



CALIFORNIA FUTURE OF WORK COMMISSION

The Present and Future State of Work in California

Summary of Convening 1 | September 10–11, 2019 | Sacramento, California

About the California Commission on the Future of Work

The overarching goal of the Future of Work Commission is to develop a new social compact for California workers, based on an expansive vision for economic equity that takes work and jobs as the starting point. The Commission’s primary mission is 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 society.
- ▶ Methods of promoting better job quality, wages and working conditions through technology.

- ▶ Modernizing worker safety net protections.
- ▶ The best way to preserve good jobs, ready the workforce for jobs of the future through lifelong learning, and ensure prosperity for all.

The key questions guiding the commission are:

- ▶ What is the current state of jobs and work in California?
- ▶ What factors have created these conditions?
- ▶ What is our vision for work and jobs in the future?
- ▶ How can we chart a path to reach that vision?

Commissioners Present at Convening 1, September 10–11

CO-CHAIRS

Mary Kay Henry*, president of the Service Employees International Union

James Manyika*, chairman and director of the McKinsey Global Institute

Roy Bahat	Lance Hastings	Stephane Kasriel	Peter Schwartz*
Doug Bloch**	Carla Javits	Fei-Fei Li	Henry Stern**
Soraya Coley	Saru Jayaraman*	John Marshall	Mariana Viturro
Lloyd Dean*	Tom Kalil**	Art Pulaski	Betty Yee
Jennifer Granholm**	Ash Kalra*	Maria Salinas	

*Absent September 11

**Absent September 10+11

About Institute for the Future (ITF)

Institute for the Future (ITF) is working with the California state team to coordinate the Commission. ITF draws on its 50 years of research and experience in convening discussions of urgent future issues to support the efforts of the Commission to build a strong vision for the future of work in the state. ITF has been a leading voice in discussions about the future of work for the past decade, seeking positive visions for a workforce undergoing transformational change. As a facilitator of the Commission’s work, ITF will help guide the convenings, establishing the comprehensive understanding necessary to build a world-class workforce of the future. ITF will draw on the work of its Equitable Futures Lab to frame these discussions of future jobs, skills, and labor policy in terms of creating an equitable economy where everyone has access to the basic assets and opportunities they need to thrive in the 21st century. The Equitable Futures Lab at ITF combines expertise in social science, quantitative research, policy analysis, and public engagement with proven foresight methodologies to develop and prototype innovative solutions for an equitable future.

The work of this Commission is supported in part by the John Irvine Foundation, the Ford Foundation, and the Lumina Foundation.

For more information, contact:

Anmol Chaddha	Julie Su
Institute for the Future	California Labor Secretary
achaddha@iftf.org	julie.su@labor.ca.gov



OVERVIEW | Convening 1 | September 10–11

BY THE NUMBERS

- From 1978 to 2018, worker productivity grew by 259% but compensation grew by only 11%
- Only the top 10% of workers have seen income growth since 1980
- One-third of California workers make less than \$15/hour

Low-Wage Worker Profile:

- 94% are over age 20
- 24% have a college degree
- 57% are Latinx

The probability of low wage employment is reduced by:

- 39% if covered by a union contract
- 33% if worker has a college degree

URGENT POLICY FUTURES

Equitable Distribution of Wealth

Economic inequality is a barrier to economic growth. To grow good jobs addressing the distribution of wealth is the first order of business—and the first obligation of government.

- Rethink taxes
- Invent new economic institutions
- Regulate monopsony
- Support public sector jobs
- Set standards to reduce the pay gap between CEOs and workers

An Engaged, Adaptable, and Sustainable Workforce

Reskilling for a technology-driven future and a world in the grips of climate change is necessary but not sufficient for a vibrant workforce.

- Create higher “union density”
- Strengthen sectoral supply-chain bargaining
- Set new standards for worker voice in new institutional forms
- Create a certification utility for worker certifications
- Eliminate occupational segregation

Quality Jobs for Quality Lives

The most visible signal of eroding job standards is the growth of low-wage jobs. Start by focusing on the 35% of job growth that will be low-wage jobs.

- Improve wages
- Invest in home care and child care, doubling wages for these jobs
- Support full employment
- Enforce employment law
- Provide incentives to companies with “high-road” job benchmarks

Technological Augmentation and Disruption

A robot apocalypse is neither inevitable nor even likely. We can decide what to embrace and what to reject—if we have adequate information and understanding.

- Establish an FDA-like state agency to regulate algorithms
- Build pro-social guardrails for task matching platforms
- Create a California Office Technology Assessment

Worker Rights in a Data-Driven Future

Worker data rights will emerge over the next decade as one of the most important policy issues in the labor economy. A worker’s bill of rights should include:

- Right to see their own data
- Right to take their data with them
- Right to amend their own data
- Right to know how their data is used
- Right to benefit financially from the intellectual property that’s built on data gathered from their work activities

A New Social Compact for Work

An exclusive focus on shareholder value has distorted the relationship among corporations, government, and workers. A new social compact is needed.

- Codify new corporate social obligations
- Create new SEC accounting for human capital
- Leverage climate change to reframe labor policies & practices
- Expand public investment in childcare, home care, and early education
- Rethink the safety net for older workers

WHERE TO LOOK FOR WHAT’S NEXT

Business Roundtable

Put teeth in the redefinition of the purpose of a corporation

Quality Jobs Fund

Investigate existing funds that channel low-cost capital to “high-road” companies

The Hollywood Model

Explore ways for freelance and gig workers to have collective bargaining

The Detroit Treaty

Update this template for how to build middle-class growth

Human Capital Management Coalition

Investigate new ways of thinking about ROI on human labor development

Philanthropy for Labor

Use California’s outsized philanthropic wealth to build labor power

Introduction

California’s workers—and indeed workers worldwide—find themselves in a transformative moment in history. This moment is shaped by economic, organizational, technological, demographic, and environmental factors that pose unprecedented challenges and opportunities for California’s workers and their families.

Income and wealth inequality threaten the social cohesion of our diverse society, while technologies, including artificial intelligence, are re-shaping the structures and content of work in virtually every sector. Education, which has been the reliable pathway to upward worker mobility in the past, is no longer sufficient to guarantee a good job with a livable income and long-term economic security. Meanwhile, climate change is steadily disrupting economic productivity and citizen lives across large swaths of the state.

This is not the first major industrial transition in California’s history, and its outcomes are not inevitable. History reminds us that we can forge a new and vibrant economy when government works with worker groups, businesses, philanthropic organizations, and its citizens to create good jobs and to ensure that the fruits of economic prosperity are shared equitably. Even as fears of a robot apocalypse fill the news, we recognize that we can shape the future of the technologies we employ—to augment human workers rather than replace them.

We can develop and update our tax policies to encourage investments in good jobs. We can create new corporate forms and regulations to assure that all stakeholders benefit from corporate productivity, not just shareholders. We can uplift worker voices and establish labor standards for good jobs in good companies. And we can reconfigure the safety net for all Californians, to make sure that good jobs are matched by affordable housing, health care, childcare, and transportation. This brief summarizes the *urgent futures* that surfaced during the first meeting of the California Commission on the Future of Work. Urgent futures are areas demanding our attention today in order to prepare for and shape an equitable and just economy in California.

California has always been a launching pad for ideas and innovations that influence the entire nation and even the world beyond. This commission, then, is a call to action for both the public and the private sectors to think boldly about the urgent futures that will shape the lives of Californians throughout the 21st century—**to create a new social compact for our state that will be a model for the world.** For more information: the [announcement](#) of the Commission, its [members](#), [agendas](#) and [onboarding materials](#).

Equitable Distribution of Wealth

BACKGROUND US workers today are living in a time of extreme inequality. The last time the nation saw such concentration of wealth was in the 1920s, a time leading up to the Great Depression and ultimately the rise of the New Deal.

Between the end of the world wars and the mid-1970s, the United States saw steady annual growth in both average worker wages and productivity. But in the late 1970s, these trajectories decoupled: from 1978 to 2018, worker productivity grew by 259% but compensation grew by only 11.6%. Rather than distributing the productivity gains to workers, the increase in profits has been redirected to shareholders. Since 1980, the only gains in wages have accrued to the top 10% of earners, with the vast majority of growth limited to the top 1%.

These dynamics are connected to the rise of an ideology that relies on the market as the organizing force of society. According to this theory, the less control exerted over the market, the better the market will be able to organize and manage distribution of wealth across society. From the 1980s to the present, this approach has led to downsizing of the social safety net, reductions in income tax rates for

the highest-earning individuals, cuts in corporate taxes, and systematic undermining of unions and protections for workers. Without higher wages to keep up with rising costs of living, people have turned to consumer credit to make ends meet. In a recent study by the New York Fed, California had the highest average debt per household at \$71,470.

In addition to wage stagnation and reduced public support, leading economists have demonstrated that, since the late 1970s, the ability to earn money through investment of wealth (the rate of return on capital) has outpaced the ability to earn money through labor (rate of growth in wages). The result: the rich get richer, and everyone else stays where they are. Today, in the US and in California, wealth disparity is much greater than income disparity. And because wealth is passed from generation to generation, the effects magnify over time.

The wealth gap is most extreme when viewed across demographic factors like race and gender. The racial wealth gap is vast and transcends qualifiers like level of educational attainment: the median wealth of Black families who do have a college education is below the median wealth of white families who do not.

POLICY ISSUES California's expansive vision for economic equity needs to include not just income but asset-based wealth. It must also acknowledge and address the role of corporate consolidation in contributing to wealth inequality. Commissioners discussed the following mechanisms for promoting the equitable distribution of wealth in California:

- ▶ Regulate or otherwise intervene in monopsony to reverse the concentration of hiring power in the hands of a few and ensure that the labor market is competitive and fair.
- ▶ Rethink taxes, including how wealth is taxed and how to use tax incentives for corporations to solve for liveable wages and 'high road' employment practices.
- ▶ Establish new kinds of institutions designed to rebalance economic power, including new forms of cooperative labor and collective bargaining designed especially for novel employment contexts like the gig economy.
- ▶ Promote accessibility, processes, and institutions to increase worker access to their legislators and political leaders to balance the access that people of wealth have.
- ▶ Set standards for executive pay designed to reduce the extreme gap between CEO & worker pay.

Quality Jobs for Quality Lives

BACKGROUND The face of the labor economy has been changing steadily since the 1980s, when a general trend toward deregulation began eroding job standards that supported a strong middle class of the 1950s and '60s. The most visible signal of eroding job standards is the growth of low-wage jobs. Today, the fastest growing jobs are projected to be low-wage jobs—jobs in the retail, restaurant, and personal care industries. In addition to low wages, these jobs are also fracturing into part-time jobs with unpredictable schedules that increase the worker burden, particularly the burden of child care or caring for older members in the household.

At the same time, a steady growth of subcontracting and freelance work has *fissured* the labor economy. Subcontracting is a defining feature of the service economy, where whole sectors (such as janitorial services) have been created by breaking the direct connection between the workers and the businesses that use their services. In addition to low pay, these service sector jobs break the chain of liability, so that, say, a large hotel corporation is no longer responsible for job safety, discrimination, and sexual harassment of janitorial workers in their hotels.

Subcontracting is a way for large corporate employers to distance themselves from the costs, both direct and indirect, of maintaining a workforce. Subcontracting tends to depress wages: for a large corporation wages are often a small proportion of the overall budget, while a subcontractor's budget is largely composed of wages, increasing the pressure to reduce wages in order to achieve larger profit margins.

A more extreme fissuring of the workforce occurs when platforms become the employer of record for all kinds of work—from the taxi-style service of companies like Uber and Lyft to delivery services. Workers in these jobs can be subject to daily algorithmic variations in their wages, calculated from a combination of shifting demand, schedules, and ratings of customers.

Finally, low-wage jobs have been systematically portrayed as low-skill jobs, implying that upskilling is the solution. Yet about 14% of low-wage workers in California (those earning under \$15 an hour) have Bachelor degrees. Low-wage jobs, then, are jobs that systematically depress the value of the job, regardless of the skills of the worker.

POLICY ISSUES A policy platform for the future of workers in California should start by focusing on the 35% of job growth that will be low-wage jobs (defined as two-thirds of the median wage.) This is where a comprehensive job quality policy will have the greatest impact on California's labor economy, providing better lives for many of the most vulnerable workers while addressing the larger question of economic inequality.

Job standards are inseparable from quality-of-life factors such as affordable access to health care, child care, retirement savings, housing, and transportation. They should also address the portability of these basic benefits of participating in the labor economy, as well as flexibility about when and where to work. The policy for a strong future workforce should both raise wages and address the cost of living.

In addition to improving wages, the following approaches were discussed by the Commissioners and deserve further investigation:

- ▶ Support a Quality Jobs Fund that makes cheap capital available to businesses that meet job quality benchmarks, perhaps tied to CEO-to-worker pay disparities.
- ▶ Develop policies that support full employment.
- ▶ Strengthen enforcement of employment law, especially among subcontractors.
- ▶ Invest in home care and child care work by doubling wages for these jobs.
- ▶ Address the deliberate misclassification of workers to avoid regulations.

Workers in a Data-Driven Future

BACKGROUND In today's global economy, data is becoming a new currency of exchange. Already consumer data has reinvented everything from advertising to retail, logistics, media, and even course-based learning as companies race to capture the wealth of value in the smallest details of everyday transactions. They then use or sell that data, synthesized and analyzed, to invent new products and services and sell those to new consumers.

This kind of consumer data capture is now set to reinvent the labor economy, as worker data begins to fill the cloud with repositories of worker profiles: individual skills, work histories, ratings and evaluations, and even moment-by-moment worker performance in highly monitored environments.

Consumer and worker data are the twin pillars of the rapidly evolving service economy that displaces steady jobs with today's app-driven tasks, where many employers interact primarily with data profiles rather than the actual people they employ, using algorithms to set demanding performance standards and even hire and fire workers. These algorithms, in turn, are trained on actual workers whose skills and performance, monitored continuously, contribute to the intellectual property that make these services effective. In effect, the lowest paid workers are becoming trainers for the algorithms that are designed to manage them and even ultimately displace them—without any dividend on the intellectual property they help create.

POLICY ISSUES Worker data rights will emerge over the coming decade as one of the most important policy issues in the labor economy. According to Annette Bernhardt (UC Berkeley Labor Center), frameworks for addressing these issues and the necessary standards have not been formalized. She estimates that there's perhaps a two-year window in which to shape their direction. A basic worker bill of data rights might include the following:

- ▶ Like consumers, workers should be able to see the data that is gathered about them.
- ▶ Workers should be able to petition to amend their data.
- ▶ Workers should be able to take their data to another job.
- ▶ Workers should know when and how their data is being used.
- ▶ Workers should have a voice in the way that data and algorithms are being introduced and used in an organization.

- ▶ There should be clear, government-sanctioned channels for seeking redress when algorithms cause direct or indirect worker harm.
- ▶ For key workplace technologies, algorithmic impact assessments should be required and made accessible to workers.
- ▶ Workers should derive financial benefit from the intellectual property built on data gathered from their workplace activities, even that gathered at an aggregate (or meta-data) level.

Such a bill of rights should be publicly debated and used to establish a coherent policy of data rights, with special attention to the new emerging automated environments, including instrumented warehouses, autonomous vehicles, and even 3D virtual collaborative work environments.

An Engaged, Adaptable, and Sustainable Workforce

BACKGROUND Today's conversations about the future workforce tend to focus on training for jobs of the future. Upskilling and reskilling are oft-heard proposals, both for meeting the needs of employers and for workers who have been displaced by shifts in the labor market. Technology will continue to disrupt some jobs and create others, while climate change and global warming will drive demand for new workforce skills that meet the needs for disaster response and rebuilding the state's energy infrastructure to reduce carbon emissions.

For individuals, it is true that education and skills are important determinants of labor market outcomes, but the lack of access to education does not explain the growing income inequality in the workforce nor the job

discrimination. In addition to training, workers need access to institutions that amplify their voices in the labor market. According to a 2011 Harvard study, falling union rates explain as much of the rise in wage inequality among men as differences in educational attainment. And a more recent study across 27 metropolitan areas suggests that union membership reduces the likelihood of the low-wage trap for workers by 39%, compared to 33% if a worker has a college degree.

In short, training and education are necessary but not sufficient to build a strong, adaptable workforce where individuals can grow their income while meeting the needs of California's changing economy.

POLICY ISSUES Clearly the task of workforce development is complex, and achieving real benefits for a majority of workers requires multi-dimensional policy interventions. First and foremost is making sure that workers have a strong voice in shaping both government and employer policies.

At the same time, it's important to address the complex problem of education and training for a rapidly changing labor market: Who provides the training? Who has access to it? How can certification be improved to benefit both workers and employers when the job requirements may be changing rapidly? And ultimately, how do you measure employability and ROI on investments in human capital?

Any workforce development policy must thus be two-pronged, focusing on both engaged worker voices and training for adaptability and ultimately sustainability. Specifically, California human development strategies discussed during the Commission meeting include the following:

- ▶ Increase union density across the state.
- ▶ Strengthen sectoral or supply chain bargaining to build both worker voice and benefits throughout an industry rather than in individual companies.
- ▶ Set standards for worker voice in evolving corporate forms that redefine corporate purpose—for example, as proposed by Business Roundtable.
- ▶ Design new institutional frameworks for skills and job certification, perhaps in the form of a certification “utility”.
- ▶ Focus on policies that eliminate occupational segregation as a result of explicit or implicit biases built into career tracks—for example, a disproportionate number of women in nursing and care occupations.
- ▶ Create new SEC accounting practices to value human capital on the balance sheet.

Technological Augmentation and Disruption

BACKGROUND As already stated, reports of a robot apocalypse are much exaggerated. The impact of technology on future workers will likely be shaped by two dynamics: amplification of capacity (augmentation) and the creation of new forms of work which may or may not displace prevailing forms of work. While much of the discussion has focused on the latter, the former—that is, augmentation, will likely prove more important in the long run. As Commissioner Fei-Fei Li explained, we need a more nuanced view of automation.

The emerging platform economy, driven by algorithmic matching of employer needs and worker capacities,

provides a window into the impacts of automation on the workforce. It doesn't replace the human worker but rather restructures the work environment in ways that can have profound impacts on everything from job standards to job discrimination. These impacts are not preordained, however. Technology design, implementation, governance, and oversight can all be shaped in collaboration among technology developers, workers, unions, employers, and state government. It's important to move quickly beyond the hype and hysteria with a full, open-minded, and informed participation by all stakeholders to achieve a future of abundance, sustainability, and equity.

POLICY ISSUES In this dynamic environment, the role of policy will be to ensure that the new technology—as well as the economy it spawns—creates good jobs, with workers included in the decision-making process as well as equitable distribution of technological gains. Policy discussions should address questions such as: What role should public policy, workers, and communities play in shaping the future of technological innovation? How can we secure bargaining rights and benefits in the context of the increasingly “fissured” landscape where “jobs” as a container for labor may become but one of a multitude of options for wage earning? How can we harness technology to reduce bias in the workplace? Initial recommendations to address this urgent policy future might include the following, among others:

- ▶ Prioritize processes for designing and implementing “guardrails” for new technologies in the workforce with full worker participation rather than legislating specific solutions to technologies that are likely to change rapidly.

- ▶ Set social expectations for technology, often reframing both the tools and the work, with enforcement of rules appropriate to the new contexts.
- ▶ Invest public funding in small-scale iterative experiments with labor as a design, implementation, and governance partner.
- ▶ Mandate worker representation in work environments driven by algorithms, including education to make the algorithms understandable to workers.
- ▶ Create a California Office of Technology Assessment to connect policymakers to domain experts in both technological developments and their social impacts.
- ▶ Establish an FDA-like agency for regulating algorithms, with a special focus on evaluating the transparency of these “black box” technologies and providing insight and guidance for businesses and workers to leverage these tools.

URGENT FUTURE 6

A New Social Compact for Work

BACKGROUND American workers drive the economy. Yet, as evidenced by stagnating wages, lack of access to training resources, affordable housing, and health care, America is failing its workers. It's time for a new social compact for work.

A new social compact would go far beyond wage adjustments, though these are important. It would take an expansive view of economic and wealth equity. It would redefine quality jobs in terms of quality lives in the 21st century, which has distinctly different contours than the 20th century in terms of demographics, technology, the global economy, and especially global climate change. It would not only build on the important lessons of the past—such as the Treaty of Detroit negotiated in 1950 by the United Auto Workers—but also encourage robust collaboration and imagination to build a future that works for all Californians, with an attention to the differences

that arise in different geographies within California. It's not a one-size fits all compact. Instead it's a set of core principles and strategies that can be adapted for the benefit of California's diverse communities.

While there are many specific policies to consider—regarding everything from health and wealth to housing, home care, child care, transportation, and even community development—the starting place for this new social compact is perhaps a rethinking of capitalism. As Lance Hastings of California Manufacturers and Technology Association points out, “We’re talking about the future of living, not just work.” Today, there are broad calls for a reevaluation of the ideas and practices of market capitalism, as well as practical innovations to create not just universal basic income but universal basic assets. These are combinations of public, private, and open assets that build the economic strength of entire communities.

POLICY ISSUES The work of the Commission over the next several months will need to focus on outlining the basic elements of this new social compact, focusing on both broad expansive views of the future of our economic systems and on the practical on-the-ground policies that can jump start a more vital workforce immediately. In this latter category, a few core requirements rise to the surface:

- ▶ Expand public investment in childcare, home care, and early education to make these necessities more affordable and accessible to low-wage workers while also increasing the wage floor of workers in these high-growth but currently low-wage sectors.
- ▶ Rethink the social safety net for aging workers.
- ▶ Re-examine tax policies regarding capital expenditures vs. payroll, giving companies the same kinds of tax benefits for

hiring more workers, sharing revenue from automation-driven productivity gains, and workforce training as they receive for capital expenses.

- ▶ Provide low-cost capital to companies with “high-road” employment policies. How can the state partner with private investment to offer growth capital to companies that create and nurture good jobs?
- ▶ Grow public sector jobs for a time of climate chaos, intervening directly to create or upgrade jobs that will be necessary to support California's transition to a green economy while buttressing the state's emergency response workforce in a way that will create and sustain good jobs.
- ▶ Encode a new definition of the purpose of a corporation (i.e. actualize the Business Roundtable pledge).