

California Future of Work Commission

DRAFT EXECUTIVE SUMMARY

California, the fifth-largest economy in the world, has been at the center of many of the world's innovations. While California boasts a strong economy by most measures of growth, too many Californians have not enjoyed the benefits of the state's broader economic success and the extraordinary wealth generated here. While real wages for high-income workers have increased over the past forty 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. Though we anticipate technological change and advancement, the effects of that change are not inevitable. The California Future of Work Commission was established by the Governor to study, understand, analyze, and make recommendations regarding the kinds of work, jobs, safety net protections, and other work-related supports necessary to promote shared prosperity for all Californians through the decades to come.

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?

The Commission has spent 12 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 such as shifts in growing sectors and job types, the evolving nature of modern work arrangements, the increasing costs of many basic necessities such as health and housing, national and global trends, demographic trends, and the impacts of the COVID-19 pandemic as well as anticipated future shocks such as 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. 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 Social Compact the state, employers, workers, and civic society each have roles to play.

This Executive Summary articulates the key **findings of the Commission's work**, and the Commission's recommendation for a **Social Compact for Work and Workers**.

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. These challenges are informed by technological and economic trends underway in

California, many exacerbated by the COVID-19 pandemic, and also anticipate future shocks and opportunities.

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. 33 percent of California's workers make less than \$15 per hour.
2. **Tackle workforce inequalities across race, gender, and vulnerable populations.** Workers in vulnerable populations face wage gaps, employment gaps, and disproportionate employment in low-quality jobs. 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 geographies.** 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 over 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's workers report being in a quality job.
5. **Empower worker voice and organization.** Declining worker power and organization has implications for inequality, declining job quality, and violation of workers' rights. The share of California workers covered by a union contract declined from 26 percent in 1983 to 16 percent in 2017.

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 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. **Modernize and strengthen the social safety net.** The social safety net needs 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, or relocate.

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, a world-class university system, 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. It has amplified and accelerated future trends, and exposed new challenges and imperatives including:

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 under-protected and under-valued despite their importance. Essential 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 employed by SMBs, many of which have limited resources and financial capacity to support the workers and sustain employment when external shocks such as COVID-19 occur.
14. **Restart and accelerate job creation and growth:** The COVID-19 pandemic made over 17 million jobs in California vulnerable to permanent layoffs, temporary furloughs, or reductions in hours or wages. As public health concerns persist, consumer preferences evolved, 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.

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.

Our Vision for California: A Social Compact for Work and Workers

Our vision for the Social Compact is based on a common understanding of shared values between the state, employers, workers and their unions/organizations, education/training institutions, entrepreneurs, investors, corporations, technology developers and platforms, non-profit organizations, and others, and a commitment from each stakeholder to undertake actions, individually and collectively, that uphold these values and realize a new Social Compact for Work and Workers in California by 2030.

The Commission's vision for the new Social Compact includes: (A) Core principles and values for all stakeholders to live up to; and (B) Recommendations with clear and measurable 'moonshot goals' for California to achieve over the next ten years. 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

- 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, and incarceration history, and other dimensions that define vulnerable populations, and for geographies 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.
- 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 non-profits each have unique capabilities and responsibilities to uphold in the Social Compact.
- 4. Be forward-looking.** 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.
- 5. Aspire towards 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 to work towards these goals. Moonshot goals are accompanied by interim milestones that set a practical path to measure progress over time.

B. Priority recommendations for California

The Commission puts forward five priority recommendations for California. For each priority, here we outline a measurable 'moonshot goal' for California to achieve by 2030, the actions

required to make progress towards that goal, and an initial set of proposed initiatives towards 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, job creation and access will be critical to California over the coming years.

The Commission proposes that, by 2030, there are enough jobs guaranteed for all Californians who want to work.

Achieving this goal requires California to address three components:

- **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. 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, including 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 towards 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 ~7 million Californians in poverty reported living in a family with at least one family member working full-time. Working poverty is highest in the service sector and in work-enabling sectors like care work.

The Commission proposes that by 2030, working poverty is eliminated in California for workers in the most vulnerable sectors and occupations, particularly in the hospitality, retail, care, and gig sectors.

Achieving this goal requires California to address three components:

- **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, healthcare, 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 towards this goal includes:

- Raise wages to at least 75% of an indexed living wage measure for 50% of workers in the hospitality, retail, care, and gig sectors by 2025. This would include eliminating all exemptions so that every worker in CA receives a full minimum wage.
- Create supports for workers to organize in unions and worker associations, including engaging these entities in labor enforcement and supporting worker ownership.
- 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.

The Commission proposes that 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 components:

- **Worker benefits:** Extend and/or enhance benefits tied to employment (e.g., paid time off, 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.

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

- Develop and pilot a portable benefits platform with an initial focus on domestic workers. The portable benefits platform should include a mandate for employer contributions to benefits, and a maintenance of effort provisions 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, affordable housing.
 - Launch a working group 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., universal basic income).
- 4. Raise the standard and share of quality jobs.** Currently, less than half of Californian 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.

The Commission proposes that by 2030, California reverses the trend of declining job quality, and creates at least 1.5 new 'high quality' jobs for every 1 new 'low quality' job.

Achieving this goal requires California to address two components:

- **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 private-sector initiatives to encourage employers and entrepreneurs to create more quality jobs across California.

An initial list of proposed initiatives to advance towards 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 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 for the goals of improving job quality where JQI scores are low and expanding the number of high-scoring JQI jobs.

5. **Future-proof California with jobs and skills to prepare for technology, climate, and other shocks.** Californian workers must be positioned to benefit from future opportunities while being protected from future risks. With ongoing technological and economic transformations, California's workers must be supported in accessing quality jobs, changing occupations, and building new skills.

The Commission proposes that the state defines the 'jobs to be done' to address California's future needs, and by 2030, grows the share of workers employed in these 'future' jobs by 2 to 3 times. In addition, California should grow the number of workers prepared with the skills to work in 'future' jobs by 2 to 3 times.

Achieving this goal requires California to address four components:

- **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 future needs, primarily through private-sector led investment with a government-supported backstop, and with a lens towards jobs quality.
- **Equip workers with skills for and match to 'future jobs':** Incentivize private sector investment and inform priorities for public education and training institutes to ensure workers are equipped with the skills to access and can be matched to 'future jobs'.
- **Complement 'future jobs' through technology:** Position technology to complement, enhance and support working people. Harness California's assets by investing in infrastructure to enhance the state's leadership in technology in a way that creates more quality jobs.

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

- California establishes criteria to designate a 'future' job, based on California's priorities and anticipation of future shocks. California re-evaluates its 'future' job criteria every 2 years. An initial hypothesis of job areas that meet the 'future' job criteria include STEM occupations, green energy occupations, disaster relief occupations, health and care-related occupations, and agricultural occupations.
- California calls on the private sector and provides supply-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 demand-side incentives to the private sector to invest in worker training to ensure that workers are equipped with the skills to access 'future' jobs.

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

Appendix: Proposed Architecture of the Commission's Final Report

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