

CENTER FOR CONTINUING STUDY OF THE CALIFORNIA ECONOMY

385 HOMER AVENUE • PALO ALTO • CALIFORNIA • 94301

TELEPHONE: (650) 321-8550

FAX: (650) 321-5451

www.ccsce.com

DATE: March 9, 2020

TO: **Art Pulaski and Peter Schwartz**

FROM: Stephen Levy

SUBJECT: Perspectives on the Future of Work in California

Much of the current discussion about the future of work focuses on the potential impacts of AI on occupational trends and related policy responses. This memo summarizes our discussion on March 3, 2020 about an additional and important set of trends and perspectives related to the future of work.

These perspectives come from my work developing job projections for regional planning agencies in California, the conclusions of a HUD funded study for MTC of data and implications for regional prosperity and upward mobility in the Bay Area, work for SPUR on wage and job trends and my participation on the NOVA and state workforce boards.

This memo examines three trends: 1) the coming retirement wave, 2) the slow growth in middle wage jobs and 3) the continuing growth in low wage jobs. These trends will affect the job opportunities in the years ahead, provide a focus for policy and, at the same time, provide an explanation for the widening gap (inequality) between wages and incomes among Californians.

The memo examines data, implications and recommendations for each major trend. Major recommendations include:

--A major investment program including transportation and energy efficiency to support economic growth, reduce greenhouse gas emissions and provide a major source of new middle wage jobs

--Policies that allow unauthorized immigrants (2.5 million in California) to learn and earn to promote upward mobility improve equity and address the coming skill shortages

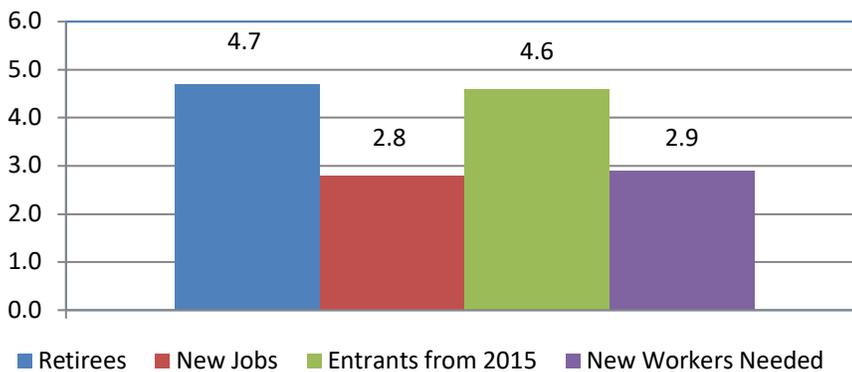
--Expansion of safety net policies and increased attention to labor standards and enforcement to help workers who will staff the growing number of low wage jobs

--Policies to support more housing particularly for low and middle income residents to address the coming worker shortage partially driven by high housing costs, to address equity challenges, to support economic prosperity and provide an additional source of new middle wage jobs..

The Coming Retirement Wave—Data Findings

Between 2015 and 2030 nearly 5 million workers will retire from the California labor force. The 4.7 million retirees represent over 25% of the 2015 workforce. The retirement projections assume that older workers will continue to extend their work lives. If this does not happen, the retirement wave will be larger.

California Labor Force Trends 2015-2030 (Millions)



California is projected to add 2.8 million jobs between 2015 and 2018 of which just more than half will have been added have been added by the end of 2020. This is an older projection and could well be exceeded.

Combining the 4.7 million retirees and the 2.8 million new jobs leaves at least 7.5 million job openings (opportunities) to fill.

During this period 4.6 million Californians aged 0-15 in 2015 will enter the workforce. This assumes that new entrants participate at the same rate as current 16-30 year old residents.

That leaves 2.9 million job openings that need new workers.

Implications

One, retirements will be the largest pool of job openings (opportunities), larger than the openings from job growth.

Two, middle wage jobs are a larger percentage of retirement job openings as compared to the profile of job growth. These will come from a variety of sources including retiring public employees and occupations with a large number of older workers like water quality technicians (mostly Vietnam era trained and, for example, aircraft mechanics and skilled construction workers.

Three, the potential shortage of workers is made more challenging by the state's housing costs and current restrictions on immigration. If job growth is stifled because we cannot attract enough workers at all skill levels, two bad outcomes will follow: 1) economic growth and the resulting opportunities will be stifled and 2) transitions resulting from the impacts of automation will be made much more difficult.

Recommendations

Make retirement job openings a major policy and research area. The California Employment Development Department (EDD) has some ongoing work that can be enhanced. Also develop ways to encourage employer (private and public) to share data on the age profile of their workforce in key occupations. Resist the urge to focus primarily on new jobs if the goal is to help people move up.

See the next sections with regard to recommendations for middle wage job growth.

Creating the conditions for growth in new workers has three major focus areas—both outside traditional workforce policy thinking. I emphasize these in every workforce board meeting where the question “where will the new workers come from” comes up.

Focus one---we need more housing that is affordable to low and middle income residents. Housing costs are the major cause of out migration and long commutes. More housing is the most essential policy to make sure we have enough workers to replace retiring workers and support job growth. **This focus is in our control at the local, regional and state level.**

Focus two—more welcoming immigration policies for workers at all skill levels has 1) been a positive force in California's prosperity and able to attract new firms and 2) is essential going forward as a major source of new workers to meet the 2.9 million target. **This will require federal policy changes.**

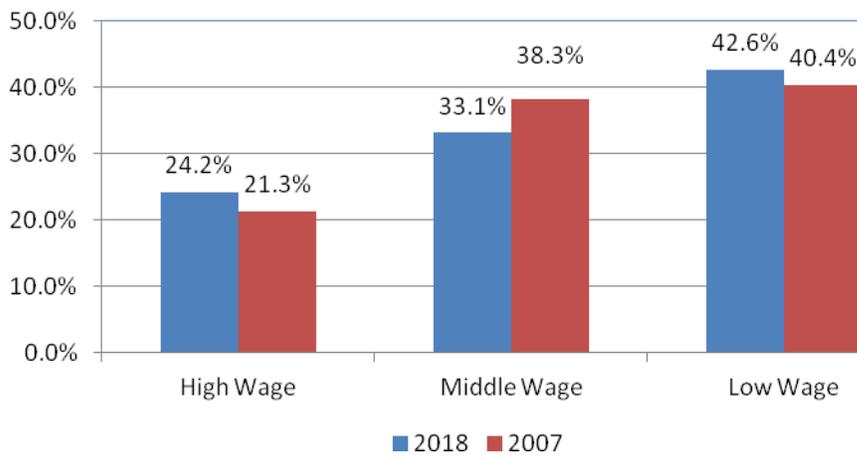
Focus three—create the conditions for the 2.5 million unauthorized immigrants in California to learn and earn. This will provide some additional workers and also allow unauthorized immigrants who would otherwise work and earn below their skill level to help themselves and our economy.

Middle Wage Job Trends and Challenges—Data Findings

The data and projections in this section are from the EDD website. The data on low, middle and high wage jobs are compiled from the 22 major occupational groups analyzed by EDD. Low wage jobs are those with a median wage of less than \$18 an hour and most jobs in this category pay less than \$15 an hour. Middle wage jobs are those with a median wage of \$18 to \$35 an hour and high wage jobs have a median wage of above \$35.

The share of jobs in the middle wage category has declined. IN 2007 38.3% of California jobs were in the middle wage group and that share fell to 33.1% in 2018. The share of jobs in both the high and low wage group increased.

California Job Shares by Wage Group



The categories of middle wage jobs are shown below. It should be noted that these categories show overall trends with the understanding that not all jobs in each category are middle wage and some middle wage jobs occur in other job categories.

The largest category of middle wage jobs (Office and Administrative Support) saw a decline of 280,170 jobs between 2007 and 2018 and drove an overall decline in the number of middle wage jobs. Automation broadly defined was the principal cause of this decline and will act to restrict future job growth in this category as shown below. The other decline was in construction occupations driven by a sharp decline in home building though this is probably the largest growth opportunity area as discussed below.

Jobs in Middle Wage Job Groups
California

	2018	2007	Change
Community and Social Services Occupations	282,230	190,470	91,760
Education, Training, and Library Occupations	1,028,190	979,040	49,150
Arts, Design, Entertainment, Sports, and Media Occupations	307,070	281,520	25,550
Protective Service Occupations	386,370	345,890	40,480
Office and Administrative Support Occupations	2,438,780	2,718,950	-280,170
Construction and Extraction Occupations	658,360	794,020	-135,660
Installation, Maintenance, and Repair Occupations	530,320	508,820	21,500
Total	5,631,320	5,818,710	-187,390

Middle wage jobs are projected to grow more slowly than high and low wage jobs in the midterm future. Recent EDD projections are shown below. A portion of this growth has already occurred given the state's strong job growth since 2016.

California 2016-2026
Job Growth % Change

High Wage	584,100	13.4%
Middle Wage	462,400	7.6%
Low Wage	885,800	11.5%
Total Jobs	1,933,100	10.7%

Implications for Middle Wage Job Growth

Expanding the number of middle wage jobs will be a tough challenge. Many middle wage jobs are in occupations with only modest growth opportunities.

This implication reinforces the recommendation to focus on middle wage job opportunities that come from people retiring and openings from people who switch occupations.

The best opportunities for middle wage job growth are in construction and installation and repair occupations.

Recommendations

Pursue a major investment program aimed at physical investments such as in transportation facilities, repair and renovation aimed at improving energy efficiency and a surge in housing construction.

There are numerous components of such an investment strategy that commission members and state leaders can flesh out including but not limited to \$. And the benefits accrue to workers, the environment and the economy.

Expand apprenticeship programs to new areas.

Negotiate with industries in the development of high road partnerships.

If middle wage job growth is limited at first glance, pursue strategies to upgrade jobs where possible to middle wage status through training and other means.

Create the conditions for unauthorized immigrants to learn and earn.

The Continuing Growth in Low Wage Jobs—Data Findings

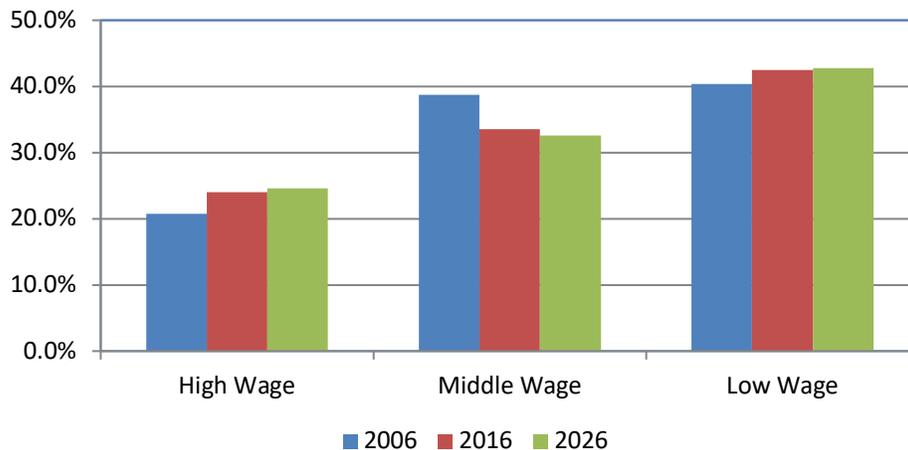
The EDD projections show continuing growth in low wage jobs. Despite the potential impact of automation, this growth is plausible if one thinks about specific categories. The largest projected growth is in personal and in home services followed by gains in food service and logistics. Increases will also occur if we are successful in expanding pre K offerings. Tourism is also expected to grow.

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The share of jobs in today's low wage occupations will remain above 40% according to EDD projections while the share of high wage occupations will

increase slightly and the share of middle wage occupations will decline slightly through 2026.

California Job Shares by Wage Group



Other EDD data not shown here find that wages for high wage workers have grown faster than for low wage workers over the past 20 years though low wage workers wage gains have been improved recently with the strong labor market and minimum wage increases.

Implications

Even with continuing minimum wage increases, millions of Californians will occupy jobs in the future that will leave them unable to afford most housing despite California having the highest minimum wages in the nation.

In addition not all of these workers will be able to move up to middle or high wage jobs.

Helping these workers will require policies that improve their standard of living through other means if this is a state priority.

Recommendations

In addressing the challenges facing low wage workers (as well as for the other major future of work trends examined here) policy responses take us to other policy areas in addition to traditional workforce strategies.

Find ways to support the standard of living for low wage workers by reducing costs—for example with free pre K, a surge in housing reserved for low income residents, expansions of health care, increased more affordable transportation options and, perhaps assistance through the tax code.

Expand labor standards and enforcement.

Each of the above recommendations contains many individual areas for consideration.

A Final Note

The chart below is from the HUD funded Bay Area Regional Prosperity Strategy work. There are two points not mentioned previously that should affect our response to the future of work challenges.

One, there are a wide variety of post secondary career pathways including college and non college options. But some education/ training after high school seems essential for state economic and equity goals.

Two, it is very hard to move forward with the recommendations cited above unless the economy remains strong. A weak economy limits job opportunities and also limits funding for investment and safety net programs as we learned so vividly during the 2007-10 recession years. As a result a strong economy is a major component of a future of work agenda.

Strategies to Expand and Broaden Prosperity and Upward Mobility

Strategy 1: Improve career pathways from low and moderate wage work to middle wage jobs. Prepare residents for success.

Strategy 2: Grow the economy in the Bay Area.

Strategy 3: Upgrade working conditions and the safety net, particularly for workers in existing low-wage and moderate-wage jobs.