



PROBLEM STATEMENT

Convening 5 | January 16, 2020

The overarching goal of the California Future of Work Commission is to develop a new social compact for California workers, based on an expansive vision of economic equity.

California boasts a strong economy by most measures of growth and employment and has been at the center of driving many of the world's innovations. However, many Californians have experienced stagnating wages, and far too many are in working poverty, working in low-wage jobs that earn too little to support their families. In addition, some parts of the state have fared less well than others. As a result, most Californians have not enjoyed the benefits from the state's broader economic success and the extraordinary wealth it has generated.

Technological change is an important driver of changes in work and employment, as developments in automation, artificial intelligence (AI) and robotics create new possibilities, while also reshaping the way we work and replacing some jobs that exist today. Technological change, though, is only one of several critical factors that will change the nature of work in California in coming decades. Others include changes in the structure of the economy, sector mix, changing demographics and the impact of climate change, as well as the costs of basics, including housing, healthcare and transport, that affect where people live and work.

The Commission views these challenges as an opportunity for California to muster its immense talent, resources, and innovation to truly create a California For All. The effects of economic and technological change are not predetermined or inevitable. Policies, laws, and norms will shape how these changes play out, who benefits, and whether certain segments are disproportionately harmed by economic and technological disruptions. Large corporations, many of whom have benefited from California's growth, must play a central role in the new compact by demonstrating a commitment to quality jobs and recognizing workers as major stakeholders in their industries and wider communities. Small and medium sized businesses have a role to play as well, but many are battling low margins and little ability to do better by their employees, let alone their communities and the environment. Supporting the growth of quality jobs must include support for SMBs as well.

As the economy transforms, we must also adapt, update, and implement new policies alongside it. We can make choices that shape how technological developments like automation and artificial intelligence can be used to improve the quality of jobs, not simply replace them. We can responsibly harness new technologies to promote equity, economic mobility and inclusion rather than exacerbating inequality, and protect both consumers and workers as unprecedented amounts of data contribute to improved services and productivity but also expose them to new risks. Our goal is not to preserve the status quo but open up new opportunities for those who've been left behind due to discrimination, poor economic circumstances, or various types of disabilities.

In developing a vision for how work and jobs will benefit all Californians in the future, the Commission will chart a path to reaching that vision. The Commission represents multiple sectors of California and brings both depth and breadth of perspective to this critical work. Its recommendations will parallel that range of knowledge, understanding and expertise and cover a range of sectors, including state and local government, the private sector, labor and worker organizations, philanthropy, and education, among others.

California is not just ground zero for the economic and technological changes reshaping work, it is also home to many leading industries from technology to agriculture to entertainment as well as one of the best university systems—and workforces—in the world. Those assets, coupled with the state's leadership in setting workplace standards, positions California to lead the nation again on a defining challenge of our time.

The Commission brings this spirit of possibility and promise to shape the future of work. We are not passive bystanders to the future. We have agency to support the Governor and the state in building a high road economy that delivers quality jobs for all Californians and, in doing so, promotes equity and revives economic mobility and the California Dream for generations to come.

Note: This is a draft working document of the Commission and does not represent final conclusions or recommendations. The Commission may continue to refine and iterate this document as it continues to conduct its work.

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In its discussions to date, the Commission has identified eleven initial categories of challenges to solve for, which will help to frame the Commission's ongoing discussions of solutions and recommendations, and will be further described in its interim report:

Challenges of inequity, economic mobility and low-quality work

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

Over the past 40 years, the most profitable corporations and the wealthiest citizens have, respectively, seen their profits and incomes skyrocket due to a variety of factors including technological change, globalization, deregulation and tax cuts, among others. These factors have been a driving force in the hollowing out of the middle class and rising inequality in income and wealth among Californians. The growth of low-wage work, decline of middle-wage jobs, and wage stagnation for a large share of workers contribute to rising inequality in the distribution of wages and income, and further concentration of wealth. Wide wealth disparities also create significant advantages for some and barriers for others in accessing education and other resources that lead to further inequality in labor market outcomes. This amplifies inequalities by race, gender and geographic region in California. Some example (not comprehensive) observations:

▶ 35% of workers in California make less than \$15 per hour

- There are persistent racial gaps in wages: amongst full-time workers, 14% of white males and 18% of white females earn less than \$15 per hour, compared to 45% of Latino males and 49% of Latino females. 24% of Black males / 27% of Black females, 21% of Asian and Pacific Island (AAPI) males / 24% of AAPI females, and 24% of Native American males / 32% of Native American females earn less than \$15 per hour
- Low-wage jobs are also unequally distributed across the state: 45% of workers in Fresno and 37% of workers in Los Angeles Metro earn less than \$15 per hour, compared to 21% in SF-Oakland metro and San Jose
- While educational attainment makes a difference, many with higher education still earn below a living wage: of workers earning less than \$15 per hour in California, 21% have less than a high school degree, 29% have a high-school diploma, 29% have some college education, 7% have an Associate's degree, and 14% have a Bachelor's degree or higher
- The majority (69%) of low-wage workers are working full-time

▶ Low wage work is concentrated in several sectors, which are expected to fuel much of California's job growth over the next decade

- The largest share of low-wage workers in California work for employers in retail (16%), food services / restaurants (13%), and healthcare / social services (12%)
- Occupations in which the greatest share of workers earn less than \$15/hour include: agricultural workers (82%), food preparation workers (82%), personal care aides (77%), cashiers (77%), and childcare workers (74%)
- In 2018, the median annual wage in California for home health aides was \$27,947 and for maids and housekeeping cleaners was \$26,363. Over 2 million workers are currently employed in care work in California, up from ~500,000 in 1990
- Projected growth from 2016-2026 of 248,000 personal care aides (\$11.74 median hourly wage), 81,100 food preparation and serving workers (\$11.63), 50,300 laborers and freight movers (\$13.66), waiters and waitresses (\$12.42)



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1 | Address the unequal distribution of wages, income and wealth (continued)

▶ Gains from productivity, while benefiting corporations and capital holders, haven't been shared with workers

- Average worker productivity in California rose by 89.1% between 1979 and 2013, yet median compensation to workers increased by only 2.9% in that same time period

▶ Income inequality in California continues to grow...

- Between 1994 and 2013, the average adjusted gross income for the top 1% rose by more than 80% while for the bottom fifth it fell by around 8%
- By the early 2010s, the average family in the top 1% of California's income distribution made in 1 week what the average Californian family made in 1 year

▶ ... and wealth inequality is even more significant

- In the United States, median net-worth of white-headed households was \$171,000, nearly 10 times median net worth of Black-headed households and 8 times median net worth of Latino-headed households
- In Los Angeles, white households have a median net worth of \$355,000, compared to \$4,000 for African Americans, and \$3,500 for individuals of Mexican heritage

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2 | Tackle workforce inequalities across race and gender

Wage gaps, employment gaps, occupational access, segregation and disproportionate employment in low-quality jobs create unequal outcomes for different people in California. Such inequalities affect different groups of people by gender, race, age, education level, sexual orientation, disability status, military service history, housing status, citizenship status, criminal record, and other vulnerable populations. The Commission is deeply committed to addressing inequalities of race, gender, and generational inequality in California's workforce. Some example (not comprehensive) observations:

▶ California's workforce faces inequalities in employment and wages, across race and gender

- In 2018, 4.4% of white workers in California were unemployed, versus 6.6% of Black workers and 5.3% of Latino workers
- Median hourly wages for full-time, year-round workers in California are: Native American (\$20.31), Asian/Pacific Islander (\$27.52), Latino (\$16.10), African American (\$22.45), Non-Hispanic White (\$29.52)

There is also significant diversity within these racial and ethnic groups. Aggregate data can obscure the challenges faced by particular groups, such as Southeast Asians, and the Commission recognizes the need to further understand the range of outcomes facing our diverse workforce

- Women employed full-time earn 88% of the \$925 median weekly earnings of men

▶ A significant barrier to economic mobility is the fact that benefits from education are unequal across races, ethnicities, and generations

- A college degree provides a large boost in earnings for White and Other Races, and only a small boost for Black and Hispanics; the overall boost provided by a college degree—both to income and especially to wealth—is declining across generations

- Even with higher education, median wages are unequal by race:

For workers with a HS diploma, median wages in California in 2016 were White (\$21), Black (\$17), Latino (\$15), Asian or Pacific Islander (\$15)

For workers with a BA degree or higher: White (\$38), Black (\$30), Latino (\$28), Asian or Pacific Islander (\$38)

▶ Other vulnerable populations face workforce inequalities and are important to consider in California, including undocumented immigrants and those that have gone through the justice system

- 28% of Californians are immigrants, including 2.7 million undocumented Californians—two-thirds of whom have lived in the US for longer than a decade
 - Immigrant households have a median household income of about \$53,374, significantly below the \$68,006 for US-born households, and only \$37,006 for households headed by undocumented Californians
- California had a prison population of ~130,000 in 2016, the largest in the country

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3 | Tackle workforce inequalities across geography

Economic conditions and a growing divide between counties and regions, and between rural and urban communities have also led to inequality between different geographic regions in California, as some regions have fallen behind. Inland California generally lags behind the coast and disparities have widened, with Fresno, Bakersfield, and the Inland Empire metro regions slipping behind as the Bay Area surged and Orange County and San Diego have improved. In particular, while logistics and warehousing in the Inland Empire, and agriculture in Central Valley, have contributed to employment growth, these sectors are not known for providing quality jobs. Some example (not comprehensive) observations:

▶ Income inequality exists between geographic regions in California

- Median household incomes in 2016 range from \$110,000 in San Mateo and San Clara counties, to \$104,000 in San Francisco and Marin counties, less than half of that in Fresno and Kern Counties, \$61,000 in Los Angeles county, and \$82,000 in Orange County
- Poverty rates are 6.8% in San Jose Area but 30.8% in San Joaquin Valley

▶ Lagging regions are poorly positioned for future growth, with a lower share of GDP in high-growth industries and lower educational attainment

- “Trailing” cities, like Madera, have <25% of GDP in high-growth industries such as finance, technology and healthcare, compared to over 50% of GDP in high-growth, urban areas like Santa Clara County, Los Angeles, and San Francisco
- These same trailing cities also have less than 15% of the population with a BA degree or higher, compared to 50% in Santa Clara County and ~35% in San Francisco and Los Angeles

4 | Ensure that more workers have quality jobs

Not all jobs are equal or of sufficient job quality. Despite historically low unemployment in this state and country, we are still seeing not only stagnant wages and staggering high levels of income and wealth inequality, but also different levels of job quality and benefits. That divide requires the government to develop better metrics to track the health of the economy for workers and it requires all sectors to partner in defining and creating quality jobs that support economic mobility and provide adequate benefits.

At a high level, 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, professional development and career advancement. A clear definition of what makes a quality job will be important to align understanding amongst stakeholders and improve incentives to offer such jobs, and the Commission will seek to further define these characteristics, as they uniquely apply to California, as part of its work.

The rise of contracting, misclassification of workers, new employment models (including growth in the use of temp agencies and gig work), concentration of corporate power and monopsonies, and violations of employment law and workers’ rights, could contribute to the continued growth of low-quality jobs, disproportionately impacting vulnerable workers. Anticipated growth in industries such as care work, restaurant and janitorial work—where low wages are rampant—threaten to exacerbate poverty.

About 41% of workers in California are at firms with fewer than 50 employees, while 15% are employed by firms with more than 1,000 employees. Providing quality jobs is a particular challenge for California’s small and medium size businesses grappling with a multitude of hurdles, including low margins as they compete against bigger companies in increasingly consolidated industries.

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4 | Ensure that more workers have quality jobs (continued)

▶ There is a gap between what California workers find important for a good job and how satisfied they are with those dimensions

- 10 dimensions of job quality were considered: level of pay, stable and predictable pay, stable and predictable hours, control over hours and/or location, job security, employee benefits, career advancement opportunities, enjoying your day to day work, having a sense of purpose and dignity in your work, having the power to change things about your job that you're not satisfied with
- While all factors are important to workers in California, the most important are enjoying your day-to-day work (93% of workers), job security (93%), having a sense of purpose (92%), and stable and predictable pay (90%)
- However, workers aren't satisfied across many dimensions, in particular: having the power to change things (only 47% satisfied, with 42% of the bottom 40% of workers and 46% of the top 20%); career advancement opportunities (45% satisfied, with 31% of low-income workers); employee benefits (59% satisfied, with 44% of low-income workers satisfied)

▶ Less than half of California workers are in good jobs

- 19% of CA workers surveyed are in "bad jobs", 40% in "mediocre jobs", and 41% in "good jobs"
- For the bottom 40% of income, this rises to 34% in bad jobs and 36% in mediocre jobs

- Geography: Bad jobs are more prominent in other counties (26%) outside Southern California (19%) and the San Francisco Bay Area (9%)
- Gender: Female workers are in good jobs (47%) at a higher rate than men (35%)
- Age: Good jobs are lowest for young workers 18-34 (34%) and older workers 60-85 (38%), while 48% for workers aged 35-49 and 45% for workers aged 50-59
- Education: Those with a Bachelor's degree have a lower rate of bad jobs (9%) than those without a Bachelor's degree (25%)
- Immigrants: Non foreign-born workers (21% in bad jobs, 39% in good jobs) have lower job quality than foreign-born workers (6% in bad jobs, 51% in good jobs)

▶ Access to benefits has declined in California

- Healthcare: 56% of Californians ages 18-63 have employer-sponsored insurance in 2016, versus 61% in 2002
- Retirement: 37% of California private sector employees age 25-64 have access to a workplace retirement plan in 2018, versus 53% in 2000

▶ Independent work is growing

- 9% of California's workforce does independent contracting as their primary job, higher than the national rate

5 | Empower worker voice and organization

Shrinking worker power and organization, including a decline in unionization rates, is connected to inequality, declining job quality, and violation of workers' rights. Current labor laws do not provide adequate paths for unionization, making it more difficult for these civil institutions to help counter-balance the economic power of corporations and act collectively to enforce existing labor laws. Labor market concentration and the rise of fissured workplaces present new imbalances and obstacles to worker power and influence. Strong unions, in their current forms and in new forms, are essential to the future of workers.

- ▶ **Union coverage:** 15.8% of California workers are covered by a union contract in 2017, versus 25.9% in 1983; in the private sector, this fell from 19.7% to 9.2%

- ▶ **Union effect on wages and benefits in California:** Workers who are represented by a union in California experience a 12.9% premium in hourly wage; 37.2% premium in likelihood of health insurance; 51.5% increase in likelihood of retirement plan or pension; 30.6% decrease in use of at least one safety net program; and 37.1% decrease in the likelihood that the family is low income

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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, healthcare and other essential goods limit the ability to access employment for some individuals, and place a substantial burden on low-wage and even middle-wage workers. Additional barriers including incarceration, disability, immigration status, and homelessness prevent individuals from accessing work. Some example (not comprehensive) observations:

▶ Many Californian workers earn wages below what would be required to afford minimum standards of living

- If cost of living is based on typical expenses (including food, childcare, medical, housing, and transportation), a family with two parents (both working) and two children, it is estimated that each parent would need to earn \$16.39/hour in California to afford minimum standards of living
- Estimated living wage varies across major regions within the state, from \$17.19/hour in Fresno to \$22.76/hour in San Francisco/Oakland

▶ California is the second most householder and renter burdened state

- 35% of home-owning households spend more than 30% of their household income on housing costs
- 63% of Black households and 61% of Latino householders are rent-burdened (>30% of income on rent) versus 52% of white households and 50% of Asian-American households

- Home ownership is generally lower in California than the US, and the gaps between race are more pronounced: home ownership rates are 62% for whites, 58% for Asian Pacific Islands, 42% for Latinos, and 33% for African Americans

▶ Californians struggle to access childcare

- Only 23% of working parents with children up to age 12 in California had a licensed childcare slot available for their child in 2017

▶ California's workers also face growing commute times

- Average commute times are shortest for white Californians (27.1 minutes in 2015) and longest for Black Californians (31.0 minutes in 2015)
- 70% of California's public transit users are people of color

7 | Modernize and strengthen the social safety net

The current social safety net has not yet adapted to the realities of the labor market of today and in the future, including increased income volatility, less 'traditional' employment relationships, and more contingent work, especially for people newly entering the workforce. It will need to adjust for anticipated demands, including that of an aging population, growing numbers of working parents and to accommodate greater need for care. Here, there are opportunities to learn from other regions around the world.

▶ Social security burden is amplified by the prevalence of low-wage work

- Half of California state expenditures on Medicaid/CHIP and Temporary Assistance for Needy Families (TANF) goes to recipients in working families

that ratio will rise to 56 seniors for every 100 working-age adults by 2060

▶ An aging population will place further burdens on the social safety net

- There are currently 28 Californian seniors (65+) for every 100 Californians of prime working-age (25-64);

▶ The current system faces challenges with eligibility and usage

- Only ~44% of recently unemployed Californians receive UI benefits

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New opportunities and challenges in the future of work

In preparing for its interim report, the Commission seeks to further build its understanding of how work in California will change and evolve over the next four decades, in an era of constant change and disruption, including understanding the impacts of technological change and increasing use of data, climate change and the transition to a carbon-neutral economy, growth in new jobs and required skills, and anticipated shifts in California's economy.

8 | Support workers in transition

While fears of significant job loss as a result of technological change are overblown, displacement due to automation, as well as impacts from climate change, will require many workers in California to change occupations, build new skills, or relocate. California is ground-zero for many of the technologies that complement work, displace workers, or change the nature of work. The state has also committed to becoming a carbon-neutral economy by 2045; both these realities will result in transitions for the workforce, that will take time and can be disruptive and challenging for displaced workers, who will need support and access to stable safety net programs. Given the ever-changing nature of work in the digital age, it is important to consider that disruption will be a constant for workers and our economy, and will require more agile systems and support for employees and employers alike.

► Projected job growth varies across the state

- Considering a mid-point automation scenario, projected net job growth from 2017-2030 is estimated to be: San Francisco (12%), San Jose (17%), Los Angeles (7%), San Diego (9%), Sacramento (11%), Susanville (-16%)

► Occupation displacement is expected to be concentrated in certain sectors and demographic groups

- From 2017-2030, expected employment growth in midpoint automation scenario: Highest displacement is in Office support (-13%), Food service (-8%), Production work and machine operations (-5%), mechanical installation and repair (-5%)

- Occupations with highest displacement include office clerks (126K, primarily female and African American), retail salespersons (122K, primarily young people), stock clerks and order fillers (119K, primarily young people, African American and Hispanic), farmworkers and laborers (117K, Hispanic and less than high school education), and bookkeeping and accounting clerks (114K, primarily female)

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

Adoption of new technologies in the workplace will create new opportunities and challenges for workers and employers. Workers will require adequate protections and transparency around collection of data in the workplace, benefits from the data they generate, and mitigation of algorithmic bias in areas such as hiring and worker assessment. Employers and workers should both play a role in creating and directing new technologies that will directly impact their activities and the ways they interact. At the same time, the public is not getting a fair return on public investment into foundational and enabling technologies, which are increasingly concentrated rather than being distributed within and across the state. California could lead the nation by experimenting with different approaches to protect and value worker's data. The Commission may consider both compensation (including questions of data ownership, access, and dividends), control, and equity (including connectivity and access to broadband internet, as it relates to work).

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

The skills of the current workforce may not satisfy the future demand by employers for specific skills in the shifting labor market, including critical thinking, collaboration, and creativity, in sectors from care work to climate mitigation to digital technology. Despite a need for workforce development, training, education, and apprenticeship programs, investment in these areas has declined. Education, life-long learning programs, and re-skilling efforts will be increasingly important to help employers bridge the skills gap as work and occupations evolve quickly.

- ▶ **Job growth is anticipated in a variety of sectors, which will require different types of training, education, and skills**
 - By 2026, expected growth in California in specialized roles including software developers (53,800), registered nurses (45,800), carpenters (24,900), medical assistants (24,800)
 - From 2017-2030, expected employment growth in midpoint automation scenario is highest for Health professionals (44%), STEM professionals (36%), Health aides, technicians and wellness (29%), business/legal professionals (19%)
- **Educational demands are high, but may not necessarily reflect the skills required for emerging jobs**
 - Projections indicate that 44% of jobs in California will require at least an A.A. or B.A. degree in 2020
- ▶ **There is growing demand and a skills gap in the energy-efficiency sector**
 - Over 40% of employers in the energy-efficiency sector report that it is very difficult to find employees

11 | Make the most of California's position as a global leader in innovation, to make California the place where workers thrive

California is a leader in innovation and development of technology that has been an engine of economic growth. California has a diverse set of assets: the diversity of its people, strength in agricultural production, a world-class university system, and technology innovation in Silicon Valley, to name a few. The recommendations of this Commission should enable workers, employers, and communities to thrive in the future economy, and support and incentivize growth and high-quality jobs in sustainable sectors of the state's vibrant economy. The aspiration of this Commission is to make the Golden state gold for everyone.

Note: All facts cited in this document are from materials shared publicly and with the Commission, and can be found at: <https://www.labor.ca.gov/labor-and-workforce-development-agency/fowc/meetings/>



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Portfolio of recommendations: Dimensions

The Commission's portfolio should include a balanced set of solutions and recommendations that aim to set the basis for a shared prosperity in a healthy and economically vibrant California for years to come by ensuring we...

Address a range of problem categories

As described above

Enable results across various time horizons

- ▶ **Short-term:** Tackling challenges experienced today and ongoing
- ▶ **Medium-term:** Tackling challenges we anticipate facing in the near-term
- ▶ **Long-term:** Tackling challenges we may not even be aware of yet

Involve a number of actors

- ▶ State government (as a legislator, regulator, employer and investor)
- ▶ Local government
- ▶ Employers and industry
- ▶ Investors
- ▶ Workers and unions
- ▶ Non-profit organizations
- ▶ Philanthropy
- ▶ Community organizations
- ▶ Academic and educators
- ▶ Coalitions, including tripartite agreements of employers, government and workers

Create diversity of impact across people and places

- ▶ People impacted: race, gender, age, education level, military history, citizenship status, disability, housing status, criminal history, etc.
- ▶ Places impacted: urban / rural communities, across cities and counties

Test approaches of varying scale to inform further action

- ▶ **Experiment:** Innovative ideas run as an experiment and can be tested and iterated on at a small scale
- ▶ **Scalable:** Solution that has been tested and proven elsewhere, and is ready to be scaled
- ▶ **Moonshot:** Ambitious, exploratory and ground-breaking idea that tackles a very difficult problem



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