizations, government at all levels, the state, and others, and a commitment from each stakeholder to undertake actions, individually and collectively, that uphold these values and advance bold, measurable moonshot goals by 2030 that translate this new Social Compact for Work and Workers into reality. Our vision for the Social Compact is also based on a view of California that is always looking forward and creating a strong, innovative, competitive, and sustainable economy that attracts and creates opportunities for all. California is home to a diverse set of employers and entrepreneurs whose commitment and collaboration to advance these ambitious goals will be central to the achievement of the desired results.

The Commission's vision for the new Social Compact includes: (A) core principles and values for all stakeholders to live up to, and (B) five Priority Recommendations with clear and measurable moonshot goals for California to achieve by 2030. To achieve each recommendation, the Commission proposes an initial set of actions, programs, legislation, and other initiatives, and calls on other stakeholders to develop initiatives in pursuit of the moonshot goals for California. As it stands, these are elements that the Commission considers to be essential, though not necessarily comprehensive for a new social compact. The Commission invites all stakeholders to add to and enrich the initial set of actions in order to achieve the aspirations set forth in the five Priority Recommendations.

A. Core Principles and Values for All Stakeholders

- 1. Promote equity of people and place.** The Social Compact should uplift, empower, and improve economic mobility for workers that have been disadvantaged by race, gender, age, education level, immigration status, housing status, incarceration history, or other dimensions that define vulnerable populations, and for California's regions that are experiencing a growing divide in economic advancement.
- 2. Empower workers and rebalance power with employers.** Reinvigorating worker voice through unions and worker organizations in California will improve equality, job quality, and worker rights and safety, regardless of the nature of their employment.
- 3. Harness the full capabilities and collaboration of all stakeholders in the Social Compact.** The state, employers, workers, and social, educational and training institutions, investors, small businesses, technology developers and platforms, and nonprofits each have unique capabilities and responsibilities to uphold in the Social Compact, and to collaborate and contribute toward its achievement.
- 4. Be forward-looking.** California has always looked forward and is uniquely positioned to prosper in the future as a global hub of innovation and world-class higher education and workforce development systems. While the Social Compact should address current challenges, it should also be forward-looking in preparing for already known trends, as well as opportunities and challenges, including impact of technology, and the increasing frequency and severity of shocks such as pandemics, extreme weather, and climate change.
- 5. Aspire toward ambitious goals.** The Commission proposes moonshot goals with the intent to set ambitious and transformative objectives for California, and calls on all stakeholders—government, but also employers, workers, and others—to come together and apply their ingenuity to work toward these goals. Moonshot goals are accompanied by interim milestones that set a practical path to measure progress over time.

B. Five Priority Recommendations for California

The Commission puts forward five Priority Recommendations for California. For each priority, we outline a measurable moonshot goal for California to achieve by 2030, the actions required to make progress toward that goal, and an initial set of proposed initiatives toward these goals to be further developed and adopted by a variety of stakeholders.



1

ENSURE THERE ARE JOBS FOR EVERYONE WHO WANTS TO WORK

Facing high levels of unemployment and underemployment amidst the COVID-19 pandemic, and for those people and regions that never fully recovered from the last recession, job creation, job readiness, and job access will be critical to California over the coming years.



By 2030 there are enough jobs guaranteed for all Californians who want to work.

Achieving this goal requires California to address three areas of concern:

- **Job creation:** Enact mechanisms (e.g., incentives to promote private sector investment and entrepreneurship) to encourage creation of a sufficient number of jobs for the number of Californians who want to work, including the restoration of jobs lost during the COVID-19 pandemic. All Californians who want to work should have the opportunity to work, including at the level and amount they desire to build a quality life.
- **Workforce development:** Ensure that all Californians who want to work are prepared with the necessary skills (through employer-based training, training institutions, apprenticeships) to fill new positions created.
- **Employment access for vulnerable populations:** Ensure all Californians who want to work are able to access a job, regardless of gender, race, status, background, and location.

An initial list of proposed initiatives to advance toward this goal includes:

- Create at least 1 million jobs in line with California's climate goals by accelerating the deployment of relatively mature clean energy technologies, including utility-scale wind and solar, residential solar, EVs, batteries, and electric appliances.
- Double the number of undergraduates in California's educational and training institutions who are prepared to create new jobs through entrepreneurship. Expand opportunities for entrepreneurship by leveraging public and private sector investment in small businesses through procurement.
- Extend financial and technical assistance to mission-oriented businesses, referred to as employment social enterprises, which provide access to training and employment specifically to groups who face high barriers to work.
- Call on the federal government to enact a Job Guarantee. The majority of job creation should be driven by the private sector in response to growing needs for employment; the state of California, and ultimately the federal government, can serve as a backstop to guarantee all Californians a job, through incentives for private sector job creation or public employment opportunities.

2

ELIMINATE WORKING POVERTY

Nearly 45 percent of the approximately 7 million Californians in poverty reported living in a family with at least one family member working full time. These workers earn wages below the eligibility thresholds of essential safety net programs, and they rely on these programs to make ends meet. Working poverty is highest in the service sector and in work-enabling sectors like care work. Moreover, working poverty is high across groups including Hispanics and Latinos, African Americans, Pacific Islanders, Native Americans, woman-headed households, adults with lower levels of education, and formerly incarcerated workers.



By 2030 working poverty is eliminated in California for workers in the most vulnerable sectors and occupations, particularly in the hospitality, retail, and care sectors.

Achieving this goal requires California to address three areas of concern:

- **Low wages:** Raise wages for the lowest paid workers to a living wage.
- **High cost of living:** Address rising costs of basic goods including housing, health care, and transportation that place a substantial burden on low-wage workers.
- **Work fragility:** Develop mechanisms to support workers who face further economic and employment fragility as a result of employment in part-time work or contingent employment.

An initial list of proposed initiatives to advance toward this goal includes:

- Raise wages to at least 75 percent of an indexed, regional living wage measure for 50 percent of workers in the hospitality, retail, and care sectors.
- Create supports for workers to organize in unions and worker associations. Actions to address working poverty should engage and involve leading unions or worker associations in each sector to strengthen worker organization.
- Increase low-wage workers' resiliency to withstand crises, such as by extending universal unemployment insurance, support reskilling in quality jobs, and further "high-road" employment supports.

3**CREATE A 21ST CENTURY WORKER BENEFITS MODEL AND SAFETY NET**

Social safety nets must adapt to meet the needs of the labor market today and in the future, given modern challenges such as increasing income volatility, expanding and evolving forms of work and work arrangements, aging populations, a growing number of working parents, and workforce disruptions caused by automation, public health crises, and other challenges. California has recently made a significant investment in the expansion of the Earned Income Tax Credit (EITC), an important approach that collectively incorporates the state, employers, and workers to ensure the well-being of workers in low-wage occupations.



By 2030 California doubles the share of workers who have access to benefits, with a particular focus on low-income workers.

Achieving this goal requires California to address two areas of concern:

- **Worker benefits:** Extend and/or enhance benefits tied to employment (e.g., paid time off and sick leave) to a greater share of workers in California, including those traditionally excluded (e.g., domestic workers).
- **Safety net:** Broaden access to a modern safety net for all individuals in California to provide opportunity for people to leverage the support and resources they need to have a decent quality of life.

An initial list of proposed initiatives to advance toward this goal includes:

- Develop and pilot a portable benefits platform like Alia for domestic workers. The portable benefits platform should include a mandate for employer contributions to benefits, and a maintenance of effort provision for the current benefits workers receive.
- Expand programs that offer the opportunity for workers to earn income while they build skills, including apprenticeship programs applied to more occupations and designed to engage more low-income workers and people who are unemployed or underemployed; pre-apprenticeship and “earn and learn” programs; and employment in social enterprises and other entities.
- Move benefits eligibility assessments, administration, and provision to central online systems that are up to date for changed income circumstances and accessible to workers in all geographies. Assessments would be for unemployment insurance, Medicaid, SSI/SSDI, SNAP, family leave, the EITC, and affordable housing.
- Launch a working group to identify the benefits needs of Californians and assess the feasibility and desirability of new benefits that have been piloted in regions of California and other regions around the world (e.g., guaranteed income).



4

RAISE THE STANDARD AND SHARE OF QUALITY JOBS

Currently, less than half of California workers report being in a quality job. Even though overall employment was strong prior to the COVID-19 pandemic, workers faced a labor market paradox: declining unemployment rates coupled with weak wage growth, resulting in a crisis of declining job quality.



By 2030 California reverses the trend of declining job quality, and creates at least 1.5 new “high-quality” jobs for every one new “low-quality” job.

Achieving this goal requires California to address two areas of concern:

- **Identify and measure quality jobs:** Workers and employers should both contribute to the definition of a quality job in California. The state should take the lead to regularly measure the share of quality jobs to inform interventions.
- **Improve job quality:** Deploy targeted interventions to improve job quality in low-scoring sectors and geographies, through policy or state and private sector initiatives to encourage employers and entrepreneurs to create and invest in high-quality jobs across California.

An initial list of proposed initiatives to advance toward this goal includes:

- Create a California Job Quality Index (JQI) to define “high-quality” jobs, modeled after the U.S. Private Sector Job Quality Index produced by Cornell Law School and initially based on analysis of monthly wage data from the Bureau of Labor Statistics.
- Create a California Job Quality Incubator to deploy a range of policy tools and resources to achieve the goals of improving job quality where JQI scores are low and expanding the number of high-scoring JQI jobs; for example, linking state spending to quality job creation with accountability and transparency. Conduct market and industry sector analysis to identify areas where quality job creation exists (or does not exist) in order to target incentives and supports to increase the number of quality jobs. Convene multiple stakeholders including the state, business leaders, unions and worker organizations, and academics twice a year to review trends and consider steps to incubate more quality jobs.



5

FUTURE-PROOF CALIFORNIA WITH JOBS AND SKILLS

to prepare for technology, climate, and other shocks

California workers must be positioned to benefit from future opportunities and access “future” jobs while being protected from future risks. California will define its future jobs based on California’s current and future priorities, including infrastructure needs, climate response and adaptation, disaster relief, demographics and care for an aging population, agriculture, and continued innovation. With ongoing economic and technological transformations, as well as future unanticipated shocks, California workers must be supported in accessing future and quality jobs, in changing occupations, and in building new skills to be resilient through the future.



By 2030 California defines the “jobs to be done” to address future work needs, and commits to growing the share of workers employed in these future jobs by two to three times. In addition, California should grow the number of workers prepared with the skills to work in future jobs by two to three times.

Achieving this goal requires California to address four areas of concern:

- **Identify future jobs:** Identify and certify jobs that meet California’s future priorities related to forces such as technology, climate change, and public health.
- **Create future jobs:** Ensure creation of the jobs needed to meet California’s current and future needs, primarily through private-sector led investment with a government-supported backstop, and with a lens toward job quality.
- **Equip workers with skills for and match to future jobs:** Incentivize private sector investment and inform priorities for public education, training institutes and laboratories, employment social enterprises, and apprenticeship programs to ensure workers are equipped with the skills to access and can be matched to future jobs.
- **Complement future jobs through technology:** Develop technology to complement and support workers, and ensure workers play an active role in this development through a collective that includes technology companies, worker organizations including unions, and academic researchers to collaborate in developing and testing new workplace technologies while assessing its implications. Particular attention should be paid to the role of data to ensure that data about workers, the workplace, and labor markets is used

responsibly to benefit workers and meet the needs of employers.

An initial list of proposed initiatives to advance toward this goal includes:

- California establishes criteria to designate a future job, based on California’s priorities and anticipation of future shocks. California reevaluates its future job criteria every two years.
- California calls on the private sector and provides demand-side incentives to support creation of future jobs. California serves as the backstop employer only if necessary in order to guarantee all needs for future jobs are met.
- California provides supply-side incentives to the private sector to invest in worker training to ensure that workers are equipped with the skills to access future jobs.
- California drives investments in research and development into technology for public good and worker well-being, enabling, complementing and creating work, leveraging California’s technological leadership to prioritize computing-driven R&D that will inform efforts to fight poverty, improve job quality, expand access to health care, protect our climate, improve cybersecurity, and enhance social science application to solving the many challenges we face now and in the future.

The proposed initiatives for each of the above recommendations serve as a starting point for employers, workers, the state, and other stakeholders. The California Future of Work Commission calls all stakeholders to identify, design, and act on initiatives that embody the Social Compact and work to achieve the five moonshot goals through cross-sector dialogue and collaboration.

Key Findings

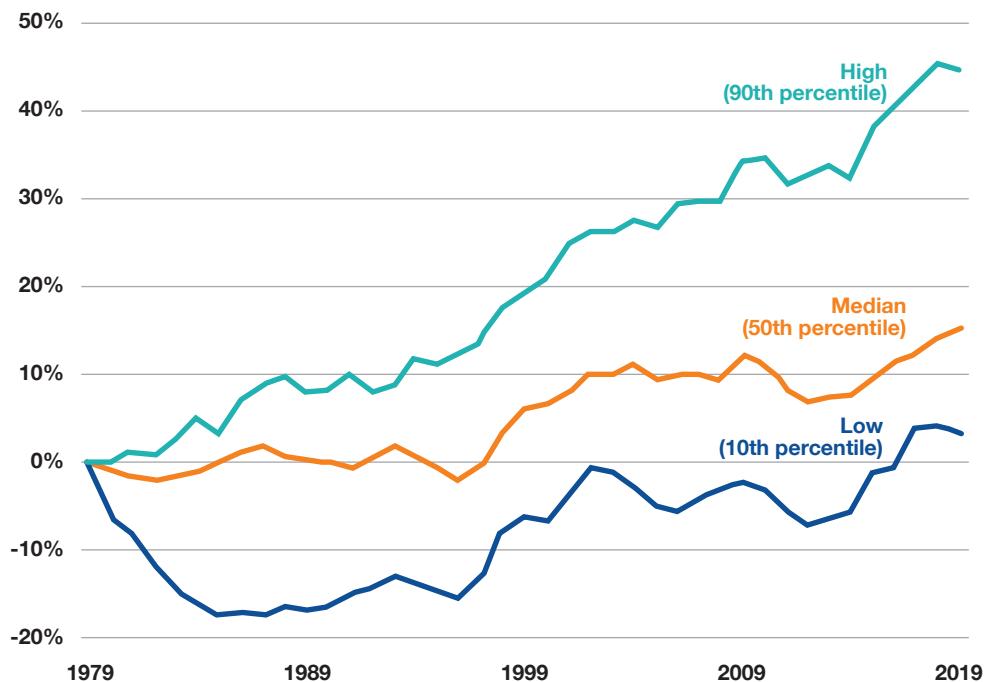
Challenges Facing Work and Workers in California

Challenges of inequity, economic mobility, and low-quality work

1. Address the unequal distribution of wages, income, and wealth.

Rising inequality has been a defining characteristic of the U.S. labor market in recent decades. Figure 1 shows how U.S. wages have changed since 1979 for workers at different points in the income distribution. For the bottom 10 percent, wages actually declined over much of that period, before growing slightly in recent years. Wages have been largely stagnant for the median U.S. worker. Over this same period, wages for the top 10 percent of workers have increased 44 percent, leading to greater income inequality overall.

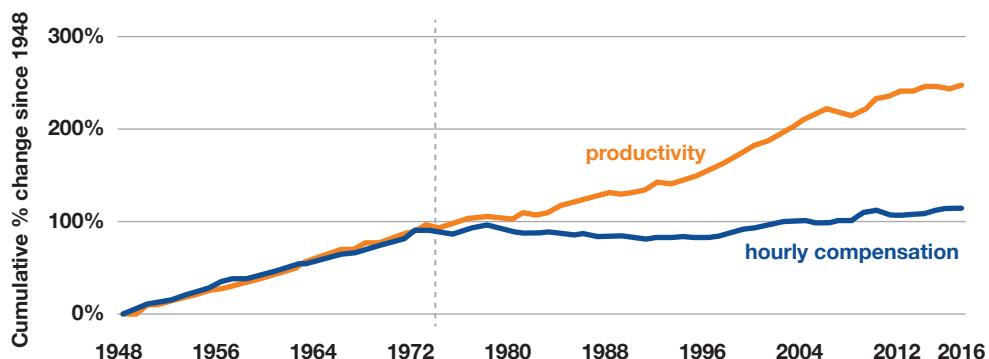
Figure 1: Change in real wages (1979-2019)



Source: Current Population Survey

At the same time, worker productivity has been increasing steadily since the post-WWII period. Until the early 1970s, increases in worker productivity were matched by increasing wages and living standards for workers. Since then, however, rising worker productivity has not translated into higher wages, as shown in Figure 2. Furthermore, productivity and wages in a small subset of firms, the highest-performing firms, have diverged sharply upward from the remaining firms, contributing to greater wage inequality.¹

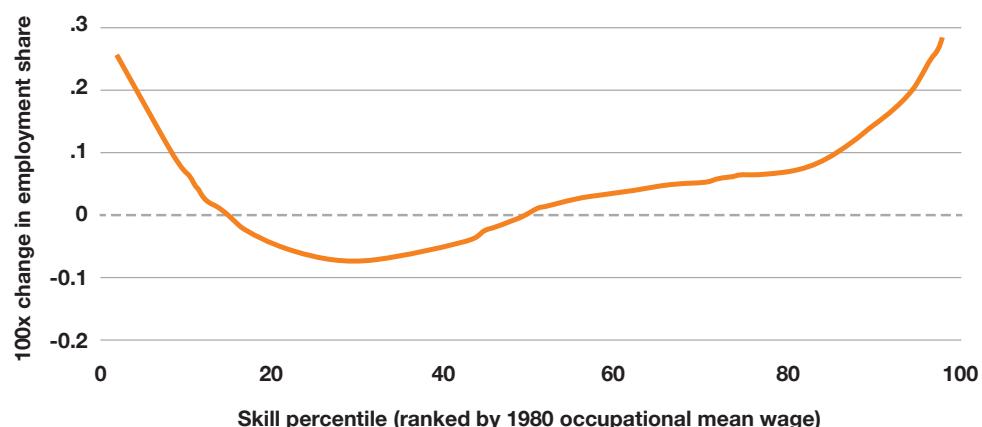
Figure 2: Wages decoupled from productivity



Source: Economic Policy Institute

The labor market has also experienced growing job polarization. Figure 3 shows that there has been growth in low-wage jobs and high-wage jobs, but a decline in middle-wage jobs. In the United States, the share of workers in middle-wage jobs has declined by six percentage points between 2000-2018, equivalent to about 1 million fewer jobs; meanwhile, employment in high-wage and also in low-wage jobs both increased by three percentage points.² The proliferation of low-wage jobs and expansion of high-wage jobs has expanded inequality while the disappearance of middle-wage jobs has reduced opportunities for mobility for low-wage workers seeking higher-paying jobs.

Figure 3: Job growth limited to low-wage high-wage jobs (1980-2005)



Source: Autor and Dorn (2013)

In California, about one in three workers earns less than \$15 per hour (Table 1), the majority of whom are full-time workers. Low-wage work creates significant public costs, as even those working full-time for low wages earn incomes below the income eligibility thresholds for critical social assistance programs. An analysis of state expenditures on Medicaid, the Children's Health Insurance Program (CHIP), and Temporary Assistance for Needy Families (TANF) found that 50 percent of California's expenditures on these vital programs went to recipients who were in working families.³

Table 1: Who makes less than \$15/hr in California?

	CALIFORNIA	Los Angeles MSA	San Jose MSA	SF-Oakland MSA	San Diego MSA	Fresno MSA
ALL WORKERS	31%	33%	16%	17%	29%	40%
Male	28%	31%	13%	15%	27%	38%
Female	34%	36%	21%	20%	32%	43%
White	20%	19%	9%	11%	19%	25%
Black	32%	33%	27%	26%	43%	39%
Latino	44%	46%	30%	29%	42%	49%

Source: American Community Survey (2019)

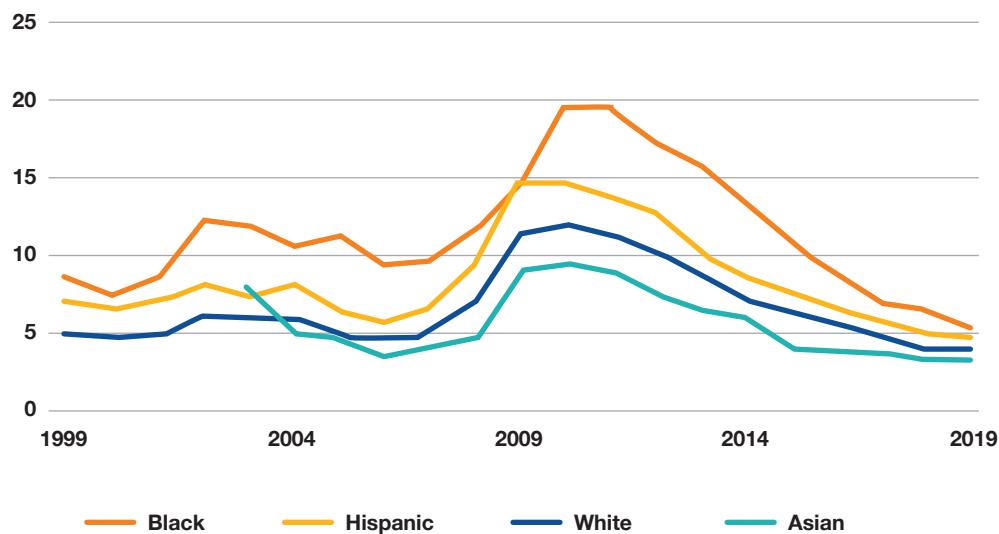
2. Tackle workforce inequalities across race, gender, and vulnerable populations.

Workers in vulnerable populations face wage gaps, employment gaps, and disproportionate employment in low-wage jobs. Workers face inequalities across race, gender, age, education level, sexual orientation, disability status, military service history, housing status, citizenship status, and experience with the criminal justice system.

Working people of color are over three times more likely than white workers to live in poverty.⁴ Nearly half of Latino workers in California (44 percent) are in jobs that pay less than \$15 per hour, compared to just 20 percent of white workers and 32 percent of Black workers (Table 1). This disparity is present across regions of the state. Women make up the majority of California workers who earn less than \$15 per hour, disproportionate to their share in the overall labor force.

There are persistent disparities in unemployment rates across racial groups in California (Figure 4). As unemployment rises and falls with the business cycle, the unemployment rates for Black and Latino workers are consistently higher than for whites. These discrepancies are persistent even in tight labor market conditions, but often amplified in times of crisis. Following the 2008 financial crisis, unemployment rates rose to 20 percent for Black workers and 15 percent for Hispanic workers, remaining below 13 percent for white and Asian workers.⁵ Workers of color have similarly been more affected by temporary and permanent unemployment during the COVID-19 pandemic. Unemployment is especially high among the formerly incarcerated, a key vulnerable population in California.

Figure 4: Unemployment rate by race, California



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

3. Tackle workforce inequalities across California's regions.

A growing divide in economic advancement between coastal and inland counties, and between rural and urban communities, leads to inequality in income and employment between geographic regions across the country and across California.

In “The Future of Work in America: People and places, today and tomorrow,” analysis by the McKinsey Global Institute clustered U.S. counties using 40 variables that reflect county economic health, business dynamism, industry mix, labor force demographics, and other characteristics.⁶ The mix of county archetypes identified in California reflects the economic and geographic diversity of the state.

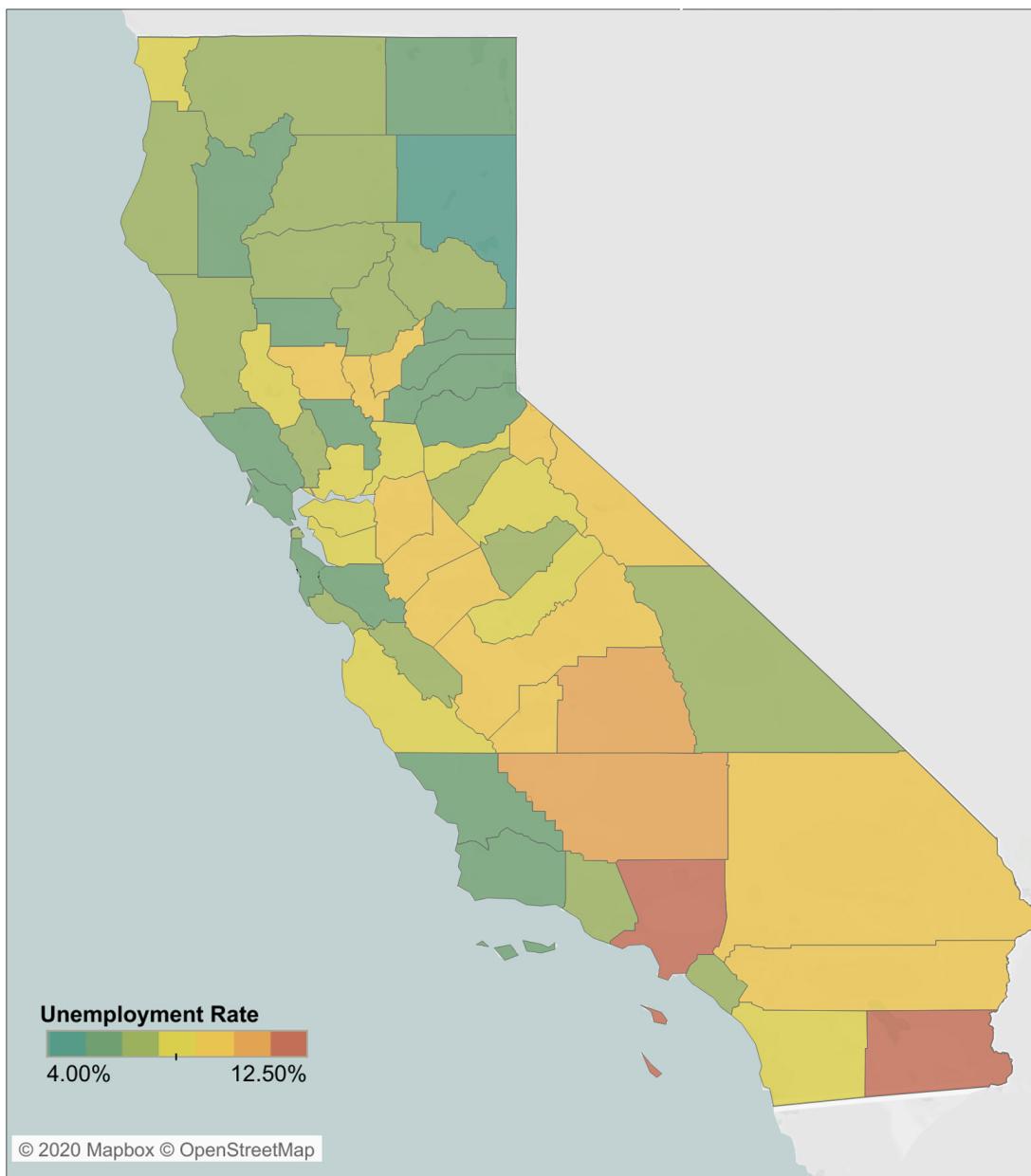
“High-growth hubs,” like Santa Clara County, have out-performed the rest of the state and country with high household income, high GDP growth and employment growth prior to the pandemic, and greater resiliency to the impacts of the COVID-19 crisis. A large share of the population has a bachelor’s degree or higher, and a majority work in high-growth industries like technology, finance, and health care. “Megacities,” like San Francisco and Los Angeles, while also maintaining higher household income and GDP growth, face higher rates of poverty driven by growing inequality, and a net outward migration to other parts of the state and country. Some of this migration brings Californians to the “Urban Periphery,” regions like San Bernardino County and Marin County, providing a more affordable cost of living but leading to a rise in “super commutes” of 90 minutes or more.⁷

In contrast, millions of Californians live in “Stable Cities,” like San Diego and Sacramento, and “Independent Economies,” like Butte County, which prior to the pandemic were stable but faced comparatively lower levels of growth and higher poverty rates, and will need to continue to find new opportunities for growth to lead in post-pandemic recovery. Two million Californians live in low-growth, trailing cities and rural counties, including Fresno, Yuba City, and Mariposa County. These regions struggled to recover from the last financial crisis and are particularly vulnerable to the economic impacts of the pandemic, with consistent outward net migration, poverty rates above 20 percent of the population, and low levels of higher education amongst the population. These regions will benefit from a focus on sustainable and inclusive economic development to bring more and higher-income jobs to the region, through efforts like the Governor’s Regions Rise Together initiative and others.

These regional differences reveal themselves in many ways. Just seven large counties make up over two-thirds of California’s economy in terms of economic output and employment. In the San Francisco-Oakland metropolitan area, 17 percent of workers earn less than \$15 per hour, compared to 40 percent of workers in the Fresno metropolitan area.

Figure 5 illustrates the regional variation in unemployment levels that differs significantly across counties. In October 2020, Marin County had an unemployment rate of 5.4 percent, compared to 18.8 percent in Imperial County. Similar to the last financial crisis, counties with the highest unemployment rates during the COVID-19 crisis may also face greater challenges to regain jobs in the future, contributing to further inequalities in income, employment, educational attainment, and other factors across geographies going forward.

Figure 5: Unemployment rate by county, California (October 2020)



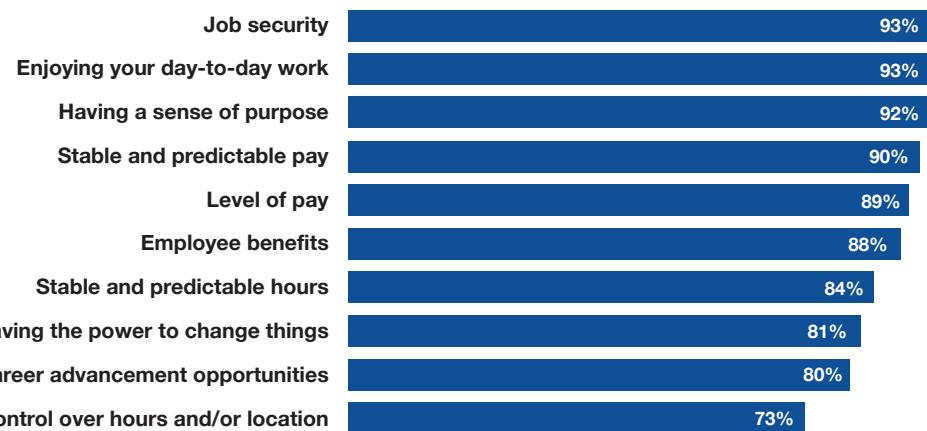
Source: California Employment Development Department, Labor Market Information Division

4. Ensure that more workers have quality jobs.

Quality jobs provide a living wage, stable and predictable pay, control over scheduling, access to benefits, a safe and dignified work environment, and opportunities for training and career advancement.

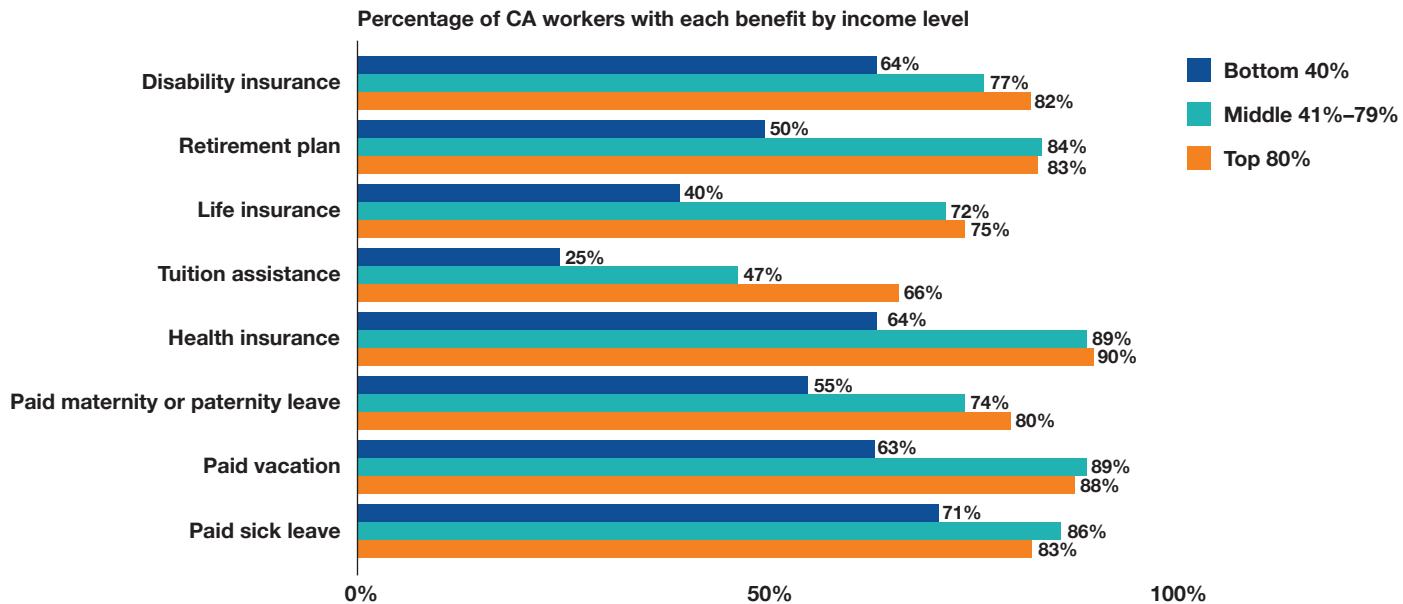
A recent Gallup study on job quality asked workers to rate the characteristics that are important for a “good job.”⁸ Figure 6 reports the responses of California workers, who rated job security, enjoying day-to-day work, having a sense of purpose, and stable pay as slightly more important factors than even the level of pay and employee benefits, which also ranked high. Other factors, like having the power to change things at work, were also rated as very important characteristics of a “good job.” The availability of specific job benefits tracks with income, as low-income workers lag in all forms of benefits. Figure 7 shows the wide discrepancies in the types of job benefits available to workers by their income level.

Figure 6: What do California workers say is important for a good job?



Source: Gallup (2019)

Figure 7: Low-income workers lag in all forms of benefits.

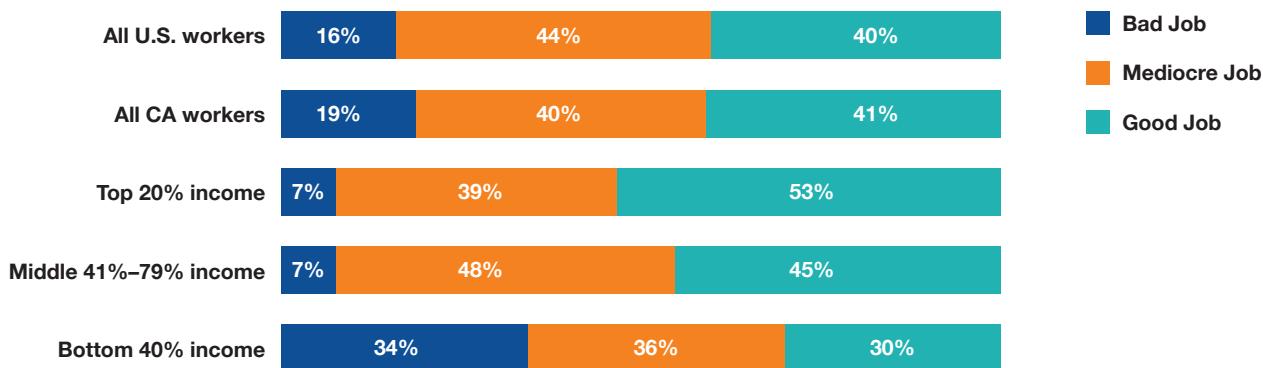


Source: Gallup (2019)

The study created an index of job quality by weighting the characteristics according to the importance that workers placed on them. By asking respondents whether these characteristics were present in their own jobs, the study analyzed the self-reported quality of respondents' jobs. Fewer than half of California workers report being in a "good job" (Figure 8). For the bottom 40 percent of income earners, 70 percent were not in "good jobs."

The availability of "good jobs" is further threatened by practices such as subcontracting, including through multiple levels of middlemen, and misclassification of workers as independent contractors.

Figure 8: Less than half of California workers are in good jobs.

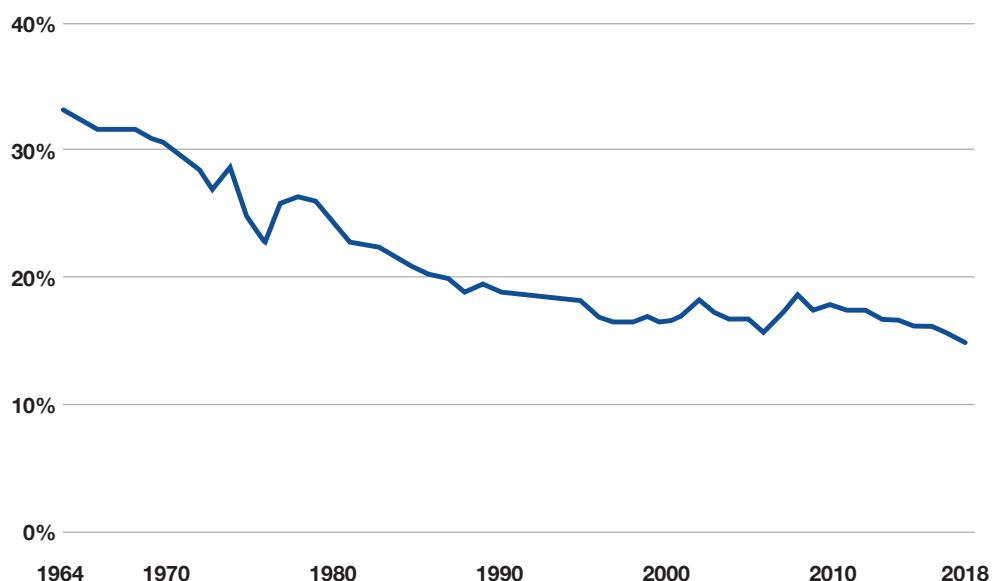


Source: Gallup (2019)

5. Empower worker voice and organization.

Shrinking worker power and organization is a significant causal factor of rising inequality, declining job quality, and violation of worker rights. Although union membership has declined in OECD countries over this period, the United States is an outlier among industrialized countries with such low levels of union membership. The share of U.S. workers covered by collective bargaining agreements declined from 26 percent in 1979 to 12 percent in 2017. In the private sector, union membership across the United States dropped from 21 percent in 1979 to just 6 percent in 2019.⁹ California followed a similar pattern as the rest of the United States. The share of California workers that are members of unions declined from 24 percent in 1980 to 15 percent in 2018 (Figure 9).

Figure 9: Percentage of workers that are union members, California (1964-2018)



Source: Current Population Survey; Analyzed by Barry T. Hirsch, David A. Macpherson, and Wayne G. Vroman

The steady decline in union membership has weakened the ability of workers to bargain effectively for increased wages to match the growth in worker productivity. A recent Harvard study found that the reduced worker power is a leading cause of slow wage growth, the declining share of national income that goes to labor, and higher profit shares of U.S. businesses. The authors, including former U.S. Treasury Secretary Lawrence Summers, argue that policy solutions aimed at addressing increasing inequality should focus on the decline in worker power.¹⁰

A recent report of the MIT Work of the Future Task Force offered the following explanation for the decline in unionization in the United States: “a shift of employment away from the traditionally union-heavy manufacturing sector; rising employer resistance to union-organizing efforts, enabled in part by weakening enforcement of collective bargaining protections by the U.S. National Labor Relations Board; growing international competition throughout the post–World War II era that placed U.S. workers in closer competition with their foreign counterparts; and a nearly nine-decades old collective bargaining framework, the 1935 Wagner Act, that made it difficult for U.S. unions and other worker representatives to adapt to a rapidly changing, increasingly service-based economy.”¹¹

As evidence of the impact of union membership on outcomes for low-wage workers, the probability of being in a low-wage job is reduced by 39 percent if a worker is covered by a union contract. By comparison, having a college degree reduces the probability of being in a low-wage job by 33 percent.¹²

Labor market concentration and the declining share of traditional employer-employee relationships present new obstacles to worker power. While jobs with traditional employment arrangements are still growing in absolute number, the growing share of contract work and other alternative work arrangements in recent decades has intensified, creating new challenges and opportunities for worker organizing and unionization.

Challenges of work-adjacent issues and broader quality of life

6. Address work-adjacent issues that create barriers to employment and job quality.

Rising costs of housing, transportation, childcare, early childhood education, health care, and other essentials have placed a substantial burden on low- and middle-wage workers, especially in a high-cost state like California.

The Census Bureau's Supplemental Poverty Measure estimates regional poverty thresholds based on the costs of basic necessities (food, shelter, clothing, and utilities) that are adjusted for geographic differences in housing costs. California has the highest poverty rate in the country when incorporating the cost of living into a measure of poverty. An estimated 17.2 percent of Californians—more than one in six—live below the Supplemental Poverty Measure threshold.¹³

A Brookings Institution study accounted for regional differences in the cost of living to measure the percentage of workers who should be considered “low-wage workers.”¹⁴ The study used a regional cost of living index created by the Bureau of Economic Analysis that incorporates the price of goods and services for consumers in different areas. In a number of the state’s largest metropolitan areas, more than half of all workers are low-wage workers (Table 2).

Table 2: What percentage of workers are low-wage workers?

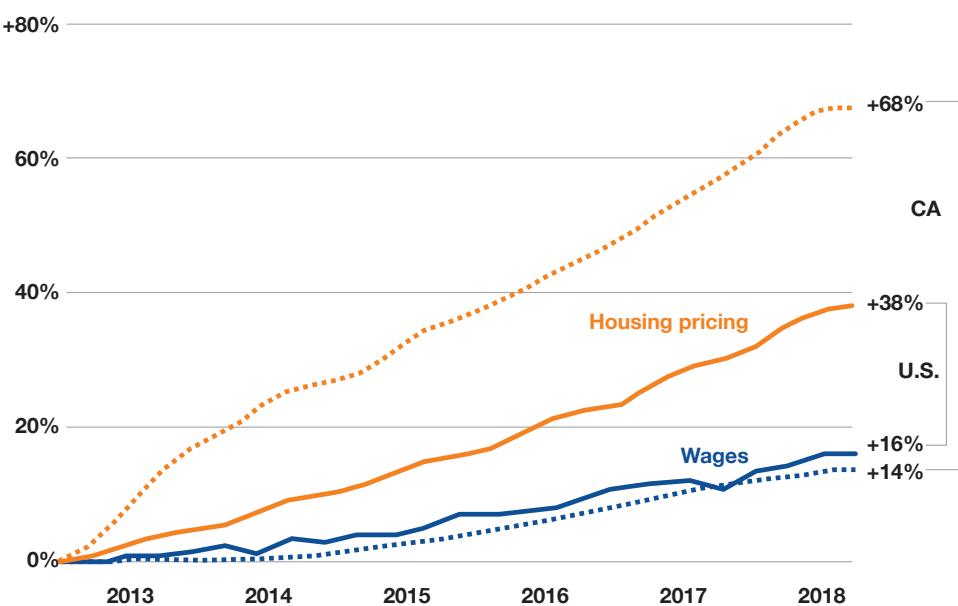
Los Angeles	53%
San Francisco-Oakland	38%
Riverside	52%
San Diego	49%
Sacramento	41%
San Jose	38%
Fresno	54%
Bakersfield	52%

Source: Ross and Bateman (2019)

Housing costs are particularly burdensome for California workers. Figure 10 shows the change in wages and home prices for the United States and California. In the United States overall, since 2012, nominal wages increased by 16 percent, while home prices increased by 38 percent. In California, nominal wages grew by 14 percent while home prices increased by 68 percent.

Figure 10: Housing costs and wages over time in California

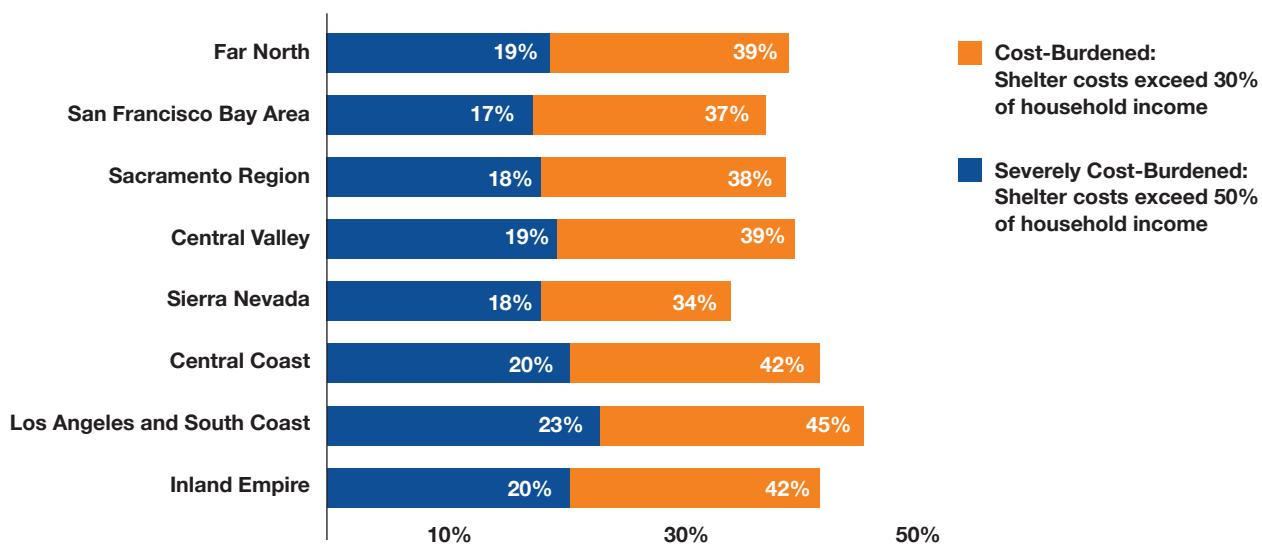
Changes since 2012



Sources: FHFA and Bureau of Labor Statistics, via the Federal Reserve Bank of St. Louis

The majority of California renter households (54 percent) are considered to be housing “cost-burdened”—paying more than 30 percent of their income toward shelter costs. More than a quarter of renter households (28 percent) are “severely cost-burdened,” paying more than 50 percent of their household income for housing. More than two-thirds of Californians with unaffordable housing costs are people of color.¹⁵ Figure 11 shows the housing cost burden of California renter households across regions within the state. California also faces a stark homelessness crisis; more than 150,000 people in California are homeless, according to the U.S. Department of Housing and Urban Development.

Figure 11: High housing cost burden for renters across California



Source: California Budget & Policy Center (2019)

7. Strengthen the social safety net for today and the future.

The social safety net needs to be broadened and adapt to new realities of the labor market, including increased income volatility, various types of employment relationships, and more contingent work. It also needs to be adjusted to meet the demands of an aging workforce, growing numbers of working parents, greater need for childcare and elder care, and the ongoing possibility of significant workforce disruptions.

Social policy is an essential tool of government to ensure basic well-being through such programs as food assistance, income support, housing, education, childcare assistance, energy and utilities subsidies, and assistance for other basic services. Social policy also plays an important role in protecting people from the risks inherent in a market economy. Unemployment insurance and social security, for example, were developed to ensure basic livelihood in the event of job loss or for those who could not otherwise rely on the labor market for an adequate income (i.e., because of age or disability). California has led other states in developing and adopting work-related social policies, such as paid family leave and an expanded Earned Income Tax Credit (EITC).

The social contract has generally eroded across most OECD countries over the last 20 years, leaving many individuals—as workers, households, and savers—exposed.¹⁶ The United States has a weaker social safety net than other advanced industrialized countries. Social expenditures in the United States are a smaller share of GDP than the average in other OECD countries.¹⁷ Social spending on programs such as income assistance, housing, unemployment compensation, early childhood education, and other forms of social assistance (excluding health expenditures) has been declining in the United States in recent decades as a share of GDP, while income inequality has steadily increased over the same period. Access to social assistance has also become more restrictive, with new conditions like work requirements now part of certain social assistance programs.

Social transfers and tax policy are the two principal government mechanisms for reducing income inequality. Both have become less redistributive since the 1970s, according to an analysis by the Congressional Budget Office.¹⁸ Federal tax policy has become less progressive, as tax rates have declined at the highest tax brackets. A declining share of transfer payments are directed to households at the bottom of the income scale. The share of federal transfer payments received by the lowest income quintile dropped from 54 percent in 1979 to 36 percent in 2007. Taken together, government transfers and tax policy now have a smaller equalizing effect on income inequality than before.

As the share of traditional employment arrangements has declined and worker power has eroded in recent decades, fewer workers access important benefits like health insurance through their employers. Across the United States, 58 percent of the nonelderly population was covered by employer-sponsored health insurance in 2017, down from 67 percent in 1999.¹⁹ Less than half of private-sector employers in California (45.2 percent) offered health insurance to workers in 2018, down from 51.3 percent in 2012.²⁰

California can innovate and modernize its social safety net in important ways. The state was one of the first to implement paid family leave in the United States, though family and parental leave policies continue to trail those of other countries. The social value of early childhood development and support for working parents could be institutionalized through universal pre-kindergarten and expansive childcare policy. An aging population will unambiguously create greater need for elder care and financial demands on working adults, which could be supported through innovative social policy on elder care. Simplified eligibility processes for social programs would also enable more of those who are eligible to access benefits.

New opportunities and challenges in the Future of Work

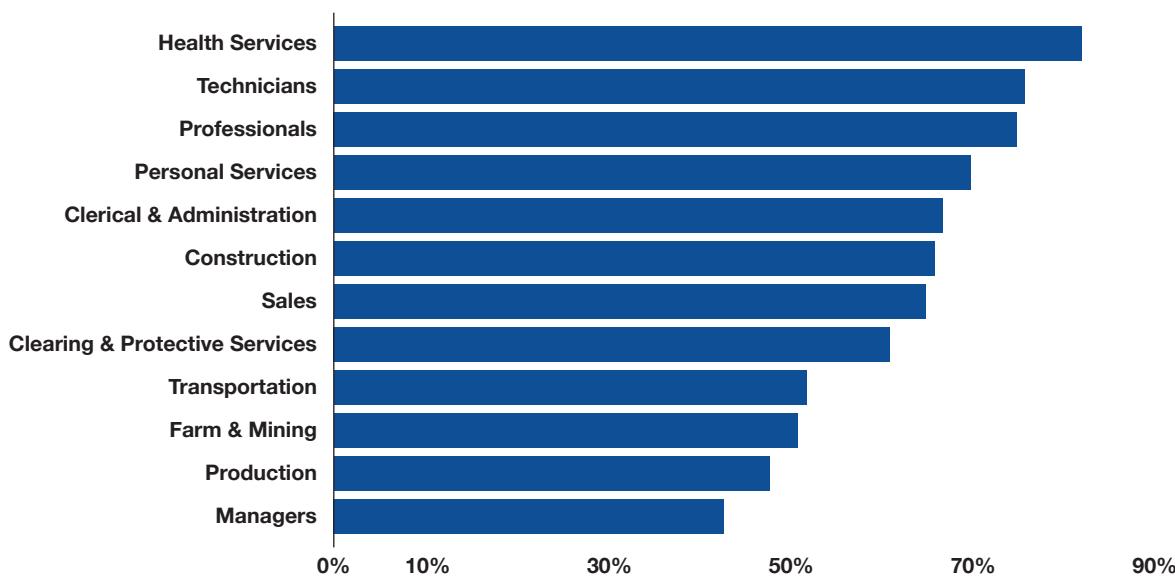
8. Support workers in transition.

Technological change, public health crises, climate change, and other labor market impacts will require many workers to change occupations, build new skills, match to new jobs, or relocate.

These factors have led to considerable changes over time in the actual jobs that are done by workers in the labor market. Comparing official occupational categories over time, 63 percent of employment in 2018 was done in occupational titles that had not existed in 1940.²¹

Figure 12 shows the present share of U.S. employment in job titles that have come into existence since 1940, by occupational category. In health services, for example, 82 percent of employment is in job titles that have been invented since 1940.

Figure 12: Share of employment in job titles that have been invented since 1940



Source: Autor, Salomons, and Seegmiller (2020)

According to the MIT Work of the Future Task Force, “[m]any of these new jobs are directly enabled by technology, including jobs in information technology, solar and wind power, engineering, design, installation, and repair of new products, and new medical specialties.”²² However, technology does not explain all of the new jobs that have been invented. A significant amount of newly created jobs are in the personal services and health care sectors.

The kinds of jobs that exist in a labor market can change because of technology, global trade, shifts in consumer tastes, or the creation of new industries. We can expect that these ongoing changes, as well as climate change and public health crises, will continue to change the kinds of jobs in the labor market and necessitate job transitions among some workers.

Even prior to the COVID-19 pandemic, jobs in a number of industries and occupations were expected to face displacement by 2030, due to automation, sectoral shifts in the economy, and other trends. While more jobs are likely to be created than lost due to technological advancement over the next few decades, several key transitions in work and workers will need to be addressed. These include occupational shifts from declining to growing occupations, skill shifts as demand for new skills grow, wage shifts as pressure on middle wages could increase, and workplace shifts as workers adapt to working alongside advanced technologies.²³ Women, young workers, workers of color, and workers without a bachelor’s degree are likely to face disproportionate displacement, and will require support as they navigate the labor market to gain new skills and transition into new occupations.

9. Safely enable technology and protect workers in a data-driven future.

As new technologies are adopted in the workplace, workers will require adequate transparency and protection for collection of data in the workplace, benefits from the data they generate, and mitigation of algorithmic bias in areas like hiring and worker assessment.

New technologies enable new, unregulated forms of worker surveillance. Technology enables companies to monitor worker behavior across industries and workplaces, including productivity in warehouses, customer service centers, and retail stores. Increasingly, white-collar workplaces employ technology to monitor and collect data on employees, and can even track movements through an office building, regulating speed of work and bathroom use as an employee's smartphone connects to different Wi-Fi routers. Mining the data collected on employees could predict or detect worker illness or even pregnancy, as reported by *The Wall Street Journal*.²⁴ Current employment law may not adequately cover new practices of worker surveillance that have emerged or anticipate practices that will emerge in the coming years.

The use of data collected on employees raises significant equity issues. As algorithms are increasingly used in hiring decisions and assessments of skills for setting wages and determining promotional opportunities, the potential for algorithmic bias could lead to discrimination against specific groups.²⁵ Since algorithmic decision-making largely reproduces past behavior by design, it can also reproduce gender and racial disparities created by past discrimination. The much less transparent processes of hiring and managing by algorithms may require updated regulations and protections that are suited for these practices. Data collection on worker behavior leads to many other questions around the use, value, threats, and opportunities of such data. Who owns the vast amounts of data collected on employees, how it is used, who benefits from it, how it is monetized, and the level of transparency related to its collection are all challenges in the future of work.

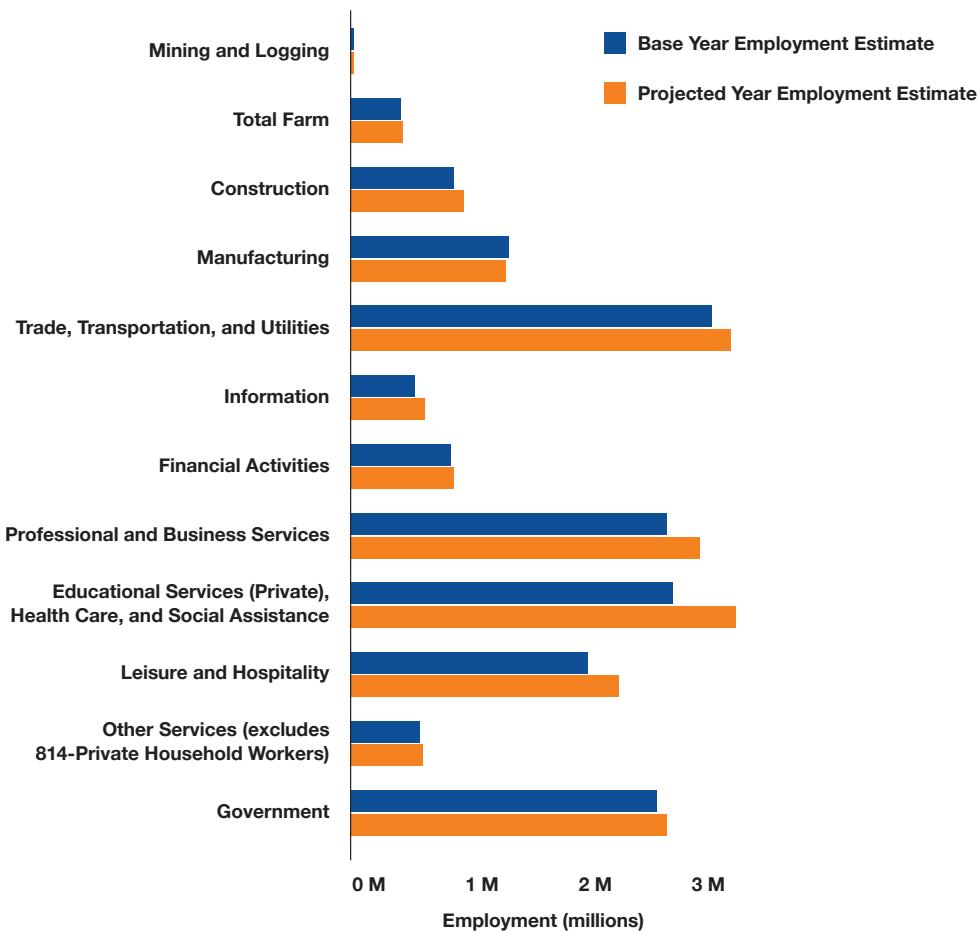
Artificial intelligence (AI) and algorithm-based work require an enormous amount of work by humans that often goes unseen. While artificial intelligence has the potential to transform thousands of jobs and tasks, AI has to be “trained” with existing data and decisions and judgments that are made by human workers, who are also needed to label, tag, and organize data. Much of this work, described as “automation’s last mile,” is broken down into components and farmed out as piecework for on-demand gig workers.²⁶ On social media platforms, for example, content moderation is generally contracted out to a low-wage workforce that are not direct employees of the social media companies, raising issues of job quality and the intersection of automation and human well-being.²⁷ The growth of this work may require new policies to ensure transparency, fair work conditions, and job quality.

10. Build skills to prepare for jobs of the future.

Workers should be empowered with the skills to meet future needs in the labor market, including greater demand for critical thinking, collaboration, and creativity, in sectors from care work to climate mitigation to digital technology and beyond.

Figure 13 shows employment projections by industry in California by 2028. There are notable projected employment increases in professional and business services; educational services, health care and social assistance; and leisure and hospitality (which includes food service).

Figure 13: 2018-2028 Industry sector employment projections



Source: California Employment Development Department

A critical challenge that lies ahead is to ensure that displaced workers from shrinking occupations are retrained with the appropriate skills and matched to growing occupations. Many workers who need to switch employers or change occupations will need to be connected to training opportunities.

Table 3 shows the occupations with the most job openings and Table 4 shows the fast-growing occupations projected for California by 2028. Among the occupations with the most projected job openings, a number are jobs that are currently below-average wage jobs, including personal care aides, cashiers, waiters and waitresses, retail salespersons, janitors and cleaners, and cooks. When looking at the relative growth in jobs, though, those occupations that are projected to be the fastest growing are higher-wage jobs like solar photovoltaic installers, physician assistants, and nurse practitioners. In other words, while there is greater projected relative growth in some high-paying jobs, much of the projected absolute growth in employment is expected in relatively low-paying jobs. These areas would benefit from policy responses aimed at improving job quality in those occupations.

The workforce development system and educational system play critical roles in building skills to prepare workers for jobs of the future. The Commission recognizes the importance of apprenticeships and the need to provide paid training for workers connected to in-demand growth jobs.

Table 3: 2018-2028 Occupations with the most job openings

Occupation Title	Total Job Openings
Personal Care Aides	1,119,630
Cashiers	846,040
Laborers and Freight, Stock and Material Movers, Hand	689,980
Waiters and Waitresses	656,690
Combined Food Preparation and Serving Workers, Including Fast Food	643,840
Retail Salesperson	632,980
Farmworkers and Laborers, Crop, Nursery, and Greenhouse	468,910
Office Clerks, General	419,730
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	377,800
Cooks, Restaurant	360,250

Source: California Employment Development Department

Table 4: 2018-2028 Fastest Growing Occupations

Occupational Title	Base Year Employment Estimate	Projected Year Employment Estimate	Percentage Change
Solar Photovoltaic Installers	5,200	8,600	65.4%
Statisticians	5,400	7,600	40.7%
Physician Assistants	11,700	15,700	34.2%
Information Security Analysts	5,500	7,300	32.7%
Personal Care Aides	577,700	763,000	32.1%
Mathematical Science Occupations	18,500	24,400	31.9%
Nurse Practitioners	15,100	19,700	30.5%
Health Specialties Teachers, Postsecondary	11,900	15,500	30.3%
Speech-Language Pathologists	16,200	20,900	29.0%
Software Developers, Applications	123,400	159,200	29.0%

Source: California Employment Development Department

11. Make the most of California's position as a global leader to make California the place where workers thrive.

California possesses a diverse set of assets: world-class innovation, the diversity of its people, strength in agricultural production, unrivaled university systems, and a history of strong protection for workers. These assets should be leveraged to make the Golden State work for everyone.

California is the 5th largest economy in the world and home to the headquarters of 49 of the Fortune 500 companies in 2018. California is in a unique position to promote work and workers now and into the future.

In terms of its innovation economy, California leads the nation in employment in diverse high-tech industries, exceeding the U.S. average in 17 out of the possible 19 high-tech industries. California celebrates a diverse range of regional innovation ecosystems, each with a unique capacity to create high-quality jobs. For example, Silicon Valley is the world's leading innovation hub, and still California's innovation hubs expand beyond Silicon Valley to include the San Francisco Bay Area, Los Angeles, Orange, and San Diego counties.²⁸

In addition, California celebrates incredible diversity. No single ethnic group constitutes a majority of California's population, and beyond ethnic diversity, California celebrates diversity across multiple other dimensions including cultures, religion, sexual orientation, and gender identity. As companies have discovered, promoting a diverse and inclusive workplace contributes to profitability.²⁹ California's immigrant population has propelled California's entrepreneurial culture: in California, 42 percent of companies are founded by immigrants according to research by Bill Kerr of Harvard Business School.

California is an agricultural powerhouse of the United States, with exports for California agriculture topping \$21 billion in 2018.³⁰ California's universities, including Stanford University, the University of California system, the California State University system, and the California Institute of Technology (Cal Tech), provide high-value human capital, are national leaders in areas ranging from human-driven AI and cybersecurity to health care and agricultural innovation, and also attract highly skilled talent from around the world. California's community college system, the largest in the country, is a key collaborator in workforce training. And California leads the nation in worker protections and rights to organize.

Because of California's economic and innovative strength, its diversity, its agriculture, its human capital, and its history of strong worker protections, California is well-positioned to support trends impacting the future of work and workers. California should leverage these strengths to help ensure California workers continue to thrive.

Challenges further exacerbated and brought to light by the COVID-19 crisis

The COVID-19 pandemic has exacerbated many of the challenges already identified for work and workers in California. The pandemic has amplified and accelerated existing trends and challenges, and it has brought many aspects of the future of work forward. Moreover, the pandemic has exposed new challenges and imperatives.

12. Support and value essential workers.

The pandemic and 2020 wildfires highlighted the occupations that are essential to society, and also revealed that society's essential workers tend to be undervalued and under-protected despite their importance. Essential and front-line workers face both economic vulnerabilities and health and safety risks, and are disproportionately women and workers of color.

Estimates for the share of California workers that are in essential occupations range between one-third to one-half of California's workforce, or up to 8.3 million people. These workers are providing health care, stocking grocery shelves, cleaning hospitals, caring for the elderly, filling prescriptions, making and delivering food, delivering mail and packages, staffing warehouses and production lines, driving trucks, and collecting trash.

Most essential occupations are low-wage and have a high share of workers below or near the poverty line. More than half (53 percent) of low-wage workers in California are employed in essential occupations, compared to 39 percent of workers in middle- and high-wage occupations. According to the California Poverty Measure, 14 percent of essential workers live in poor families compared to 11 percent of non-essential workers. Furthermore, many low-wage essential occupations have limited access to health benefits and paid sick leave. As a result, even in normal times many essential workers face challenges maintaining their health and supporting their livelihoods. These challenges are exacerbated amidst the pandemic, when these workers face greater risk of exposing themselves to COVID-19 through their work.

Different groups of vulnerable workers, including workers of color, ethnic minorities, and immigrants, who already face barriers in accessing basic necessities, including affordable health care and housing, are overrepresented in essential occupations and are at higher risk of exposing themselves to COVID-19 through their work. Latino workers have the highest rate of employment in these essential occupations (55 percent), followed by Black workers (48 percent). In comparison, white workers make up 35 percent of employment in essential occupations. Nearly half of immigrant workers (48 percent) are employed in essential occupations, compared to 41 percent of U.S.-born workers who are employed in these jobs.³¹ For example, at the national level, African Americans make up 33 percent of nursing assistants (versus 12 percent of the overall workforce), and Hispanics and Latinos make up 39 percent of housekeeping cleaners (versus 15 percent of the overall workforce), putting both groups at greater risk of contracting COVID-19 due to their employment.³²

13. Support workers disproportionately impacted by external shocks (e.g., COVID-19).

COVID-19 highlighted the particular plight of mostly low-income workers who work in sectors and occupations where they must be physically present to work—the work cannot be done remotely. It also brought into sharp relief the plight of workers in sectors that may experience diminished employment amidst shocks, and who work for businesses that have limited resources to support their workers when external shocks occur. In addition, many workers lack protections (e.g., unemployment insurance and health insurance) to weather these shocks.

Based on occupational characteristics and tasks, it is estimated that only 22 percent of California workers are consistently able to perform their work remotely.³³ The majority (78 percent) must be physically present in order to carry out all activities of their job, often in places of high workplace density or with a high level of customer interactions. Due to social distancing requirements and public health concerns amidst the COVID-19 pandemic, many of these workers who are unable to perform their work remotely and who are not engaged in jobs deemed to be essential, are likely to be vulnerable to permanent layoffs, temporary furloughs, or reductions in hours or wages.

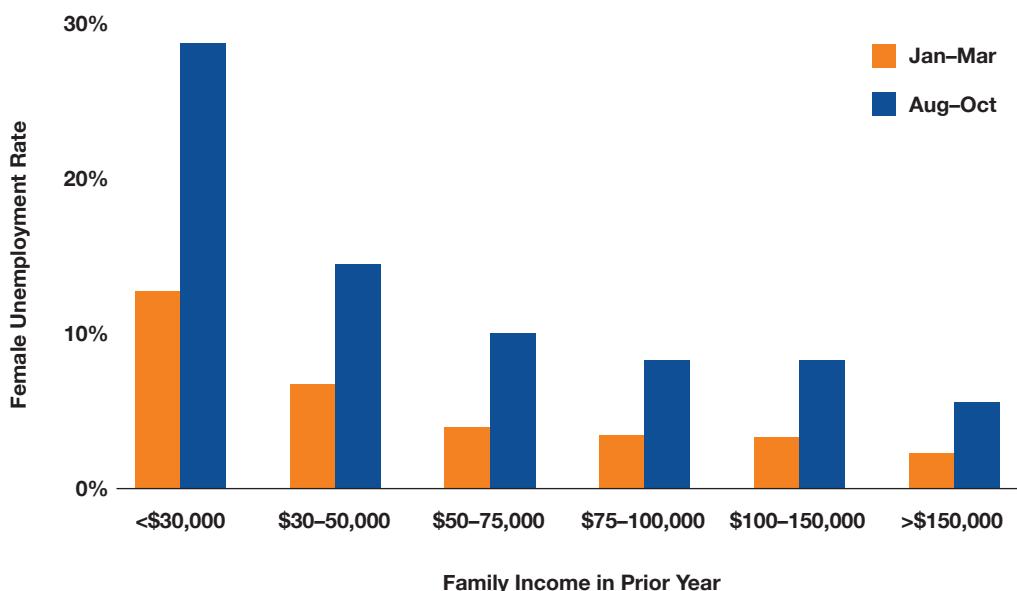
Amidst the COVID-19 pandemic, many sectors have been impacted by public health directives aimed at stopping the spread of the virus, state mandates, such as mandated social distancing requirements, or by diminished economic activity due to preferences for contact-free interactions. Several sectors, including hospitality, accommodations and food services, and arts, entertainment, and recreation have been particularly impacted in California since the pandemic began. Many businesses and workers in these sectors are particularly vulnerable to continued job loss and challenges finding work as the pandemic persists.

Small businesses, which have relatively limited financial resources, have been especially challenged amidst the COVID-19 pandemic. Some small businesses have needed to operate at reduced capacity or close because they are in sectors affected by mandated social distancing restrictions and/or changed consumer behavior around preferences for social distancing. Other small businesses have closed because they were already at risk financially prior to the COVID-19 crisis. In the United States, over one-third of private sector jobs that are likely to be vulnerable due to the COVID-19 pandemic are in small businesses with less than 100 employees. In California, the share of vulnerable private sector jobs in small businesses is higher, at 41 percent. Furthermore, the majority of California jobs vulnerable to layoffs, furloughs, or reduced hours during periods of high social distancing (68 percent) earn less than \$40,000 per year.³⁴

In California, women in the workforce were disproportionately affected by the COVID-19 pandemic, as they are more likely to work in affected sectors and bear a disproportionate childcare burden.³⁵ Women were more likely to become unemployed during the pandemic than men, and this gender gap is especially pronounced for lower-income families.

For families making less than \$30,000, the unemployment rate for women was 29 percent in August–October 2020—more than twice their unemployment rate in January–March 2020 (Figure 14). By comparison, for families with income above \$150,000, the female unemployment rate had increased during the pandemic to 6 percent in August–October 2020. Women of color were also more severely impacted than white women in terms of unemployment, suggesting that the pandemic has exacerbated gender, economic, and racial inequality.

Figure 14: Low-income women are especially likely to be unemployed (2020)



Source: Public Policy Institute of California

14. Restart and accelerate job creation and growth.

California faced a historic low unemployment rate of 3.9 percent in February 2020. As the COVID-19 pandemic took hold in the United States, California's unemployment rate rose at a record rate, to 16.4 percent in April 2020.

By fall 2020, California had regained nearly 44 percent of the 2.6 million nonfarm jobs lost due to the COVID-19 pandemic in March and April. However, there are still nearly 1.5 million fewer California jobs than February 2020 prior to the pandemic. In November 2020, unemployment in California stood at 8.2 percent. California must focus on how to help restart demand for jobs and create enough jobs for all who want to work.

At the start of the pandemic, an estimated 6.4 million jobs in California were identified as vulnerable to permanent layoffs, temporary furloughs, or reductions in hours or wages. Jobs were—and continue to be—most vulnerable in sectors including accommodation and food service, arts and entertainment, and personal services.³⁶

As public health concerns persist, consumer preferences evolve, and companies adopt new technologies and business models, many jobs lost in the pandemic may not return. Meanwhile, jobs that experienced high growth during the pandemic, including in logistics and on-demand delivery, are not all quality jobs. Efforts should focus on demand growth and job creation, with an emphasis on recovering and creating quality jobs.

15. Apply, enforce, and extend workplace protections.

The COVID-19 pandemic has highlighted the need to protect workers and workplaces. Existing workplace protections must be enforced, and workplace protections must be extended in areas where they do not currently exist. Subcontracting, including through multiple layers, and misclassification of employees as independent contractors present challenges. Front-line workers and workers who must be physically present to work must have support to enable them to stay home when sick, have access to appropriate protective equipment, and be ensured safe and sanitary workplaces.

As industries evolve to avoid and undermine worker protections, labor laws must keep pace in order to ensure that today's workers enjoy the fundamental, hard-fought rights that reflect California's basic promise to working people.

Existing employment and labor laws are not well enforced. Despite California's strong scaffolding of worker protections encoded in labor and employment law, existing policy is only as effective as its enforcement. Aggressive and effective enforcement is often impeded by complex schemes by employers designed to cover up violations, lack of trust in government, inadequate resources, and ineffective approaches to enforcement. Widespread violations of employment and labor law, most common and egregious in low-wage industries, result in wage theft, abuses of overtime laws, and unsafe working conditions that can result in injury or death. The U.S. Department of Labor estimated, for example, that the minimum wage law is violated in California 372,000 times every week—that is, one in eight low-wage workers being paid less than minimum wage.³⁷ These kinds of abuses must end.

A Social Compact For Work and Workers in California

Our vision for the Social Compact is based on a common understanding of shared values between employers, workers and their unions/organizations, education/training institutions, entrepreneurs, investors, corporations, technology developers and platforms, nonprofit organizations, government at all levels, the state, and others, and a commitment from each stakeholder to undertake actions, individually and collectively, that uphold these values and advance bold, measurable moonshot goals by 2030 that translate this new Social Compact for Work and Workers into reality. Our vision for the Social Compact is also based on a view of California that is always looking forward and creating a strong, innovative, competitive, and sustainable economy that attracts and creates opportunities for all. California is home to a diverse set of employers and entrepreneurs whose commitment to advance these ambitious goals will be central to the achievement of the desired results.

The Commission's vision for the new Social Compact includes: (A) core principles and values for all stakeholders to live up to, and (B) five Priority Recommendations with clear and measurable moonshot goals for California to achieve by 2030. To achieve each recommendation, the Commission proposes an initial set of actions, programs, legislation, and other initiatives, and calls on other stakeholders to develop initiatives in pursuit of the moonshot goals for California.

A. Core Principles and Values for All Stakeholders

- Promote equity of people and place.** Workers in California should have equitable access to a quality job, workplace protections, and opportunities for career advancement and economic mobility. The Commission places a special emphasis on identifying initiatives to improve opportunities for workers that have historically faced inequities based on their race and gender. To that end, the California Future of Work Commission also supports and upholds the Statement of the Governor's Task Force on Business and Jobs Recovery calling for an [Equitable Recovery for California and the Nation](#).

The Commission also emphasizes the need for actions that promote the economic advancement of all regions in California—from the San Joaquin Valley to Silicon Valley, from San Diego to Sacramento and Fresno to San Francisco. Employers, policy makers, and other stakeholders should develop inclusive actions and initiatives that leverage the unique advantages of each region and position all of California to prosper.

The Social Compact should uplift, empower, and improve economic mobility for workers that have been disadvantaged by race, gender, sexual orientation, age, education level, immigration status, housing status, incarceration history, or other dimensions that define vulnerable populations, and for geographies that are experiencing a growing divide in economic advancement.



Core Principles and Values (cont.)

- 2. Empower workers and rebalance power with employers.** The Commission identified worker voice and worker power as critical enablers for improved outcomes for work and workers in the state. Any initiatives should incorporate opportunities for unions and worker organizations to be involved in the design and development of these initiatives, and should identify mechanisms for workers to have a voice in identifying their own needs and opportunities in the future.

The Social Compact should reinvigorate the voice of workers through unions and worker organizations in California. The goal should be to improve equality, job quality, and worker rights and safety, regardless of the nature of their employment.

- 3. Harness the full capabilities and collaboration of all stakeholders in the Social Compact.** All stakeholders have a role to play in upholding the Social Compact and bringing it to life. The state should uphold the values and goals of the Social Compact in its role in defining policy and legislation, but also as a large employer itself and through its influence in public procurement.

The state, employers, workers, and social, educational and training institutions, investors, small businesses, technology developers and platforms, and nonprofits each have unique capabilities and responsibilities to uphold in the Social Compact, and to collaborate and contribute toward its achievement.

- 4. Be forward-looking.** Through its work, the Commission identified a number of challenges facing workers and work today that must be addressed for a better future of work. California must also be attuned to the opportunities and challenges yet to come—as the COVID-19 pandemic demonstrated one example—including an aging population and increased needs for care, increased occurrence of extreme weather and climate change, and a growing need for infrastructure investment, amongst other future trends.

California is uniquely positioned to prosper in the future as a global hub of innovation and with world-class higher education and workforce development systems. While the Social Compact should address current challenges, it should also be forward-looking in preparing for coming opportunities and challenges, from the impact of technology to the increasing frequency and severity of shocks due to extreme weather and climate catastrophe.

- 5. Aspire toward ambitious goals.** The Commission identified the concept of a moonshot goal to indicate a long-term objective that is ambitious, exploratory, and would drive a truly significant improvement for work and workers in California. The idea of a moonshot goal is inspired by President John F. Kennedy's statement over 50 years ago, setting the nation the challenge of bringing a man to the moon. During its discussions, the Commission clarified that a moonshot goal should be an “engineering problem,” rather than a “science” problem—something we know in theory is possible to achieve, but in practice would be pioneering in how it can be achieved. Moonshot goals should inspire all stakeholders in California to work toward a common objective in a way that positions a meaningful leap forward rather than an incremental improvement, and can also act as a source of inspiration for the rest of the nation and the world.

The Commission proposes moonshot goals with the intent to set ambitious and transformative objectives for California, and calls on all stakeholders to come together and apply their ingenuity to work toward these goals. Moonshot goals are accompanied by interim milestones that set a practical path to measure progress over time.

B. Five Priority Recommendations for California

The Commission puts forward five Priority Recommendations for California. For each priority, we outline a measurable moonshot goal for California to achieve by 2030, the components required to make progress toward that goal, and an initial set of proposed initiatives to be further developed and adopted by a variety of stakeholders. The initiatives listed are a subset of the possibilities to achieve each moonshot goal. Development and implementation of a robust set of initiatives will necessarily require the involvement, expertise, and ingenuity of others beyond the Commission and Commissioners.

- 1. Ensure there are jobs for everyone who wants to work.** Facing high levels of unemployment and underemployment amidst the COVID-19 pandemic, job creation, and access to quality jobs will be critical to Californians over the coming years.



By 2030 there are enough jobs guaranteed for all Californians who want to work.

Achieving this goal requires California to address three areas of concern:

- **Job creation:** Enact mechanisms (e.g., incentives to promote private sector investment and entrepreneurship) to encourage creation of a sufficient number of jobs for the number of Californians who want to work, including the restoration of jobs lost during the COVID-19 pandemic. All Californians who want to work should have the opportunity to do so, including at the level and amount they desire to build a quality life.
- **Workforce development:** Ensure that all Californians who want to work are prepared with the necessary skills (through employer-based training, training institutions, apprenticeships) to fill new positions created.
- **Employment access for vulnerable populations:** Ensure all Californians who want to work are able to access a job, regardless of gender, race, status, background, and location.

An initial list of proposed initiatives to advance toward this goal includes the following:

- **Create at least 1 million jobs in line with California's climate goals by accelerating the deployment of clean energy technologies, including utility-scale wind and solar, residential solar, EVs, batteries, and electric appliances.**

Multiple stakeholders can play a role to aid job creation. For example, the public and private sector can help stimulate demand for clean energy technologies. The public sector can take actions such as creating a “climate loan” at the household level for low-cost financing (at 4 percent or lower) of clean energy technologies. U.S. precedent and mechanisms exist for achieving this type of public-private financing mechanism, such as the low-cost federal financing support for electrification under the New Deal.³⁸

In addition, the public sector can help lower the soft costs associated with residential solar. The

soft costs, which include the cost of installation, labor, and the cost of relevant permits, make up approximately two-thirds of the total installed price for a U.S. residential PV system.³⁹ To help identify cost-saving opportunities, the public sector can start by identifying a group of mayors willing to work with experts on a redesign of the installation and permitting processes. Australia and Germany can provide a model for how to lower soft costs.⁴⁰

The private sector can help stimulate job creation through actions such as setting goals to become carbon-neutral and jump-starting the process by adopting the requisite clean energy technologies.

Training institutions, including community colleges and other training providers, can partner with the public sector to increase the number of California workers with the necessary skills to work in occupations related to clean energy technologies.



An initial list of proposed initiatives to advance toward this goal includes the following (cont.):

- **Double the number of undergraduates in California's educational and training institutions who are prepared to create new jobs through entrepreneurship.**

Focus on expanding access to entrepreneurial training, as well as stimulating demand for entrepreneurial jobs. In addition to leveraging existing training programs, the state, companies, institutions, and philanthropists can expand training opportunities by financially supporting university-based entrepreneurship programs, building on efforts such as the National Science Foundation Innovation Corps (NSF I-Corps), the lean startup curriculum, and human-centered design. The California Bay Area I-Corps Node and the Los Angeles Regional I-Corps Node, programs funded by NSF to promote entrepreneurship, are early starts and could be scaled up with emphasis on diversity and inclusion of people and places.

To help stimulate entrepreneurial jobs, the public sector can explore the role of public pensions in supporting startups and entrepreneurs, and also serve as “early customers” for startups, especially those focused on California-specific problems, using procurement and incentive prizes.

- **Extend financial and technical assistance to mission-oriented businesses, such as those referred to as employment social enterprises—small businesses and nonprofits that provide access to employment and training specifically to groups who face high barriers to work.**

The majority of employees at employment social enterprises across the United States are Black (42 percent) or Latino (26 percent), 79 percent have a felony on their record, and more than half are at risk of losing their housing or are homeless.⁴¹ Financial and technical assistance investments, as well as procurement incentives, can help employment social enterprises grow and deliver support and training to more individuals who are overcoming barriers to obtain gainful employment. These investments and incentives should also be

directed to other small businesses and nonprofits that support these populations. Assistance can help these businesses avoid layoffs or closures amidst financial shocks, stimulate demand for jobs that fill community-specific workforce gaps, and provide paid skills training so that employed individuals are prepared to move into higher wage employment.

To monitor the impact of this financial and technical assistance and to inform targeted investments, data systems should be established to measure changes in employment and incomes, asset building, and workforce participation by those who have experienced incarceration, homelessness, and/or other significant barriers to employment.

- **Partner with the federal government to enact a Jobs Guarantee.** The majority of job creation should be driven by the private sector in response to growing needs for employment; the state of California, and ultimately the federal government, can serve as a backstop to guarantee all Californians a job, through incentives for private sector job creation or public employment opportunities.

There are historical examples of jobs guarantee programs in the United States and in other countries that can serve as inspiration. The Works Progress Administration, an agency of the American New Deal, was the largest relief program in American history and employed millions of job seekers to carry out public works projects, including the construction of public buildings, roads, and other critical infrastructure. The New Hope Project, implemented in Milwaukee in the 1990s as a companion to welfare reform efforts in Wisconsin, included subsidized employment as part of a comprehensive package of work supports. Programs that allow workers to continue to receive partial unemployment insurance while working reduced hours are valuable in economic recovery, but to be clear, a jobs guarantee should not involve work requirements for recipients of unemployment insurance.

- 2. Eliminate working poverty.** Nearly 45 percent of the approximately 7 million Californians in poverty reported living in a family with at least one family member working full-time. These workers earn wages below the eligibility thresholds of essential safety net programs, and they rely on these programs to make ends meet. Working poverty is highest in the service sector and in work-enabling sectors like care work. Moreover, working poverty is high across key groups including Hispanics and Latinos, African Americans, Pacific Islanders, Native Americans, woman-headed households, adults with lower levels of education, and formerly incarcerated workers.



By 2030 working poverty is eliminated in California for workers in the most vulnerable sectors and occupations, particularly in the hospitality, retail, and care sectors.

Achieving this goal requires California to address three areas of concern:

- **Low wages:** Raise wages for the lowest paid workers to a living wage.
- **High cost of living:** Address rising costs of basic goods including housing, health care, and transportation that place a substantial burden on low-wage workers.
- **Work fragility:** Develop mechanisms to support workers who face economic and employment fragility as a result of being employed in part-time or contingent work.

The Commision recommends the following initiatives, which will advance this ambitious goal:

- **Raise wages to at least 75 percent of an indexed, regional living wage measure for 50 percent of workers in the hospitality, retail, and care sectors.**

The MIT “Living Wage Calculator” is one tool that can help determine the regional living wage. It leverages geographically specific data related to the likely costs of a family’s basic necessities, such as food, childcare, and housing, to determine a living wage that an individual in a household must earn.⁴²

Such an initiative could be paired with actions to uplift and promote “high-road” employers, which are employers who raise their wages far above the minimum wage and provide other benefits, thus incentivizing other employers to move toward becoming “high-road.” A state-wide program could recognize and incentivize employers offering “high-road” jobs, including formal recognition to encourage consumer support, tax incentives, streamlined permitting or licensing, and priority for procurement decisions.

The Commision recommends the following initiatives, which will advance this ambitious goal (cont.):

- **Create supports for workers to organize in unions and worker associations.** Actions to address working poverty should engage and involve leading unions or worker associations in each sector to strengthen worker organization.

One example of supporting worker organization is through mechanisms like Rate Setting Boards in the care sector:

The Rate Setting Board would operate similarly to wage boards set up in other states and industries. The Board would involve a group of stakeholders that come together to evaluate and determine the wage and provider rates. If a union or other worker organization represents a threshold percentage of workers in the industry, such as care workers, they would be included as part of the Board.

The Board would determine wage and benefit adequacy along with related workforce issues and adopt rates that are sufficient to meet those standards. States would then adopt the payment and wage rates the Rate Setting Board has determined and ensure that providers comply with paying the wage rates to workers.

States would be required to include, among other relevant stakeholders: workers (represented by their unions or membership-based worker organizations where they exist); employers, such as provider agencies or fiscal intermediaries; consumers, including individuals with disabilities and seniors or organizations representing such individuals; family caregivers; and relevant state representatives.

The Rate Setting Board could address other issues that are important to sustaining a strong workforce and respecting the independence of older Americans and people with disabilities, such as benefits, training, safety standards for workers and those who receive care, and the ability of workers to freely join unions or worker organizations to strengthen their collective voice.

States would need to ensure enforcement of established standards sector-wide through measures like wage pass-throughs and administrative caps. Collective bargaining agreements—and in particular multi-employer or sectoral agreements—would be the gold standard for enforcement across the home care industry.

- **Increase low-wage workers' resiliency to withstand crises, such as by extending universal unemployment insurance, support reskilling in quality jobs, and further "high-road" employment supports.**

- 3. Create a 21st century worker benefits model and safety net.** Lawmakers must adapt social safety nets to meet the needs of the labor market today and in the future, which will increasingly be defined by increasing income volatility, expanding and evolving forms of work and work arrangements, aging populations, a growing number of working parents, and workforce disruptions caused by automation, public health crises, and other challenges. California has recently made a significant investment in the expansion of the Earned Income Tax Credit (EITC), an important approach that collectively incorporates the state, employers, and workers to ensure the well-being of workers in low-wage occupations.



By 2030 California doubles the share of workers who have access to benefits, with a particular focus on low-income workers.

Achieving this goal requires California to address two areas of concern:

- **Worker benefits:** Extend and/or enhance benefits tied to employment (e.g., paid time off and sick leave) to a greater share of workers in California, including those traditionally excluded (e.g., domestic workers).
- **Safety net:** Broaden access to a modern safety net for all individuals in California to provide opportunity for people to leverage the supports and resources they need to have a decent quality of life.

The Commission recommends the following initial initiatives to advance this goal:

- **Develop and pilot a portable benefits platform like Alia for domestic workers.** The portable benefits platform should include a mandate for employer contributions to benefits, as well as a maintenance of effort provision for the current benefits workers receive.
- **Expand programs that offer the opportunity for workers to earn income while they build skills.** This should include expanding apprenticeship program offerings to more occupations and designing them to engage more low-income workers and people who are unemployed or underemployed. It should also include pre-apprenticeship and “earn and learn” programs, as well as programs that encourage employment in social enterprises and other entities.

Alia is an example of a portable benefits program developed and piloted by the National Domestic Workers Alliance (NDWA) Labs. It is an online platform that helps house cleaners—a group traditionally excluded from accessing benefits—gain access to contributions from all their clients to purchase benefits. Benefits include paid time off, disability insurance, accident insurance, critical injury insurance, and life insurance. Clients can contribute proportionally according to their employment of the worker. California could develop and pilot a similar platform and/or support Alia to scale access to house cleaners and other domestic workers in California. Portable benefits could bring essential benefits to more workers by connecting benefits to an individual rather than an employer, allowing them to be taken from job to job without interruption in coverage or loss of funding.⁴³

Governor Gavin Newsom has proposed increasing the number of apprenticeships in the state to 500,000 over ten years. Through its convenings, the Commission recognized the value of apprenticeships to provide increased opportunities for workers to earn a living while gaining skills. Apprenticeships and other industry and sector training partnerships should be significantly expanded to support workers to gain necessary skills while having access to income and benefits.



The Commission recommends the following initial initiatives to advance this goal (cont.):

- **Modernize benefits eligibility assessments, administration, and provision.** One approach that could be considered, among others, is to start by moving these functions to central online systems that are up to date for changed income circumstances and accessible to workers in all geographies. These assessments would be for unemployment insurance, Medicaid, SSI/SSDI, SNAP, family leave, EITC, and affordable housing.
- **Launch a working group to identify the benefits needs of Californians and assess the feasibility and desirability of new benefits that have been piloted in regions of California and other regions around the world (e.g., guaranteed income).**

Regions around the world have piloted new mechanisms and programs to provide safety nets that California can learn from. The city of Stockton, California piloted a city-wide guaranteed income program that provided \$500 per month to 125 low-income residents. The Stockton Economic Empowerment Demonstration (SEED) is an example of an innovative policy initiative that California should study and learn from while seeking to understand the feasibility and desirability of different benefits for California workers and residents.

- 4. Raise the standard and share of quality jobs.** Currently, less than half of California workers report being in a quality job. Even though overall employment was strong prior to the COVID-19 pandemic, workers faced a labor market paradox: declining unemployment rates coupled with weak wage growth, resulting in a crisis of declining job quality.



By 2030 California reverses the trend of declining job quality, and creates at least 1.5 new “high-quality” jobs for every one new “low-quality” job.

Achieving this goal requires California to address two areas of concern:

- **Identify and measure quality jobs:** Workers and employers should both contribute to the official definition of a quality job in California. The state should take the lead to regularly measure the share of quality jobs to inform interventions.
- **Improve job quality:** Deploy targeted interventions to improve job quality in low-scoring sectors and geographies, through initiatives that encourage employers and entrepreneurs to create high-quality jobs across California.

The Commission recommends the following initial initiatives to advance this goal:

- **Create a California Job Quality Index (JQI) to define “high-quality” jobs, modeled after the U.S. Private Sector Job Quality Index produced by Cornell Law School⁴⁴ and initially based on analysis of monthly wage data from the Bureau of Labor Statistics.**
- **Create a California Job Quality Incubator to deploy a range of policy tools and resources to achieve the goals of improving job quality where JQI scores are low and expanding the number of high-scoring JQI jobs; for example, linking state spending to quality job creation with accountability and transparency.** State procurement contracts, tax expenditures, and workforce development funding are among the important levers that the state may utilize.

The California JQI should be published on a monthly basis through a collaboration between the CA Labor & Workforce Development Agency and the Governor's Office of Business and Economic Development. Detailed market and industry sector analyses should be conducted to identify areas where quality job creation exists (or does not exist) in order to target incentives and supports to achieve the goal of increasing the number of high-quality jobs in California.

While the Index would initially focus on monthly wages as an indicator of job quality, over time it could incorporate additional measures associated with quality jobs, such as access to benefits and worker protections.

The CA Labor & Workforce Development Agency and the Governor's Office of Business and Economic Development should convene a twice-yearly forum of multiple stakeholders, including the state, business leaders, unions and worker organizations, and academics to review recent trends in the CA JQI data, the market and industry sector analyses, and other inputs. This will allow them to design and recommend targeted incentives, supports, and other steps California can take to increase the number of high-quality jobs. Particular focus should be placed on industries, occupations, and regions where job quality is historically low, as well as on vulnerable groups who are more likely to be in a low-quality job.

- 5. Future-proof California with jobs and skills to prepare for technology, climate, and other shocks.** California workers must be positioned to benefit from future opportunities and access “future” jobs while being protected from future risks. California will define its future jobs based on California’s current and future priorities, including infrastructure needs, climate response and adaptation, disaster relief, demographics and care for an aging population, agriculture, and continued innovation. With ongoing economic and technological transformations, as well as future unforeseeable shocks, California workers will need support to access future and quality jobs, to change occupations, and to build new skills.



By 2030 California defines the “jobs to be done” to address future work needs, and commits to growing the share of workers employed in these future jobs by two to three times. In addition, California should grow the number of workers prepared with the skills to work in future jobs by two to three times.

Achieving this goal requires California to address four areas of concern:

- **Identify future jobs:** Identify and certify jobs that meet California’s future priorities.
- **Create future jobs:** Ensure creation of the jobs needed to meet California’s current and future needs, primarily through private-sector led investment with a government-supported backstop, and with a lens toward job quality.
- **Equip workers with future skills and match them to future jobs:** Incentivize private sector investment and inform priorities for public education, training institutes and laboratories, employment social enterprises, and apprenticeship programs to ensure workers are equipped with the skills to access and can be matched to future jobs.
- **Complement future jobs through technology:** Develop technology to complement and support workers. Ensure workers play an active role in this development through a collective that includes technology companies, worker organizations (including unions), and academic researchers and collaborate in developing and testing new workplace technologies while assessing its implications. Particular attention should be paid to the role of data, to ensure that data about workers, the workplace, and labor markets is used responsibly to benefit workers and meet the needs of employers.

The Commission recommends the following initial initiatives to advance this goal:

- **Establish criteria to designate a future job, based on California’s priorities and anticipation of future shocks.** California reevaluates its future job criteria every two years.

These job areas may include STEM occupations to enable a technology-driven future and to further basic science research; green occupations to enable California’s transition to a clean energy future; disaster relief occupations to prepare for disasters such as wildfires or pandemics; health and care-related occupations to manage an aging population; engineering and construction occupations related to infrastructure renewal and affordable housing; and agricultural occupations to ensure food security.

- **Call on the private sector and provide demand-side incentives to support creation of future jobs.**

The private sector should continue to play a leading role in driving demand and job growth in the state. The Commission calls on private employers to create jobs in line with the priorities that will be critical for California’s future and to remain competitive on a world stage. At the same time, incentives for private sector employers should help direct job creation to areas of highest priority for the state.

The Commission recommends the following initial initiatives to advance this goal (cont.):

- **Provide supply-side incentives to the private sector to invest in worker training to ensure that workers are equipped with the skills to access future jobs.**

Employers play a critical role in worker training and reskilling. Initiatives should encourage California's employers to invest in human capital and their workforce in the same way they are currently incentivized to invest in research and development, such as a revision to corporate tax structures.⁴⁵

In addition, partnerships between employers, training institutions, community colleges, universities, and employment social enterprises can enable workers to build skills that directly prepare them to enter a future job, with pathways from education and training into jobs and careers.

- **Drive investments in research and development into technology for public good and worker well-being, enabling, complementing and creating work.** Leverage California's technological leadership to prioritize computing-driven R&D that will inform efforts to fight poverty, improve job quality, expand access to health care, protect our climate, improve cybersecurity, and enhance social science application to solving the many challenges we face now and in the future.

For example, California could launch a lab for worker-centered technology development, jointly funded and managed by technology developers and companies, workers and worker organizations, and technology ethics and policy researchers. This would provide an opportunity for workers to be directly involved in the development of workplace technologies, to position California as a leader in the development of technology that complements, rather than disrupts, workers.

Conclusion

The California Future of Work Commission began convening in fall 2019 and was poised to release its recommendations and final report in spring 2020. Before completing its work, the COVID-19 pandemic upended the economies of California, the United States, and the entire world. The state had been enjoying record job growth and a long-running economic expansion when the Commission began its work. At the outset of the pandemic, unemployment rose to unprecedented levels instantly, and the economic security of California seemed to disappear.

Many of the issues that the Commission had been examining were exacerbated by the pandemic. The deterioration of job quality, the precariousness of low-wage workers, and the weaknesses of the social safety net came into sharp relief. In important ways, what had previously been an imagined future of work was now upon us. Remote work quickly became the norm for professional workers, and profound economic insecurity became the norm for nearly everyone else.

The Commission extended its timeline and redoubled its efforts to understand the changing nature of work and to develop a set of recommendations for a range of stakeholders. While incorporating the immediate economic realities wrought by the pandemic, the Commission also maintained a focus on issues of work that will confront California ten or more years from now.

This report represents the culmination of more than 18 months of collaboration among the Commissioners to develop a new social compact for work and workers in California. It is our hope that this work also inspires other states and the federal government with innovations that shape a future with greater equity. The state has never simply adapted to the future—California has always shaped the future. With dedication to this new social compact, the state can ensure a better future of work in California for all.

Endnotes

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