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(draft)
Economic Prosperity Strategy:
Improving economic opportunity for the Bay Area's low- and moderate-wage workers

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**A product of the Economic Prosperity Working Group (EPWG),
of the Bay Area Regional Prosperity Plan**

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Chapter 1: Introduction

Background and problem statement

The Bay Area is in the midst of a strong economic recovery. Job levels have exceeded the pre-recession peak. The region's unemployment rate has declined from 11 percent at the height of the recession to 6.2 percent in March 2014. Both the pace of job and wage growth and the decline in unemployment have outpaced the national economic recovery. Venture capital funding in the first quarter of 2014 reached the highest level since 2001 and the region captured over 50 percent of the national venture capital funding total.¹

But these benefits of prosperity are not universally shared. The rising tide is not lifting all boats and not yet affecting all parts of the Bay Area. More than 1.1 million Bay Area workers, over one third of the total workforce, earn less than 80 percent of the regional median wage of \$18 an hour and the majority of these workers earn less than \$12 an hour. The number of jobs that pay wages below \$18 an hour has increased during the recovery and is expected to increase even more in the next ten years. An increasing share of the region's workforce is locked in low- and moderate-wage jobs without clear paths to move up.²

Mirroring a troubling nationwide trend, Bay Area job growth appears increasingly bifurcated, with growth concentrated at the top and bottom of the wage scale as the middle continues to shrink. Inequality has risen sharply in the last decade and is now greater in the Bay Area than in the United States or California.³ This rise in inequality is largely due to the decline in middle-income jobs and the stagnation of wages for most workers alongside the rapid increase in wages and wealth (including from housing values) for workers and households at the top of the income and wealth scale.

Table TK: Job Growth by Median Wage

	Share of jobs (2010)	Share of jobs (2020 projection)	Percent Increase	Share of Total Job Growth
High-wage (\$30 and above)	37.7%	38.6%	21.1%	43.8%
Middle-wage (\$18 to \$30 per hour)	26.8%	26.0%	15.0%	22.1%
Low- and	35.5%	35.3%	17.5%	34.2%

¹ PricewaterhouseCoopers, *Venture capital dollars invested in Q1 2014 reaches highest quarterly total since Q2 2001, according to the MoneyTree report*, <http://www.pwc.com/us/en/press-releases/2014/1q2014-moneytree.jhtml>

² Throughout this report, the terms "low- and moderate-wage workers" will be used interchangeably with "lower-wage workers". In all cases, the definition of lower-wage workers is anyone earning \$18 per hour or less. This is equivalent of just under \$36,000 per year of full time work. The term "low-wage" means \$11.25 and less; "moderate-wage" means \$11.25 to \$18 per hour.

³ See: The Bay Area: A Regional Economic Assessment. Bay Area Council Economic Institute Report (October 2012) <http://www.bayareaeconomy.org/media/files/pdf/BAEconAssessment.pdf> p.33.

Moderate-wage (Under \$18 per hour)				
Total	3,173,160	3,749,380	18.2%	100.0%

The region's driving economic sectors are increasingly split between high-skill, high-wage jobs in industries such as professional and technical services and low-skill, low-wage jobs in a range of services from hospitality to childcare to retail. Middle-wage job growth has not kept pace as sharp recent declines in construction and manufacturing jobs have offset gains in other middle wage sectors.

At the same time, the education system is increasingly geared towards preparing students for four-year degrees. There are fewer well-defined career pathways, such as paid apprenticeships⁴, into middle-wage work, and there are many barriers preventing lower-wage workers from having the economic security necessary to pursue training or experience that is often required to move into middle-wage work. The shortage of middle-wage opportunities is especially troubling in our region because of the relatively high cost of living.

Having an economy with social, economic, and spatial mobility is good for everyone. When workers move from lower-wage to higher wage jobs, not only are they increasing their household's wealth and meeting the needs of employers facing a wave of baby boomer retirements, they are also creating a job opening for someone else coming into the labor market. If the upward mobility is a reflection of increased skills, the overall economy benefits through rising productivity and increased competitiveness.

What is the purpose of this report?

The Economic Prosperity Strategy is one of three components of the Bay Area Regional Prosperity Plan,⁵ a three-year regional initiative funded by the U.S. Department of Housing and Urban Development's (HUD) Office of Sustainable Communities and Housing.⁶

As part of this new federal initiative, HUD partnered with US EPA and US DOT to support regional planning initiatives in dozens of metropolitan areas throughout the country. The goal is to create stronger, more sustainable communities by integrating housing and jobs planning, fostering local innovation, and building a clean energy economy.⁷ The Bay Area's regional planning agencies – the Metropolitan Transportation Commission (MTC) and the Association of Bay Area Governments (ABAG)– were awarded one of these grants in late 2012. It provided just under \$5 million over three years for planning and implementation work.

⁴ See: Weber, Lauren. "Apprenticeships Help Close the Skills Gap. So Why Are They in Decline?". Wall Street Journal. April 28, 2014. Available at: <http://online.wsj.com/news/articles/SB10001424052702303978304579473501943642612>

⁵ See: <http://www.onebayarea.org/regional-initiatives/Bay-Area-Prosperity-Plan.html>

⁶ See: http://portal.hud.gov/hudportal/HUD?src=/program_offices/sustainable_housing_communities/sustainable_communities_regional_planning_grants

⁷ <http://onebayarea.org/regional-initiatives/Bay-Area-Prosperity-Plan.html>

The Bay Area's grant focuses on equity, particularly improving housing and economic conditions for low- and moderate-income residents and workers. The Bay Area Regional Prosperity Plan has three parts: the Housing the Workforce Initiative⁸, the Economic Prosperity Strategy⁹ and the Equity Collaborative¹⁰, intended to support equity goals in the overall project.

The Economic Prosperity Strategy was overseen by a broad-based group called the Economic Prosperity Strategy Working Group. This report was written by a team of five core organizations:¹¹

- SPUR, an urban civic group based in San Francisco and San Jose who served as the overall project manager for the project and report;
- Bay Area Council Economic Institute (BACEI) who provided economic and industry analysis;¹²
- Center for Continuing Study of the California Economy (CCSCE) who provided economic and workforce analysis and was involved in all aspects of the project;
- San Mateo Union Community Alliance (SMCUCA) who led the outreach for three of the seven workshops and was involved in all aspects of the project; and
- Working Partnerships (WPUSA) who led the outreach for three of the seven workshops and was involved in all aspects of the project.

The Economic Prosperity Strategy has two components:

1. This report, which is focused on how to move low- and moderate-wage workers in the Bay Area into more middle-wage jobs paying \$18 to \$30 per hour. The research is rooted in a year-long process of research and outreach that engaged hundreds of regional stakeholders with many partners who came together to work on upward mobility for low- and moderate-wage workers in the Bay Area.
2. Pilot projects implementing the ideas in the Economic Prosperity Strategy. The Regional Prosperity Plan provided over \$1 million to support 10 pilot projects in 2014 and 2015. The projects selected respond to the findings of this report and reflect a variety of approaches suggested by the strategies.¹³

This report is the culmination of more than a year of research and outreach with the goal of identifying strategies to create a regional economy with more opportunity for all. In particular, the report focuses on how to move lower-wage workers on a pathway to middle-wage employment and beyond. The continued success of the Bay Area economy requires making sure that people are not stuck at the bottom. This project takes a comprehensive approach to addressing economic mobility. It identifies industries and occupations that are solid middle-wage opportunities and strategies to get lower-wage workers onto pathways into these jobs. But it also is grounded in two

⁸ See: <http://www.onebayarea.org/regional-initiatives/Bay-Area-Prosperity-Plan/Housing-the-Workforce-Initiative.html>

⁹ See: <http://www.onebayarea.org/regional-initiatives/Bay-Area-Prosperity-Plan/Economic-Prosperity-Strategy.html>

¹⁰ See: <http://www.onebayarea.org/regional-initiatives/Bay-Area-Prosperity-Plan/Equity-Collaborative.html>

¹¹ The team also included Eisen|Letunic, who provided assistance in the outreach strategy.

¹² Jon Haveman, a Principal at Marin Economic Consulting provided the economic research for BACEI.

¹³ For a list of pilot projects, see: <http://www.spur.org/blog/2014-01-30/10-pilot-projects-boost-bay-area-economy>

key findings that move this report beyond pathways into middle-wage work:

First, there are not enough middle-wage jobs today for all lower-wage workers to move into. Expanding job growth throughout the economy is an important strategy for expanding economic opportunity even though it does not solve all the challenges of low-wage workers. Economic growth makes it easier for people to find jobs, for firms to raise wages, and for the public sector to provide more education and safety net programs.

Second, jobs at the lower end of the wage scale are likely to grow over time and workers remain in those jobs often their entire careers. Further, having some level of economic security is often a prerequisite for a worker to pursue additional education, training, secure an unpaid internship or other steps to move up to better employment. That suggests that improving the wages and conditions of work for those in lower-wage jobs is also core to an economic opportunity strategy.

Based on these and other findings, this Economic Prosperity Strategy identifies three interrelated goals for the Bay Area to improve upward mobility for lower-wage workers:

- **Goal 1: Strengthen career pathways into middle-wage jobs.**
- **Goal 2: Expand the economy with a focus on middle-wage work.**
- **Goal 3: Improve the conditions for workers in lower-wage jobs.**

This report identifies ten strategies that are tools to achieve these three multifaceted goals.

Methodology: What was the approach to this project?

The approach to the project combined an extensive outreach process (public workshops, focus groups and interviews) with technical analysis and research (literature and best practice review, quantitative analysis of the current and future structure of the labor market). Through these mechanisms, the team gathered input regarding (1) the challenges low- and moderate-wage workers face in accessing career advancement and new job opportunities in the Bay Area, (2) information on existing initiatives, and (3) technical analysis regarding the profile of low- and moderate-wage workers, the structure of the Bay Area economy and the industries and occupations of opportunity with median wages in the middle. These inputs lead to the development of proposals and potential strategies to address the identified barriers.

The goal of the outreach process was to assess barriers and existing initiatives. More than fifty interviews with key stakeholders across the region were conducted. The interviewees included leaders of economic and workforce development agencies, labor organizations, community-based groups, private businesses, educational institutions, and local governments. The gathered information helped frame the content of the workshops.

The second step of the outreach was to host 21 workshops in seven subregions throughout the Bay Area with a total of several hundred participants. There were workshops organized seven sub-regions:

- Inner East Bay (workshops held in Oakland),

- Tri Valley (workshops held in Dublin),
- Central and East Contra Costa and Solano County (workshops held in Concord),
- North Bay (workshops held in Santa Rosa),
- San Francisco City and County (workshops held in San Francisco),
- Santa Clara County (workshops held in San Jose), and
- San Mateo County (workshops held in Redwood City).

Approximately 35 to 50 participants attended each workshop, representing a wide range of perspectives and sectors. The goal was to bring together a mix of perspectives across local government, workforce development, community-based organizations, business, labor, non-profit organizations, transportation and land use to tackle the issue of economic mobility for lower-wage workers. All stakeholders were instructed to work across silos and to identify and help implement strategies to improve broad-based economic opportunity for the region.

In each subregion, the first set of workshops focused on defining and prioritizing barriers to prosperity for low- and moderate-wage workers. The second set of workshops included a larger focus on barriers for businesses. The third and final set of workshops focused on prioritizing solutions and strategies for upward mobility and middle-wage job creation. At the meetings, the consulting team provided data and analysis on the labor market, summaries of the key issues revealed in prior meetings and interviews, as well as information on regional and national best practices.

Because of the need to speak directly with lower-wage workers on their specific barriers to upward mobility, the team also partnered with several community-based groups to speak directly with low- and moderate-wage workers to better understand their barriers. These organizations included A Hand 'n Hand, Asian Pacific Environmental Network (APEN), Communities United for Health and Justice (CUHJ), Marin Grassroots, Michael Chavez Center and Monument Community Partnership, Sacred Heart Community Service, and Youth United for Community Action (YUCA). Through one-on-one interviews and worker focus groups, nearly seven hundred low- and moderate-wage workers in four languages (English, Spanish, Chinese, and Tagalog) were reached.

Assumptions: What are some of the assumptions underlying this report?

This report takes on difficult questions of economic opportunity for lower-wage workers that have often eluded policy makers, activists and many professionals for decades. To focus the project on what is most essential, the following are the key assumptions that inform this report:

1. *A strategy that helps low- and moderate-wage workers move up helps the entire regional economy.* In addition to the fact that it is critical for the regional economy that as many lower-wage workers as possible be prepared to meet the region's changing workforce needs, upward mobility creates openings at the bottom for those entering the regional workforce

2. *This project is about what can be done at the local and regional scales to create a Bay Area economy with more opportunity.* Helpful Federal and state policies (like trade, immigration, wages and other income and benefit support) are noted and discussed. The strategies focus on the local and regional locus of control.
3. *While a growing economy does not on its own improve conditions for all lower-wage workers, it is far easier to increase economic opportunity in a time of economic strength.* Having a strong economy with expanding employment makes it far easier to connect workers to better jobs. In contrast, during recessions and other times of limited economic growth, unemployment and poverty rates increase and existing workers face greater competition for good jobs.
4. *Low- and moderate-wage workers are defined as those who earn up to \$18 per hour.* \$18 per hour is equivalent to 80 percent of the median wage for the East Bay and is approximately 80 percent of the median wage for the entire Bay Area (given that wages are lower in the North Bay and higher in San Francisco, the Peninsula and South Bay). By addressing the needs of LMI workers in the region, the Project will aim to strengthen the overall economy and competitiveness of Bay Area businesses.
5. *The focus is on workers, not households.* Wage levels are based on individual workers. While household income is a better indicator for regional housing affordability, this project is focused on the mobility of individual workers.
6. *The project is not focused on the long-term unemployed or those with significant barriers to basic employment.* Those workers face significant barriers in accessing jobs. Some of these barriers are beyond the scope of the goal of moving lower-wage workers up, but some strategies discussed in this report may assist the unemployed as well.
7. *Employment benefits and/or total annual hours worked are not included in the determination of lower-wage workers.* The analysis of occupations and industries did not distinguish between different types of benefits provided or total hours worked. Instead, the issue of the types of benefits provided in a specific job or the total hours worked are discussed as strategies
8. *Success includes getting some workers on a pathway from today's minimum wage up to a job paying substantially more per hour – even if it's still less than \$18 per hour.* It is not possible for everyone to reach 80 percent of the median wage (since the median would invariably change). But if more workers could move up to \$14 per hour or more, this could create more demand for the lowest-wage workers and help lift their wages.
9. *While housing affordability is one of the most important regional issues directly relevant to lower-wage worker opportunity and well being, this report does not cover housing issues in depth.* As part of the HUD grant, a concurrent working group is exploring housing issues facing lower-wage workers. Housing is discussed in this report primarily as it relates to overall economic growth and worker mobility.

[BEGIN SIDEBAR]

Forces of change affecting the economy

There are many factors affecting the future opportunities for lower-wage workers, including:

- Increased bifurcation in the labor market, meaning the fastest-growing jobs are at the top and bottom of the wage scale. This is a national as well as a regional issue.
- Decline in the share of middle-wage jobs and downward wage pressure on middle-wage work.
- Uncertainty around public investment in education, including K-12 and post-secondary.
- Reconsideration of the benefits of college for some.
- Increased use of contingent workers, part-time employees, and the self-employed.
- Increased emphasis of technology in the hiring process. Digital literacy is essential to get a better job.
- Rise in skill expectations across all industries, but particularly in advanced manufacturing, are creating training and education barriers for workers seeking middle-wage work in these key industries.
- Changes from technology are leading to dramatic and uncertain changes to key occupations. An example is the number of retail jobs being replaced by delivery truck drivers as consumers shift to online purchasing
- Uncertainty of impact from aging workforce and retirement of many skilled workers over the coming years. At the same time many baby boomers are choosing to stay on the job, sometimes for financial reasons.

[END SIDEBAR]

Outline

This report is organized as follows: Chapter 2 describes the region's lower-wage workers—both their similarities and differences with the overall workforce as well as some of the key challenges and barrier they face in pursuing economic opportunity. This chapter also includes findings from the interview and outreach process on key barriers that limit upward mobility for lower-wage workers.

Chapter 3 analyzes the structure of the Bay Area economy and how this affects economic opportunity. This chapter includes an analysis of the industries and occupations of opportunity that provide middle-wage jobs and a discussion of the lower-wage jobs in the regional economy. The chapter also describes the policy inputs to regional economic growth.

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The findings from these initial sections form the framework for the strategies that follow.

Chapter 4 details the three goals and ten strategies identified to move workers to the middle, grow the economy with an emphasis on middle-wage work and to improve conditions at the bottom.

Chapter 2: Understanding the region's low- and moderate-wage workers

Workers at the low end of the wage scale are remarkably similar to the rest of the workforce in key ways: they live everywhere, work everywhere, are employed in every industry, and largely reflect the region's diversity.

The key differences – in addition to their lower wage levels – are that lower-wage workers are slightly younger and have lower levels of education. Also, the outreach process revealed that lower-wage workers face significant barriers to move to higher-wage jobs. In particular, these workers face barriers in accessing training, education and experience as well as the networks to secure higher-wage work.

Finding #1: Low- and moderate-wage workers are younger and have lower average educational attainment relative to the overall workforce.

Lower-wage workers are over 35 percent of the region's workforce. There are about 3.2 million workers in the Bay Area with 1.1 million of them earning \$18 per hour or less.¹⁴

Table: Wage structure of the Bay Area workforce

	2010	Share of total workforce
\$30 and above (upper-wage)	1,196,090	38 percent
\$18 to \$30 an hour (middle-wage)	850,210	27 percent
Under \$18 an hour (low- and moderate-wage)	1,126,860	35 percent
Total	3,173,160	

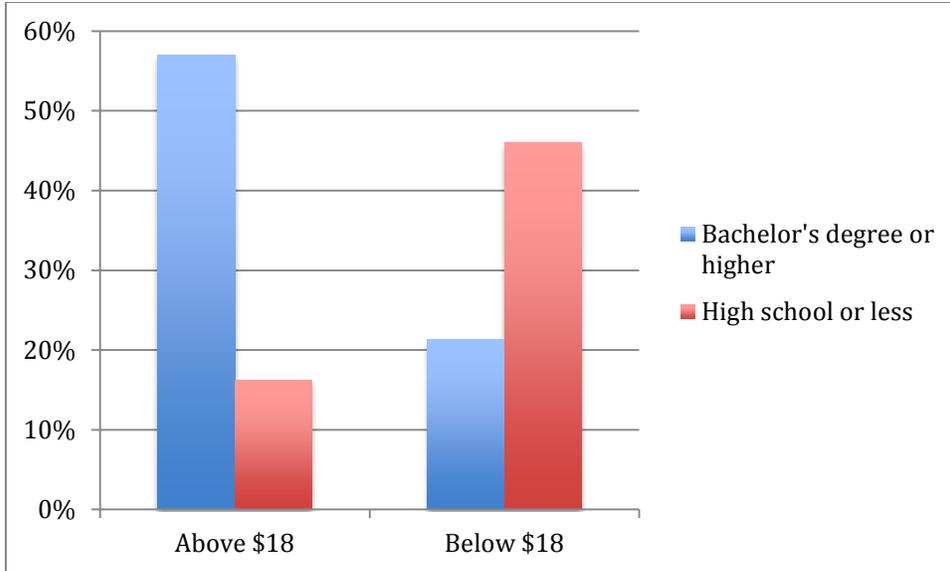
Source: 5-year 2011 American Community Survey (PUMS data)

Lower-wage workers are much less likely to be college graduates and significantly more likely to be high school dropouts compared to the total regional workforce. About one half of lower-wage workers have no degree beyond high school with another quarter having some college and only 23 percent with a degree beyond high school. In comparison, three quarters of higher-wage workers (with wages over \$18 per hour) earned a degree after high school – with nearly 27 percent having a college degree.

Table: Education level by wage level

Caption: Nearly half of all lower-wage workers have a high school diploma or less compared with about one-fifth of workers earning over \$18 per hour.

¹⁴ \$18 per hour was selected as the upper end of "lower-wage" work because it represents approximately 80 percent of the median regional wage. Because the wage data used in this report is by metropolitan district, the \$18 figure is 80 percent of the median wage for the East Bay. East Bay median wages are lower than in San Francisco and San Jose but higher than in the North Bay.



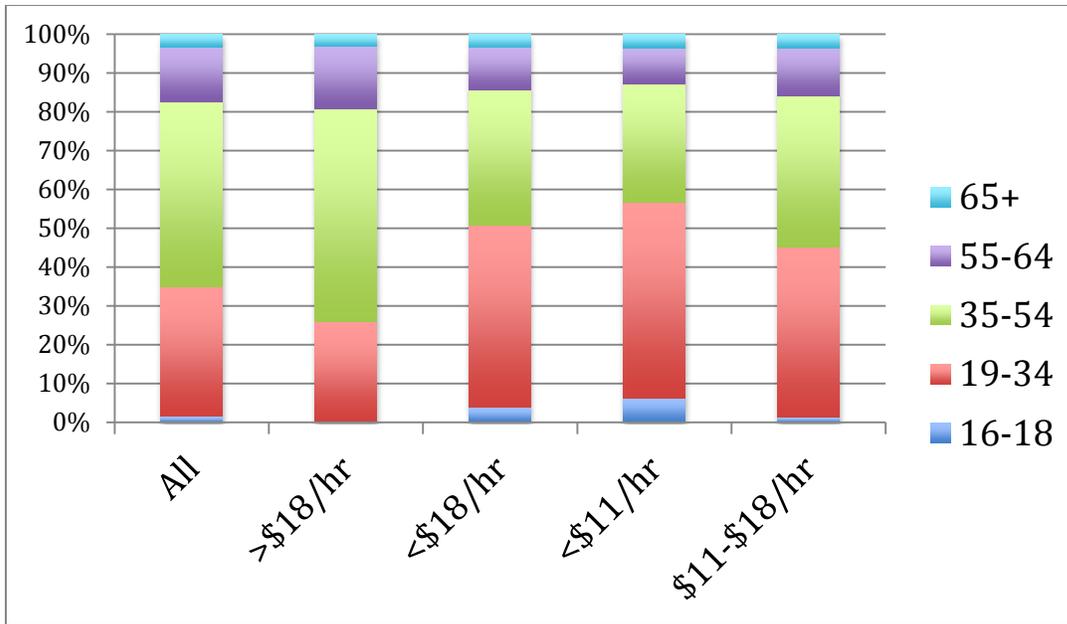
Source: 5-year 2011 American Community Survey (PUMS data)

Educational attainment is also significantly correlated with unemployment: workers with lower levels of education were more likely to have been unemployed in the past five years than workers with at least a college degree.

While lower-wage workers are younger on average than the overall workforce, many people work at lower-wage jobs throughout their entire careers. Nearly half of lower-wage workers are aged 19 to 34, and the vast majority of the youngest workers – the 2.3 percent of the workforce aged 16 to 18 – work in lower-wage jobs. By contrast, higher-wage workers tend to be older than 35. This is not surprising, since wages tend to increase with age and experience.

But not all lower-wage workers are young, and many are supporting families. Over half of lower-wage workers are over 34. This suggests that lower-wage workers may be in such jobs throughout their working lives.

Table: Percent of Bay Area workers at different wage levels, by age cohort, 2010



Source: 5-year 2011 American Community Survey (PUMS data)

As noted before, the demographics of lower-wage workers are not that distinct from the rest of the workforce. The percent of lower-wage workers who are Asian or African-American is largely the same as the overall workforce. Latinos are overrepresented among lower-wage workers (21 percent of lower-wage workers versus 14 percent of overall workforce) and whites are underrepresented (33 percent of lower-wage versus 45 percent of overall workforce).

Finding #2: Lower-wage workers face barriers in attaining the skills, social networks, and on-the-job experience that are critical for upward mobility.

Many lower-wage workers do not have requisite job skills needed to compete for higher wage jobs in a competitive labor market. Much of this skills gap is explained by differential rates of educational attainment between lower-wage and higher-wage workers, which is a major barrier to job access.¹⁵

Some of the most important skill gaps include the following:

- **Basic Skills:** These include math, basic literacy, and GED completion. These are barriers to attaining middle-wage employment and also (at times) to attaining training programs designed to enable lower-wage workers to move up.

¹⁵ During interviews, these issues were cited as a major barrier by every workforce development representative as well as by a number of CBO leaders. Interestingly, the employers and business representatives interviewed had a different viewpoint of skill-related barriers; two-thirds did not mention skills at all, and those that did cite skills as a barrier to growth focused on specific technical skills or on the highest-level soft skills of creativity and critical thinking. It can be hypothesized that middle- and high-wage employers screen out workers lacking basic or soft skills early in the hiring process. This bifurcation of priorities indicates that skills-related barriers manifest in very different ways for employers than for lower-wage workers and the training providers that serve them.

- **English Language:** One basic skill, English language mastery, deserves particular mention as the single most widely cited skill barrier among organizations working with lower wage workers. Non-English speakers are often employed in a parallel labor market that is disconnected from middle-wage job or training opportunities.
- **Soft Skills:** Lack of soft skills (customer service, critical thinking) and job readiness (attitude, reliability, promptness, etc.) was the gap most often cited by employers.
- **Technology and Digital Literacy:** Fundamental technology skills are an increasingly important barrier to employment in a wide range of industries, from construction to healthcare. Access to and comfort with technology is frequently necessary to complete extensive online job applications.
- **Higher order skills:** Skills like critical thinking and analysis, time management, and persuasion are increasingly important for many pathways into middle-wage work. For example, a retail sales worker hoping to move into a middle-wage sales management role may not need a formal degree, but the new position would require higher-order skills like critical thinking.

Accessing training and experience is costly, in part due to time and lost wages.

Lower-wage workers face a conundrum when it comes to gaining the experience needed to access higher wage jobs. To get better jobs, workers need skills and experience on the job. Accessing training programs outside of work can be very burdensome, both in terms of time and foregone earnings. For example, lower-wage workers may be working multiple jobs or caring for children or elders. Many lower-wage jobs, such as those in retail, do not offer regular work hours conducive to scheduling consistent training. Any foregone earnings during the time spent in class drives up the cost of training. In some industries, extensive full-time, unpaid training is necessary in order to qualify for an entry-level job. Without any financial support structure outside of work, many lower-wage workers simply cannot afford to take the risk of cutting back their work hours in one job to engage in training or an internship to attain another. ~~even with the promise of a higher-paying job at the end.~~

Paid training opportunities – like paid internships – are limited. While there are some models that explore paid stipends for younger students,¹⁶ there are fewer paid internships for adults.¹⁷ Unfortunately, these types of programs have limited capacity to train large numbers of workers. For a variety of reasons, many employers do not offer on-the-job training (which is paid). And even when funds exist to pay employers for such training programs, some employers do not apply for the funds, as noted by Workforce Investment Board staff in some Bay Area counties.

¹⁶ In an innovative partnership between Juma Ventures and SFMade, low-income youth receive direct work experience inside small, urban manufacturing businesses. YouthMade interns receive a grant-funded stipend and are covered by worker's compensation.

¹⁷ Programs like City Build in San Francisco offer participants paid workforce training and job placement for a career in the construction industry.

Apprenticeship programs that do offer an opportunity to earn an income while learning skills necessary to move up are also increasingly rare and challenging to enter. Potential seekers of apprenticeship or pre-apprenticeship programs often faced a bewildering labyrinth of courses and programs with inadequate counseling or navigational aids available. There is limited information in the general community as to how to get into apprenticeships or which pre-apprenticeship programs provided the necessary preparation. During the interviews for this project, several construction industry representatives expressed a need to build the pipeline for lower-wage workers to enter apprenticeship programs. Other interviewees described the barrier of understanding and obtaining the pre-requisites needed to succeed in a training course or certificate program. Wait times or waiting lists to get into a training program are also a concern.

The job search and hiring process is changing, often widening the gap between lower-wage workers and the rest of the workforce. The way workers search for jobs is changing, and online social networking tools are increasingly important as a way to open up new opportunities. Today's job search takes place largely online, and lower-wage workers are often at a disadvantage when it comes to navigating these new systems. Even workers with smart phones, email, and social network accounts may not be proficient in filling out online job applications. Data from the Job Scout program – a digital literacy and job search training platform¹⁸ – indicates that more than 20 percent of its users are young workers with insufficient digital literacy to successfully compete for many emerging jobs.¹⁹

Additionally, opportunities for advancement are often informal and occur through personal connections. The personal and professional networks that high-wage earners enjoy are not often accessible to lower-wage workers. Lower-wage workers often lack the connections necessary to access opportunities in higher-wage jobs because in our increasingly stratified society, lower-wage workers are more likely to be plugged into social networks of similarly low-wage status.²⁰

A host of issues not directly related to the job market also pose barriers to career advancement for lower-wage workers. Immigration status is one of the most frequently mentioned barriers, with crosscutting impacts affecting transportation, housing, access to training and supportive services, and job mobility. Some lower-wage workers with the requisite skills and experience face barriers because of systemic issues like criminal background and immigration status, dependent care including childcare and elder care, and access to health benefits.²¹ Minor convictions can remain on one's record for decades and often result in immediate exclusion from job applicant pools. Record clearance is an option in some cases, but is time-consuming and not always successful. There are innovative efforts to assist ex-offenders secure

¹⁸ <http://www.myjobscout.org/our-story>

¹⁹ Interview with CEO of Trail, the parent company of Job Scout (October 2013).

²⁰ This issue was cited in numerous interviews conducted for this report.

²¹ This issue was cited in numerous interviews conducted for this report.

employment,²² but effectively tackling this set of issues requires action at the state²³ or federal level..

Finding #3: Because lower-wage workers live and work everywhere, increasing their economic opportunity is a region-wide priority and not a concern only in a select group of neighborhoods or communities.

Lower-wage workers live and work in every corner of this region. Every census-designated area is home to at least 25 percent lower-wage residents and workers.²⁴ Lower-wage workers are not disproportionately living in regionally defined “high need” communities (places with high poverty rates, worse public health, and other barriers such as a high percent English language learners)²⁵. In fact, the percent of lower-wage workers living and working in “high need” neighborhoods is similar to the percent in higher-wage areas. While 33 percent of area lower-wage workers live in high-needs areas, even more – 34 percent – call the wealthiest 40 percent of communities home.²⁶

Figure: Where lower-wage workers live

Caption: Lower-wage workers live in every part of the Bay Area and overall are not concentrated in certain neighborhoods. The density of lower-wage workers in areas like San Francisco mirrors the overall greater population density in those parts of the region.

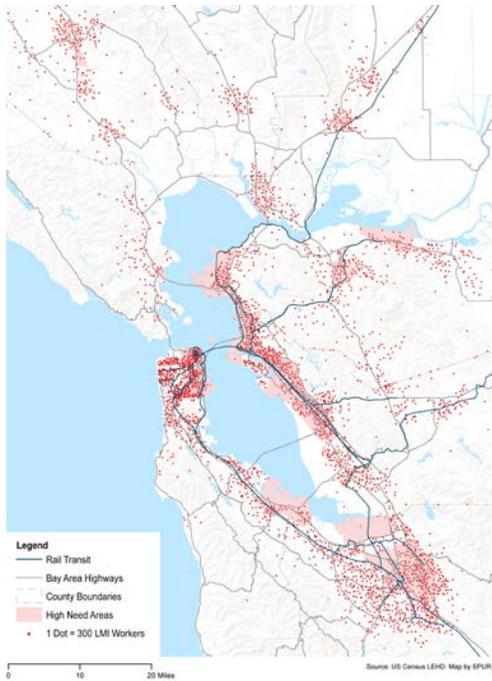
²² East Bay Works assists ex-offenders with job searches.

²³ In order to reduce unnecessary barriers to employment for the one in four adult Californians with arrest or conviction records, Governor Jerry Brown has signed into law Assembly Bill 218 to “ban the box” and prohibit initial employment applications for local and state government jobs from requesting criminal record information. Governor Brown signed Assembly Bill 60, which will require the California Department of Motor Vehicles to issue driver’s licenses to undocumented immigrants who can prove their identities, have established California residency and pass driving exams. The law will go into effect no later than January 1, 2015. See Strategy 8 for more information.

²⁴ 2010 Longitudinal Employer-Household Dynamics (LEHD) dataset.

²⁵ For more information, on MTC’s “Communities of Concern”, see: <http://www.mtc.ca.gov/planning/snapshot/>. For more information on the Bay Area Air Quality Management District’s “CARE” communities, see: <http://www.baaqmd.gov/~media/Files/Planning%20and%20Research/CARE%20Program/Documents/ImpactedCommunitiesMethodsMemo.ashx>

²⁶ 2010 LEHD dataset.



Source: SPUR Analysis, LEHD

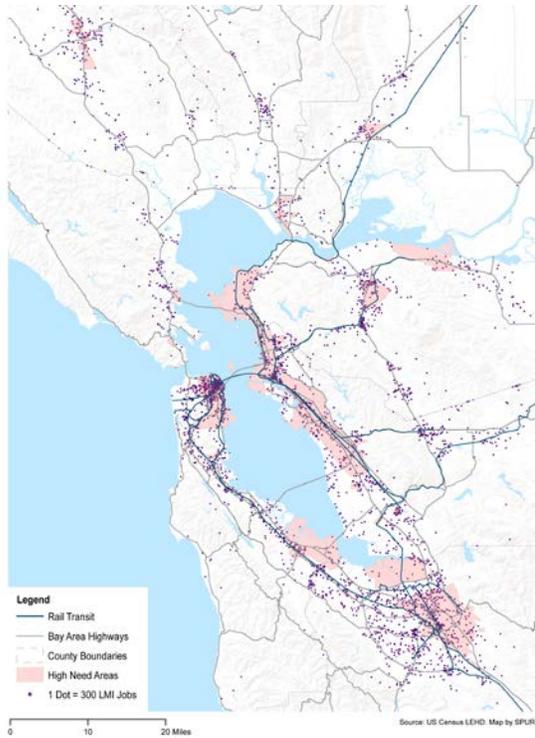
The same holds true for workplaces. Lower wage jobs are also located throughout the region and are not disproportionately represented in any one area. Lower-wage jobs are not disproportionately concentrated in high-needs communities either: 39 percent of lower-wage jobs are in high-needs areas, while they make up 41 percent of jobs in the region overall.²⁷

In short, where there are high wage jobs, there are low wage jobs.

Figure: Where lower-wage workers work

Caption: Jobs that pay low wages are located throughout the region and are closely correlated with where higher wage jobs are located.

²⁷ 2010 LEHD dataset.

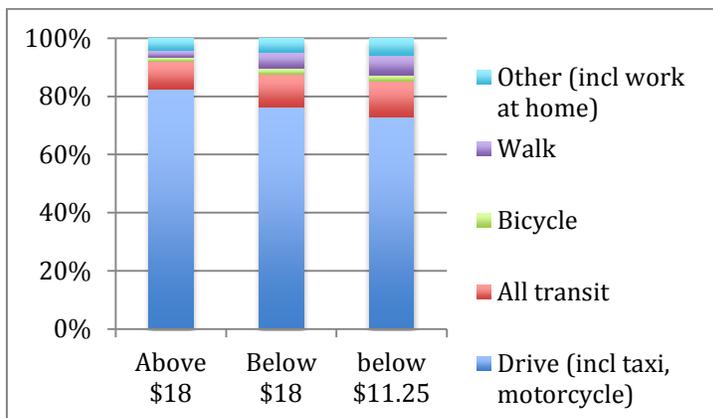


Source: SPUR Analysis, LEHD

Because of the scattered nature of living and working in the Bay Area, lower-wage workers have similar commute using a mix of travel modes similar to that of the overall workforce. Most drive to work (76 percent of lower wage workers compared with 80 percent of the entire workforce). The only notable difference is in the percent of those closest to minimum wage that take the bus. Nearly 10 percent of those earning \$11.25 or less take the bus to work compared with 5.5 percent of the entire workforce.

Table: Commute modes, by wage level

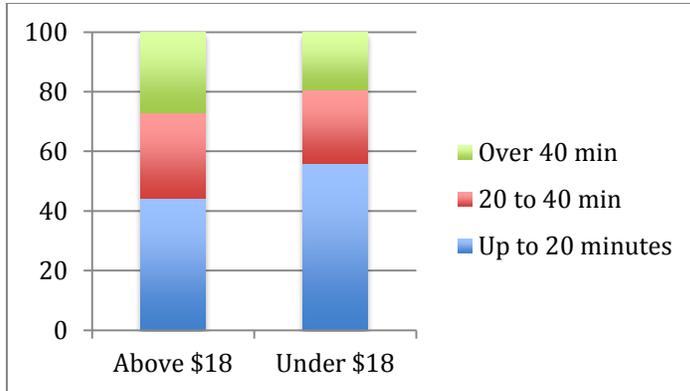
Caption: While lower-wage workers are slightly more likely to take transit, walk or bike to work than other workers, the differences are minimal.



Source: SPUR Analysis, LEHD

In addition, **lower-wage workers tend to have shorter commutes than the regional average.** 56 percent of lower-wage workers have commutes that are less than 20 minutes, compared with 43 percent of workers with wages over \$18 per hour.

Table: Commute times, by wage level



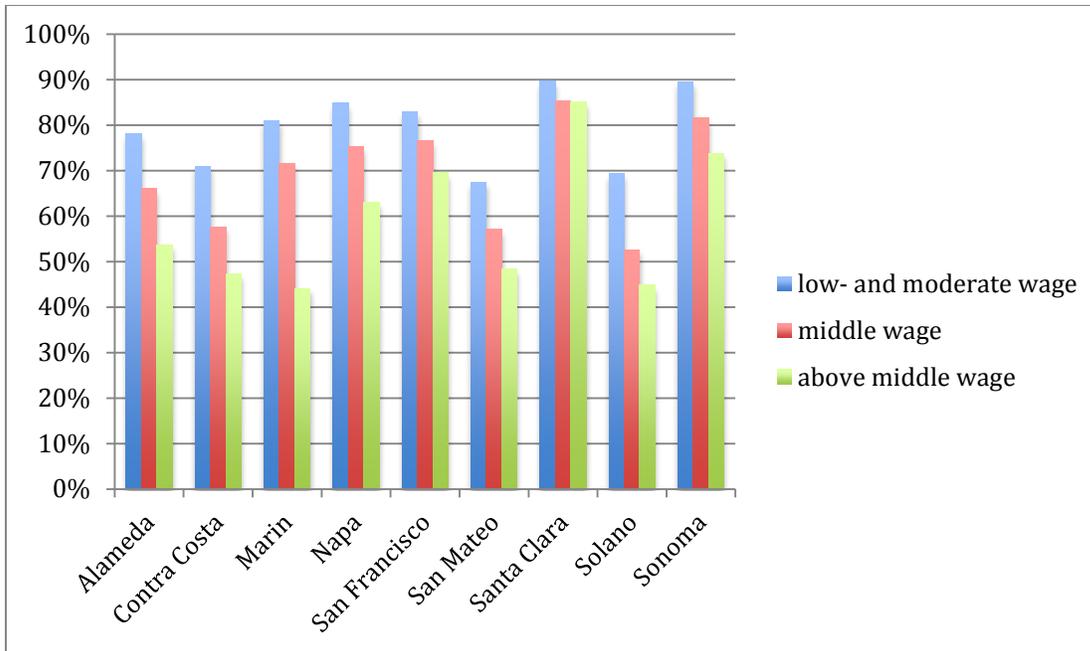
Source: SPUR Analysis, LEHD

Lower-wage jobs are everywhere, as is the lower-wage workforce. These jobs often have lower-skill and education requirements than middle- and higher-wage jobs, so the relative ease of finding lower-wage work near a worker's residence may explain why so many lower-wage workers are commuting relatively short distances.

Lower-wage workers overwhelmingly work in the same county they live in. This reinforces the notion that lower-wage residents and lower-wage jobs are an integral part of every community, not a phenomenon isolated in certain lower-income communities. This finding holds true even for the highest cost places in the Bay Area – like San Francisco and San Mateo Counties— where two-thirds of all those working in the lower-wage jobs live in the county.

Table: Share of a county's working residents whose job is in that county, by wage level

Caption: As wages increase, workers in every Bay Area county are more likely to commute to another county for their job. Further, the vast majority of lower-wage workers work in the same county they live in.



Source: SPUR Analysis, LEHD

This finding may mean that lower-wage workers who move from inner Bay Area communities are likely finding lower-wage employment in their new communities. However, lower-wage workers' transportation options are very limited as they get further from the inner Bay. The three North Bay counties – Napa, Solano, and Sonoma – have the highest concentrations of both lower-wage residents and lower-wage jobs (over 50 percent of employed residents are lower-wage, and over 54 percent of jobs in these counties pay lower-wages).²⁸ These counties are also the least connected to the rest of the region by transit, and commuting within these counties is more dependent on automobiles than other subregions. Lower-wage workers are slightly more likely to commute using transit than the average Bay Area worker, so lower-wage workers in these regions may have a more difficult time than lower-wage residents of inner Bay communities in accessing economic opportunities simply because of transportation barriers.

As you leave the Inner Bay Area, transit service is less frequent. For those who are transit-reliant, transportation is a big barrier to accessing education or higher-wage jobs.

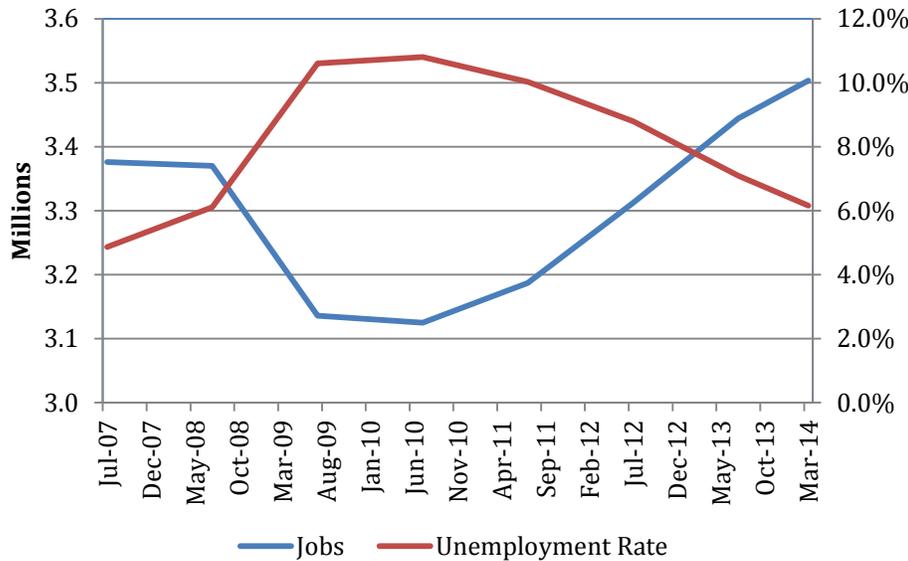
In sum, because lower-wage workers live and work everywhere, improving conditions in lower-wage jobs and opening pathways into higher-wage work will require effort on the part of every community in the region. Further, since lower-wage workers are integrated into every community in the region, benefitting them will also benefit every community in the Bay Area.

²⁸ 2010 LEHD dataset.

Chapter 3: Understanding the opportunities and challenges for upward mobility in the regional economy

Growth in high-skill, high-paying export sectors (like information and communication technology) tends to monopolize the headlines. But that should not obscure the fact that job growth is occurring at all wage levels. The Bay Area is in the midst of a broad base economic recovery with job levels above the pre-recession peak.

Table: The Bay Area’s economic recovery



Source: California Employment Development Department (EDD)

The structure of the economy includes significant growth in high-wage and lower-wage jobs. But there are middle-wage job opportunities across many industries. Most of these middle-wage jobs have limited education and skill requirements and lower-wage workers can often access them – usually with a little help. Understanding these middle-wage occupations and the industries they are in is key for developing a strategy to help lower-wage workers move up. Also important are understanding the factors that lead to economic growth in the industries that provide the bulk of middle-wage jobs.

This chapter explores the challenges and opportunities in the economic structure of the Bay Area for lower-wage workers to move up.

This project defines middle-wage jobs as paying between \$18 and \$30 per hour. It also identifies “occupations of opportunity” and “industries of opportunity” that should be the focus of workforce and economic development approaches.

Occupations of opportunity are those with median wages in the middle (\$18 to \$30 per hour), significant job openings, and minimal barriers in the form of formal education, skill, and experience requirements that would limit their availability to current lower

wage workers. Occupations of opportunity tend to require skills that can be learned on the job or through widely available job training programs.

Similarly, industries of opportunity are those with significant projected job openings, whether through job growth or turnover and the need to replace workers, and that have high shares of middle-wage hours worked. These industries also showed the most upward mobility for workers, indicative of clear pathways for workers in the industry.

While there are significant opportunities for upward mobility, there are not nearly enough middle wage jobs to move everyone up. Many of the best opportunities to move into higher-wage work are in occupations – such as sales – but not necessarily in a single industry. Workers thus have to forge career paths that are not as clearly defined. Jobs at the bottom of the wage scale will continue to grow at a rate outpacing jobs in the middle, and many lower-wage jobs will continue to be disconnected from clear pathways into higher-wage work. Given all these challenges, successfully getting workers on a pathway to higher-wage jobs requires close collaboration between the workforce, economic development agencies, and employers.

Finally, some of the factors inhibiting more middle-wage job growth are determined at the local and regional level. Most significantly, regulatory limitations on construction and development make it hard for businesses to grow and even harder for lower-wage and middle-wage workers to live here. Investments in the production of housing, office space, and upgraded infrastructure provide significant growth in middle-wage jobs, lay the foundations for economic growth, and reduce the housing and transportation burdens on lower-wage worker’s budgets.

Finding #1: There are over 300,000 middle wage job openings projected for this decade, with the majority of the opportunities coming from replacement jobs, not job growth.

Between 2010 and 2020, there are a projected 310,000 middle-wage job openings. This is less than one quarter of all job openings as there is more growth at the top and bottom of the wage scale.

Most of the job openings will come from “replacement jobs” – the need to replace workers who retire or change occupations – and not from job growth. As more workers retire, the share of replacement job openings will grow over time. Overall job growth is a smaller share of job openings for middle wage and lower-wage jobs. Replacement jobs will account for 56 percent of the job openings between 2010 and 2020 and approximately two-thirds of the job openings between 2013 and 2020.

Table: Job Openings by Median Wage 2010-2020

	From Growth	Replacement Openings	Total
\$30 or more	254,670	253,030	507,700
\$18 to \$30	134,590	174,900	309,490

Under \$18	199,530	305,210	504,740
Total	588,790	733,140	1,321,930

Source: California Employment Development Department

Finding #2: Most of the major middle-wage occupations are available to workers without significant experience or post secondary training.

There are 155 occupations with median wages between \$18 and \$30 per hour. Half of them do not require a four-year degree²⁹. **Among those occupations with the most job openings, only one (graphic design) requires more than a high school diploma**, and only four require more than a year of previous experience. On the other hand, most of the top 21 occupations require some form of on-the-job training.

The following are the most promising occupations of opportunity, those with the greatest share of middle-wage job openings and the lowest barriers to employment, are:

- **Office and administrative support** (office supervisors, admin assistants, secretaries, bookkeepers, accounting clerks)
- **Sales** (customer service reps, sales reps, retail supervisors)
- **Construction** (carpenters, laborers, painters)
- **Distribution and repair** (maintenance workers, light and heavy truck and tractor drivers)
- **Healthcare support** (medical secretaries, medical assistants, licensed and practical vocational nurses)
- **Information Communications Technology** (computer support)
- **Retail**

Table: Middle-wage Occupations with More Than 4,000 Job Openings Between 2010 and 2020

Occupational group	Job openings (2010-2020)	Specific occupations	Job openings by occupation	Median wage
Office	47,470	1st-Line Supervisors of Office and Admin. Workers	14,100	\$28.77
		Executive Secretaries & Admin. Assistants	10,490	\$26.06
		Bookkeeping, Accounting, and Auditing Clerks	10,160	\$21.31
		Secretaries and Administrative Assistants	7,650	\$19.73

²⁹ This project identified the occupations with the most middle-wage job openings, including both job openings from growth and job openings that will result from employee turnover. The analysis then filtered the list by education requirements. Since this project is oriented towards solutions for the current lower-wage workforce, jobs requiring four-year degrees or extensive experience are less viable pathways into better-wage work than jobs with skill and experience requirements that mirror the skills and experiences lower-wage workers cultivate while working.

- draft report -
May 1, 2014

		Graphic Designers	5,070	\$23.84
Sales	36,440	Customer Service Representatives	17,470	\$18.91
		Sales Reps, Wholesale and Manufacturing	11,340	\$30.37
		Sales Representatives, Services	7,630	\$30.89
Construction	26,030	Carpenters	9,210	\$31.01
		Construction Laborers	6,360	\$23.98
		Heavy and Tractor-Trailer Truck Drivers	6,130	\$19.69
		Painters, Construction and Maintenance	4,330	\$23.03
Distribution and repair	18,460	Maintenance and Repair Workers, General	7,120	\$20.53
		Automotive Technicians and Mechanics	5,950	\$23.56
		Light Truck or Delivery Services Drivers	5,390	\$16.16
Health care	13,830	Medical Secretaries	5,050	\$19.61
		Medical Assistants	4,510	\$17.55
		Licensed Practical and Vocational Nurses	4,270	\$27.94
ICT	10,890	Computer Support Specialists	10,890	\$30.37
Retail	10,460	First-Line Supervisors of Retail Sales Workers	10,460	\$21.18

Source: California Employment Development Department (EDD), Center for Continuing Study of the California Economy

Even though these occupations of opportunity do not often have skill or experience requirements, there are nonetheless skill gaps between the workforce and expectations of employers. For example, an analysis of the East Bay's occupational skills gaps shows that the largest skill gap between the workforce and the needs of the region's employers is in sales and office occupations.³⁰ The analysis argued that further investment should be made in training for sales and administrative positions that are expected to grow such as Securities, Commodities and Financial Services Sales Agents, Insurance Sales Agents and First-Line Supervisors of Office and Administrative Support Workers.

Many jobs have opportunities to move from a lower-wage to a middle-or higher-wage job. Of the workers in the 155 middle-wage occupations of opportunity, three in

³⁰ Analysis of O*NET data available from the Bureau of Labor Statistics.

four workers have significant opportunities to move from a low-wage to a middle-wage job in the same industry, such as going from waiting tables to managing a restaurant.

Finding #3: Training, education and pathway programs require close connection with employers and economic development efforts to be most effective.

Employer needs and structures are rapidly changing, which makes it crucial for the workforce development and education systems to be closely connected to employers. Rapidly changing technologies and industry priorities make it extremely difficult for workforce development providers or educational systems to train workers for the specific technical skills that are in demand at any given moment. Successful training programs therefore rely on input from employers and industry partners in order to ensure that trained or retrained workers come back to the workforce with in-demand skills.³¹

In the Bay Area, **many institutions involved in workforce and economic development are also not sufficiently coordinated with each other or with employers.** Regional information about workforce programs and opportunities is insufficient as well. There are great workforce programs in some communities but not in others, and it is hard for potential students interested in auto mechanics, for example, to identify the best program. This is in contrast to four-year college degrees where there are significant metrics and other information comparing and contrasting schools.³²

Education and workforce training systems at all levels, from community colleges to ESL training, are overstretched and underfunded, and therefore unable to meet demand. This is partially the result of a shift – particularly in K-12 education – in emphasis and funding towards college preparedness. While it is important to equip all students to succeed, the reality is that many students do not finish high school or they graduate without specific skills that have value in the labor market. Given the increasing number of requirements for high school graduation, there is a potential time and financial conflict between preparing all students for college, knowing not all will actually attend college, and a restructuring of high school to focus more on work-based learning.

Finally, **local economic development is too often disconnected from workforce development efforts and too focused on enhancing local revenues.** Many local cities focus their economic development efforts on activities that bring in the greatest revenue to the city. This approach – often called the “fiscalization of land use” – means an overemphasis on sales tax generating investments, such as retail, in which low-wages predominate and opportunities to move up are scarcer than in other industries,

³¹ The Hamilton Project, Building America’s Job Skills with Effective Workforce Programs: A Training Strategy to Raise Wages and Increase Work Opportunities, The Brookings Institute (2011), http://www.brookings.edu/~media/research/files/papers/2011/11/training%20greenstone%20looney/11_training_greenstone_looney.pdf

³² The Hamilton Project discusses the need for the expansion of *evidence-based* training programs, which will better, standardized metrics for measuring success.

such as goods distribution, which may have a greater concentration of middle-wage jobs and clearer pathways out of lower wage work, but do not maximize the fiscal value of the land from the city's perspective.³³

Finding #4: Middle-wage jobs are spread throughout the economy and will largely grow as the entire economy grows.

Key occupations of opportunity with many middle wage openings, like sales, office work and computer support – are spread across many industries. This means pathways from lower-wage sales jobs to higher-paying ones often require shifting from one industry to another. For example, a sales person who succeeds in retail but lacks upward mobility in their store might have to shift to a totally different industry like telecommunications or even health care. While many of the personal skills in sales are transferable across industry, it is simply harder to get a new job in a totally new industry even with the right experience. The experience and sector-knowledge expected at higher-paying jobs creates a barrier for lower-wage sales workers.

While job growth is expected in all industry sectors, nearly half of middle wage jobs are found in just a few sectors – which largely grow as the overall economy grows. The sectors that account for nearly half of all middle wage job openings are: professional services, construction, healthcare, government, and education.

Table: Total middle-wage job openings 2010-2020, by industry

Professional, Scientific, and Technical Services	26,350
Specialty Trade Contractors	23,660
Ambulatory Health Care Services	21,470
Government	17,080
Educational Services	16,650
Administrative & Support	13,040
Hospitals	9,980
Total	128,230

Source: California Employment Development Department (EDD)

There are no clear middle wage industries and middle-wage jobs are a declining share of regional employment.

Middle-wage occupations comprise the smallest share of jobs in the region, and these occupations are projected to grow more slowly than occupations in the top and bottom.

³³ The Bay Area: A Regional Economic Assessment, Bay Area Council Economic Institute (2012), <http://www.bcdc.ca.gov/meetings/commission/2012/BAEconAssessment.pdf>

Of the Bay Area's current jobs, 36 percent pay median wages below \$18 and 38 percent pay over \$30 an hour. Only around 27 percent of the current jobs pay middle-wages, and only 22% of job growth will occur in the middle. Projections to 2020 indicate the strongest growth will occur at the top and the bottom: the share of high wage jobs is expected to rise to 39 percent and the share of middle-wage jobs will drop from 27 to 26 percent.

Finding #5: Jobs that pay lower-wages are not going away and will likely grow over time.

The region's economic structure has a high share of high and low wage jobs. Unlike middle-wage jobs that declined with changes in manufacturing, the occupations that pay under \$18 per hour are in fields that are likely to grow over time – from delivery truck drivers to janitors, child care teachers to housekeepers. A few occupations like retail salespersons and cashiers may decline with the increase in online purchasing. But those jobs are likely to be replaced by other jobs in delivery trucks driving.

As a result, most of the occupations that currently pay \$18 or below are in fields that will see growth over the coming decades.

Table: Occupations with median wages below \$17.83 an hour in the East Bay

- \$15 to \$18: Office clerks, medical assistants, nursing aides, delivery truck drivers, receptionists, shipping clerks
- \$12 to \$15: Pre-school teachers, janitors, security guards, laborers, groundskeepers, cook
- \$9 to \$12: Stock clerks, retail salespersons, home health aides, cashiers, maids, child care workers, bartenders, food prep workers, dishwashers, counter attendants, fast food cooks, and waiters/waitresses

Source: California Employment Development Department (EDD)

Finding #6: The structure of the economy limits opportunities for upward mobility – and a large share of workforce will continue to work at the bottom of the wage scale.

There are not enough middle-wage job opportunities to accommodate all lower-wage workers moving up. There are be 300,000 middle-wage job openings (30,000 per year) projected in the region by 2020. This means there are only openings for roughly one-third of the current lower-wage workforce. Also, while roughly 27 percent of jobs currently pay middle-wages, the growth in middle-wage job openings will represent only 22 percent of the overall job growth by 2020. This means that the share of regional jobs paying middle-wages is actually going to shrink, since there are a larger number of jobs and expected job openings in both the lowest and highest occupational groups.

There are overwhelming numbers of applicants for an insufficient number of middle-wage jobs.³⁴ Low- and moderate-wage workers are 35 percent of all workers – or 1.2 million workers out of the region’s 3.2 million workers. The area’s driving industries are increasingly clustered at the top and bottom of the wage scale, mirroring a national trend. The Bay Area faces a paucity of middle-wage job openings compared even to the nationwide bifurcation of employment because of the lack of industries with traditionally high shares of middle-wage employment. Job growth by 2020 will be concentrated in the top and bottom thirds of the wage scale, with only about 300,000 middle-wage job openings by the end of the decade. By contrast, over 500,000 job openings are expected for jobs paying over \$30 per hour, and another 500,000 for jobs paying less than \$18.

The structure of the economy includes primarily industries with either a majority high wage or low wage work. Many of the low wage industries rely on high-turnover business models among some fast-growing industries such as retail. This proliferation of short-term low-wage jobs is seen as a barrier to advancement because employment in those jobs constrained workers from seeking training or better opportunities. There is also some concern that today’s middle-wage job could become a low- or moderate-wage job of the future if employers continue the shift towards a low-wage model.

Further, many lower-wage jobs tend to be part-time, requiring workers to hold multiple jobs to in order to piece together full-time work. This is a time-consuming endeavor that could involve multiple commutes and a constantly fluctuating schedule, making it extremely difficult for such workers to attend training.

Other structural challenges affecting middle-wage job opportunities include the ongoing nature of outsourcing. While some high-skilled workers are employed directly by the driving industry, many middle- and lower-skilled support jobs are outsourced, preventing those jobs from providing a ladder or entryway into the driving industry. Manufacturing to grounds keeping and security, are often outsourced to either another region or to another employer. For instance, a prominent IT company stated that they hire all of their administrative support workers through a temp agency and contract with other agencies for janitorial, mail and numerous other functions. Although these workers are employed in the driving industry, they are largely disconnected from any mid- or higher-level position in that industry.

Lower-wage workers also face competition to secure entry-level jobs. Competition comes from newcomers to the Bay Area as well as those with more education or skills who cannot find suitable middle- or higher-wage work and seek lower-paying jobs. This is true throughout the region and is a particular challenge in a place like San Francisco

³⁴ These findings are consistent with a 2009 Brookings report on middle-wage jobs nationally across metropolitan areas. That report determined that middle-wage jobs were 20 and 21 percent of all jobs in San Jose and San Francisco metro areas respectively with 51 percent of the workforce lacking a BA. Interestingly, although the Santa Rosa metro area had a higher share of middle-wage jobs (34 percent), the higher percent of workers without a BA (66 percent) still meant that middle-wage jobs were difficult to access for most workers seeking them. For more information, see: http://www.brookings.edu/~media/research/files/reports/2009/6/10%20employment%20sommers%20osborne/0610_employment_report.pdf.

with a large population of students and younger workers whose education and experience levels may be higher than local residents seeking an entry into the labor market. When there is growing employment (and declining unemployment), competition for lower-wage jobs becomes less of a broad regional challenge.

There are fewer clear career pathways for upward mobility within industries and occupations, particularly for those who start in lower-wage jobs.

Many industries and occupations with high concentrations of lower-wage and entry-level jobs – such as hospitality and retail sales – lack the middle-wage positions as well as clear pathways into higher wage positions. Other industries – healthcare in particular – do offer both low-wage and middle-wage positions, but lack defined career paths to move from one to another. For instance, interviewees notes that homecare workers or nursing aides often move between jobs or clients, but these moves are horizontal; they have no means of leveraging their work experience to move into more skilled healthcare work or a higher-paying nursing job.

At the same time, some employers in lower-wage industries offer opportunities for entry-level workers to build their skills and advance in their careers. Companies like Target provide specific feedback on skill development and needs to each of their sales associates and also provide some limited opportunities to move up into management positions based on the ability to meet the goals identified with their supervisors.

Finding #7: Limited coordination between land use and transportation impacts access to jobs and the availability of housing.

The current amount of middle-wage jobs as well as the access to them is partially the result local and regional decisions about growth and the connection between decisions about land use (where homes and jobs are built) and transportation.

Without regional cooperation, local planning efforts can lead to significant decentralization of jobs, with cities too often vying to poach jobs from each other. Cities also compete with each other for fiscal winners like big-box retail and often do not put attention or support behind less visible industries like production, distribution and repair industries that provide both middle-wage jobs and play an important role in the local and regional economy.

Industries with strong clusters of middle-wage jobs, such as manufacturing, need updated infrastructure that few cities in the region are positioned to provide on their own. Better regional coordination is needed to preserve a diversity of land uses in accessible parts of the region – an absence of coordination is partially responsible for many such employers fleeing to places like the San Joaquin Valley, where land is cheap and the building process is easier. Our local land use planning system also does not sufficiently consider the aggregate benefits of preserving large parcels of contiguous land necessary for industrial or agricultural uses; these uses are ignored as planning

decisions are piecemeal and at a small scale.³⁵ The dual housing pressures of too much residential sprawl in outlying areas and a dearth of housing production in the inner Bay are also problems that need to be addressed regionally.

Plan Bay Area (PBA) presents a huge step towards moving past fractious governance and putting policies into place that will foster more sustainable growth that includes middle-wage jobs. PBA looks at the entire region, and attempts to link future job and housing growth with existing infrastructure. As a result, there may be denser job centers that are accessible by transit, which will make job opportunities more accessible to a wider-range of workers. The well-publicized agglomeration effects of dense job centers beget more development that can provide a robust tax base while reducing the need to strain local finances by growing outwards. Plan Bay Area provides a framework for infrastructure investments that make sense for the entire region.

But the success of PBA is based on the participation of local governments who see it in their self-interest to support and both broad-based regional growth and a spatial pattern of growth that puts more jobs and homes in places that accessible to more workers.

Housing and transportation costs affect overall job access and limit economic opportunity and overall economic growth.

Barriers related to housing, transportation and land use are closely linked. Lack of affordable housing forces lower-wage workers and their families to live further away from work, which in turn requires them to rely on transportation systems that were often excessively time-consuming or costly. Local land use decisions, along with inadequate funding, are one of the drivers behind the region's long-standing housing and transportation challenges. The high cost of housing could trap lower-wage workers in their current job, as they need to pay the rent or mortgage forcing them to prioritize housing or transportation costs, rather than education or training.

As has been well-documented elsewhere, many families who move to find less expensive housing, do not calculate travel into their monthly budgets and are now absorbing major increases in transportation costs. The same holds true for workers who move to find better employment often and then have to increase their transportation spending by commuting greater distances. This can compound other barriers (like access to training if there are training options where they live).).

Even those who overcome all the above barriers still need to drive because many jobs are far from transit, and the transit system itself fragmented. Barriers related to housing, transportation and land use were seen as closely linked.

The lack of affordable housing in many parts of the region may mean that higher paying jobs are far away from where workers can afford to live. Parts of the Bay Area are well served by transit, but the region as a whole suffers from poor spatial mobility. As mentioned in section 3, lower-wage workers tend to have shorter commutes than higher

³⁵ THE PCAS ARE A STEP IN THE DIRECTION ON THIS

wage earners and typically live and work within the same county. On one hand this is a positive indication that huge numbers of lower-wage workers are not commuting dozens of miles between the central Bay Area cities and outlying regions. This is also an indication, however, that there are very limited options for mobility between the job-rich core and more affordable residential areas on the metropolitan edges. Many jobs are not located near transit, forcing workers to drive or purchase an additional car to get to and from work, and transit connectivity to the rest of the region and within the sub-region is particularly poor in the three North Bay counties. In the absence of good regional spatial mobility, workers may have to select jobs closest to where they can afford to live.

Among lower-wages who lack cars, transportation is the single largest barrier to work.

The cost of car-ownership can be prohibitive for some lower-wage workers. For others, there are barriers beyond the cost. For example, undocumented immigrants have only been able to legally obtain a driver's license since the late fall of 2013. Young adults are another population likely to lack cars. One interviewee reported that Drivers' Ed is no longer offered at many high schools. An important related trend is that more high school students are delaying getting their drivers' license.

Public transit is viewed as essential but inadequate for connecting many workers to jobs. The "last-mile" challenge is a frequent concern; BART or a train might connect two subregions, but there are few or no connections from the station to lower-wage workplaces or homes. Bus frequency is particularly lacking, there often are no transit operations for workers with off-hours jobs.

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How does the Bay Area compare to other regions in spatial segregation and upward mobility?

Based on recent research at UC Berkeley and Harvard, there is some evidence of a correlation between places with significant spatial segregation and reduced opportunity for upward mobility.

These studies revealed that the Bay Area in fact has more upward mobility than other peer regions nationally on three key measures. First, the chance that someone born into a low-income family (bottom fifth of income) will reach the top fifth when they are an adult is eight percent nationally. But it is 13 percent in San Jose (the highest) and 12 percent in San Francisco (which tied for second).³⁶ Second, on a measure of the narrowness of earnings difference between someone born into the top one percent of national income versus someone born into the bottom one percent of national income San Jose, Santa Rosa and San Francisco rank 6th, 8th and 9th respectively.³⁷ On a third measure, a child born into parents at the 25th percentile of national income is likely to reach the 45th percentile of income in San Jose and San Francisco (10th and 13th

nationally). In all three measures studied, few other major cities nationally ranked near the Bay Area.³⁸

While the barriers for lower-wage workers are significant, there are some aspects to the Bay Area that outperform other regions nationally.

[end sidebar]

Finding #8: There are limited tools at the local and regional level to expand middle wage work.

Local and regional actions that most shape economic opportunity relate to the inputs for job growth – availability of trained workers, appropriately zoned land, investment in targeted infrastructure as well as local regulatory approvals and political support for investment.

But the scope and power of local and regional actors on even these inputs is somewhat limited. For example, investment in and development of infrastructure is necessary to support economic growth (and particularly important for middle-wage job growth given the importance of middle-wage jobs in the development and maintenance of infrastructure). But local and regional actors lack funding sources to make such investments on their own. The decimation of the system of redevelopment is frequently cited as an impediment to ongoing targeted investment in Bay Area communities. For many cities, redevelopment was the main tool to provide funds to support development projects in places where the market was not ready to invest. The loss of redevelopment affected dozens of individual development projects – often affordable housing – as well as larger-scale downtown or district revitalization. Plan Bay Area represents a regional attempt to identify transportation infrastructure funding needs. But the needs outweigh the proposed expenditures and the barriers to securing new funding sources are real. Further, other important areas of infrastructure investment – like energy and broadband- are not coordinated with other regional planning efforts.

Some buildings and overall infrastructure are obsolete for newer uses. To get new companies and middle-wage jobs to locate in these older areas, there is need to identify new tools for investment. For example, the City of Fremont found ceiling heights are too low and power distribution capabilities are outdated for certain businesses in the Warm Springs/South Fremont area. This broader issue of obsolete infrastructure is a major concern particularly in areas such as the I-880 corridor along the East Bay shoreline. The absence of redevelopment only compounds this challenge for small cities to find resources to upgrade industrial lands.

In addition, **fast-growing or land-intensive firms often find it hard to acquire adequate space to expand, particularly in the central part of the region.** The Bay Area lacks large contiguous undeveloped parcels within the central part of the region. This means major land development often requires assembling parcels. In addition to this being difficult without redevelopment, the current structure of the Bay Area means

that parcels are often fragmented and/or under multiple owners. As a result, some land intensive firms are relocating from more expensive and fine grained urban core locations to outlying areas (such as in San Joaquin Valley).³⁹

Permits and regulations are difficult to attain and vary between cities.

Lengthy permitting processes add costs and delays. Permitting processes in many cities are lengthy and add to increased costs and delays. This dissuades many firms from expanding. In addition, policies and regulations vary considerably by city. This makes operating in multiple cities a challenge, particularly for smaller firms.⁴⁰

Finding #9: Many of the major barriers affecting economic opportunity, mobility, and growth are beyond the scope of local and regional interventions.

The emphasis of this report is on strategies that can be implemented at the regional scale, but many of the major barriers described in this report are best tackled by working at the state and federal level. These issues include immigration, trade, retirement savings and broad income redistribution policies. For example, immigration policies shape the opportunities for many lower-wage workers who seek to move up to more secure jobs in the middle. Similarly, policies like the Earned Income Tax Credit are able to redistribute significant income towards lower-wage workers but are federal (and sometimes state) policies. Further, the competitiveness of many middle-wage sectors such as manufacturing is closely tied to federal policies affecting global trade and the national currency as well as broad state tax and regulatory policy. Even environmental policies like the California Environmental Quality Act (CEQA) have a major impact on what gets built and where yet requires state action for major modification.

³⁹ Jobs and Other Economic Benefits Associated with Goods Movement Industries, MTC (2008), http://www.mtc.ca.gov/planning/rgm/final/Task_3C_Report.pdf

⁴⁰ Building on Our Assets: Economic Development & Job Creation in the East Bay, East Bay EDA (2011), http://eastbayeda.org/research_facts_figures/Studies/BuildingOnOurAssetsReport2011/East_Bay_Building_on_Our_Assets_Report_2011.pdf

Chapter 4: Strategies

Framework and introduction to strategies

The findings from the prior sections of this report⁴¹ reveal several key conclusions:

- Lower-wage workers need improved skills, strengthened social and professional networks and training programs with close connections to employers in order to move up.
- But there are not enough jobs in the middle for all lower-wage workers to move to middle-wage jobs.
- Many of the middle-wage jobs are in industries and occupations that grow as the entire regional economy expands.
- Many workers stay in lower-wage jobs throughout their entire working careers and the jobs that pay at the bottom of the pay scale are likely to grow over time.

As a result, to expand economic opportunity for lower-wage workers, there is the need to simultaneously put people on a pathway to higher wage work while also expanding the region's economy to ensure that there are sufficient middle-wage jobs while also focusing on the quality of jobs at the lower end of the pay scale.

The proposed strategy framework involves pursuing three interrelated goals:

- ***Goal 1: Strengthen career pathways into middle-wage jobs.***
- ***Goal 2: Expand the economy with a focus on middle-wage work.***
- ***Goal 3: Improve the conditions for workers in lower-wage jobs.***

The following chapter describes each of these three goals and identifies 10 strategies and numerous sub-strategies to achieve them.

While every strategy in this report is based on one of the findings of this project, they should be read and viewed like a toolkit. Not every strategy is appropriate for every city or place. Some local entities (e.g. cities, workforce investment boards) may have adopted or implemented many of these ideas already. Some places may lack the market or political conditions for some of the tools to be viable.

What is most important, however, is for local and regional entities to recognize the need for exploring innovative approaches and models all throughout the region – and for cities and organizations to share the best practices among them. Finally, the strategies reflect a comprehensive approach to economic opportunity that combines pathways with economic growth and improved conditions for the bottom. Continuation of this work will require working outside of existing silos and organizational and jurisdictional boundaries.

Overall, the strategy should be read with a few overarching considerations:

⁴¹ Note: These sections will be included in the full draft of the report to be released on April 18.

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- a) There is no silver bullet; many strategies are necessary. That is why this report includes a wide range of strategies.
- b) Innovation and piloting of approaches is key to test out what works. Some cities will pursue strategies while others may reject them. And that is just fine.
- c) The most effective programs or policies should be widely shared and potentially copied. There are great examples today that are succeeding, particularly in workforce development and economic development. Having these programs and approaches become copied by others will lift up the entire region.
- d) Working across geographic boundaries is necessary. Individual communities and cities cannot solve any of these issues on their own. Labor and housing markets as well as travel patterns are regional. Cities will need to collaborate with their neighbors and not risk tax revenue for such sharing.
- e) Many of the major solutions will require active involvement of the federal and state government. There is only so much that can be done at the scale of the Bay Area.

The following is a summary table of all the strategies and substrategies.

Strategy

Key implementers

Goal 1: Strengthen career pathways into middle-wage jobs.

Strategy 1: Expand job-focused basic skill training.

1.1: Increase English language acquisition	WIBs, NGOs, adult education
1.2: Expand digital literacy training	NGOs, WIBs
1.3: Emphasize soft skills, work readiness	NGOs, WIBs, K-12

Strategy 2: Establish industry-driven, sector-based regional training partnerships.

2.1: Identify an industry partner to develop curriculum and provide financial support	Employers, WIBs, community colleges, unions
2.2: Coordinate training regionally	WIBs, community colleges
2.3 Include additional career pathways tools	Employers, WIBs, community colleges, unions

Strategy 3: Improve career navigation systems and support pathways, at the K-12 level and beyond.

3.1: Implement Linked Learning programs	WIBs, NGOs
3.2: Support online job search/application navigation	WIBs, NGOs
3.3: Provide networking opportunities	WIBs, NGOs
3.4: Expand paid internships and apprenticeships	Employers, WIBs, NGOs

Goal 2: Grow the economy with a focus on the middle.

Strategy 4: Focus economic development resources on sector strategies as well as on greater policy coordination among jurisdictions.

4.1: Identify and promote industries and clusters of opportunity	NGOs, local governments, business support organizations
4.2: Increase business retention and expansion programs	Local/regional gov'ts/agencies, business support organizations
4.3: Expand entrepreneurship opportunities	NGOs, local governments
4.4: Establish consistent permitting and regulatory processes	Local and regional governments, business support organizations

Strategy 5: Develop land use plans that accommodate the region's growth, including housing at all income levels, accessible job centers, and support for industrial lands.

5.1: Increase housing supply	Local/regional agencies
5.2: Expand jobs and services in transit-oriented locations	Local/regional agencies
5.3: Preserve and support industrial land	Local/regional agencies
5.4: Include job-focus in PDA planning	Regional agencies

Strategy 6: Rebuild and expand infrastructure in a way that supports economic development and job growth.

6.1: Adopt long-range capital plans	Local/regional agencies
6.2: Support financing for new infrastructure	Local/regional agencies
6.3: Expand user fees	MTC and county agencies
6.4: Explore further public-private partnerships	Local/regional agencies

Strategy 7: Manage the region’s transportation as an integrated, navigable system.

7.1: Make a unified regional transportation system	MTC, transit operators
7.2: Improve first/last mile options	MTC, transit operators, private employers, ridesharing co’s.
7.3: Invest strategically in transit operations	MTC, transit operators, CMAs

Goal 3: Upgrade conditions in existing low-wage and moderate-wage jobs with an emphasis on increasing workers’ economic security.

Strategy 8: Raise the floor by increasing minimum standards for equal opportunity, working conditions, and compensation in low- to moderate- wage occupations.

8.1: Adopt and coordinate local minimum wages	Local governments
8.2: Explore earned sick leave	Local governments
8.3: Adopt “ban the box”/fair-chance hiring	Local governments
8.4: Improve local wage and hour enforcement	Local governments, NGOs

Strategy 9: Organize and professionalize industries to improve wages, benefits and career ladders.

9.1: Adopt contingent worker and industry job standards	NGOs, employers
9.2: Expand Joint Labor Management Training Partnerships	NGOs, employers, unions
9.3: Remove barriers to unionization	Local governments
9.4: Create licensing requirements	Local and regional governments

Strategy 10: Establish standards to ensure that investment of public dollars is aligned with the goal of economic opportunity.

10.1: Enact “Living Wage” Ordinances	Local governments
10.2: Pursue common community benefits agreements	Local governments, employers
10.3: Pass prevailing wage ordinances	Local governments
10.4: Encourage project labor agreements	NGOs, local governments
10.5: Set self-sufficiency standards for WIA job placements	WIBs
10.6: Explore Social and Economic Impact Assessments	Local governments

Goal 1: Strengthen career pathways into middle-wage jobs

This goal responds to two workforce challenges:

- Helping workers move up to better jobs and
- Helping Bay Area businesses meet the need for skilled workers.

The research and outreach activities for this project identified a number of key challenges that limit the upward mobility opportunities for low- and moderate-wage workers. At the same time, firms are reporting difficulties in finding skilled workers across a wide range of industries and occupations. These hiring challenges will intensify as more previously unemployed workers find jobs, the economy continues to grow and the coming tidal wave of baby boomer retirements hits full force.

There are three components of a career pathways strategy:

- Addressing barriers that make training more difficult such as education, English language and digital literacy deficiencies.
- Improving training initiatives through engaging industry partners and forming sector-based partnerships.
- Improving career navigation efforts through better connecting workers and students to professional networks and the new ways that people find and apply for jobs.

The key partners for the career pathways training strategies described above include:

- A group of industry partners to advise on curriculum that will lead to job placements,
- A training provider such as a community college or apprenticeship program,
- A lead agency to put the partnership together such as workforce board or community college and
- A funding source.

For the basic skills and career navigation strategies, additional partners include high schools and community-based organizations.

It is important to recognize that the workforce preparation system in California and the nation is undergoing substantial transformation in response to major changes in how people need to prepare for and find jobs. Some of the transformation requires additional funding. But even with additional funding, it is still necessary to make additional structural, administrative and policy changes. In particular, it is necessary to make sure that current spending in workforce development is most effectively targeted.

One important structural change is about coordinating programs and priorities. This helps overcome the challenges where the many entities involved in workforce development have historically been disconnected. For example, the California

Workforce Investment Board (CWIB) has adopted a sectoral approach to training whereby programs target opportunities in specific occupations and industries. Moreover, the state board is developing an initiative called SlingShot where grant funding is available to regional collaborations of workforce partners to improve alignment of resources and efforts toward improved outcomes for California job seekers.

Local workforce investment boards are beginning to develop memoranda of understanding that divide responsibilities to avoid duplication and enhance strategic impact. The Bay Area Community College Consortium is now approving all new training programs in each community college. The California Community Colleges Chancellor's Office is promoting regional coordination and has implemented a "Salary Surfer" program where students can project future earnings for specific programs.⁴²

At the state and federal level, there is increasing recognition that not everyone needs to attend a four-year college and that career vocational training does not conflict with high academic standards and can provide motivation for students who might otherwise drop out and not reach their potential.

Both the job market and the ways people find and apply for jobs are changing. Most job openings in the next decade are to replace retiring workers. A larger percentage of job openings will be in fields that involve direct contact with customers and in service industries. And the Internet has revolutionized the ways jobs are found and applied for.

Success in preparing low- and moderate-wage workers for better jobs will require building on these beginning steps in transforming and focusing education and training efforts. Approaches need to be found to replicate successful programs at a much larger scale. This will require additional funding. The same is true for successful basic skills and career navigation programs. Industry partners must be identified and persuaded to take an active role in developing training that leads to jobs.

The strategies identified below address the goal of strengthening pathways that provide the training, support and access required for low- and moderate-wage workers to move into middle-wage jobs. It is important to note that creating pathways is not simply a matter of providing training. Some workers may need preparation for training such as English as a Second Language (ESL). Improving digital literacy will be needed to help some workers find upward mobility pathways. Better job search and career navigation counseling will help some workers. For others improved transportation access may be a critical strategy.

The three strategies address:

- what is needed before training can be successful,
- how training should be organized to result in actual job placements and

⁴² For more information, see <http://salarysurfer.cccco.edu/SalarySurfer.aspx>.

- how workers and students can best get and stay connected to jobs as they move through careers that have frequent job changes.

[Begin Sidebar] State and Federal Roles Related to Goal 1

State and federal aid is a critical component of funding for major training and education programs related to workforce preparation.

Both the workforce system funding under the Workforce Investment Act (WIA) and state funding for community colleges—two of the most important workforce partners—have been reduced in recent years even as the challenge of preparing people for and helping them get jobs has intensified as a result of the very slow economic recovery. Funding for K-12 education and adult education has also been reduced relative to caseload and inflation growth.

State funding for education is proposed for an increase in the 2014-2015 budget including more money for higher education and new funding for Linked Learning model programs. In addition a portion of K-12 funding is directed to provide additional funds for districts with a large number of at-risk students. Federal workforce funding remains below previous levels and program reauthorization remains uncertain.

The California Workforce Investment Board is starting a project to promote regional coordination. The ability of the state to support innovative workforce programs and arrangements is directly tied to the ability of the state to fund these programs by providing additional funding to what is currently available, and to eliminate administrative or policy barriers that inhibit the adoption of promising practices. This example is about both new money and then alignment of current resources to incentivize adoption of best practice programs like sector partnerships.

While money is not the only challenge facing the three strategies that support the goal of improving career pathways for low- and moderate-wage workers into middle-wage jobs, it is a significant challenge and one that cannot be overcome without additional state and federal funding.

[end sidebar]

Strategy 1: Expand job-focused basic skills training.

The basic components of this strategy are 1) English language acquisition for workers with limited English skills, 2) digital literacy training and 3) other basic skills such as reading and math remediation, GED preparation and soft skills/work readiness skills.

Completing a good high school education is a critical foundation for access to most middle-wage jobs. Some high school initiatives tied to career pathways are explored in Strategy 3 but the broader question of better pre-school and K-12 education is beyond the scope and resources of this project.

This strategy responds to barriers identified during the project and to the skills required by the majority of middle-wage job opportunities identified in the project analysis. The Bay Area has a comparatively large number of foreign-born workers in the economy and some have limited English skills. This is a barrier both for the many middle-skill jobs that require contact with customers and co-workers and for the job search process.

Lack of digital literacy skills is a barrier to employment for two reasons. First, more jobs today, especially middle-wage jobs, require basic digital literacy skills. Second, finding a job is now done more online than in the past.

The best practice models for basic skills acquisition for adults in the workforce involve contextualized learning. The basic concept is that people and especially adults with some learning barriers learn better when the subject material is related to real life situations that are familiar and important to them. In the best practice examples discussed below, this means that ESL and digital literacy are related to workforce preparation and are taught in a job-based context where learners can practice.. A review of contextualized learning practices and initiatives was developed by the California Community College system.⁴³

One of the first success stories is the I-BEST (Integrated Basic Education and Skills Training) program in the state of Washington. It is a nationally recognized model that quickly boosts students' literacy and work skills so that students can earn credentials, get living wage jobs, and put their talents to work for employers.

I-BEST pairs two instructors in the classroom – one to teach professional and technical content and the other to teach basic skills in reading, math, writing or English language – so students can move through school and into jobs faster. As students progress through the program, they learn basic skills in real-world scenarios offered by the job-training part of the curriculum.⁴⁴

⁴³ The review is available at <http://www.cccbsi.org/Websites/basicskills/Images/CTL.pdf>.

⁴⁴ To learn more see http://www.sbctc.ctc.edu/college/e_integratedbasiceducationandskillstraining.aspx.

1.1: Increase English language acquisition programs focused on a workplace context.

There are two Bay Area best practice initiatives that help workers with English language skills in the context of what is relevant to their workplace and improving their job prospects and pay.

The Building Skills Partnership in Silicon Valley has an established program of providing English language and other job-related training to janitors. The Service Employees International Union—United Service Workers West (SEIU-USWW) partners with companies and building maintenance contractors to provide education and training on site with space donated by companies which also allow workers to take classes at convenient times and often with pay.

A leading program is called ADVANCE Workplace ESL & Job Skills and is a six-month program blending Vocational English as a Second Language (VESL) curriculum with job skills instruction. Classes are held at over 30 large, corporate worksites on work paid time, ensuring high attendance and graduation rates of over 80 percent. Janitors who graduate from the 50-100 hour intensive courses are often promoted to higher paid day cleaning, event service, building maintenance, clean room, and supervisory positions. The ADVANCE program is another example of contextualized learning.⁴⁵

In Silicon Valley, the ALLIES (Alliance for Language Learners' Education and Success) is a new collaboration of San Mateo and Santa Clara County workforce boards with educators, labor, business and community partners to build the workforce competencies of adult immigrants. The project supports workers requiring English language acquisition and related work-readiness skills by providing these skills in a work context with appropriate industry, education, workforce and community partners and in high need regional industry sectors.

One ALLIES project is with the Palo Alto Adult Education program. One is a partnership between SEIU and Kaiser in Santa Clara utilizing the Building Skills Partnership model. The third is a partnership of the work2future workforce investment board and Evergreen Valley College, both in San Jose.⁴⁶

1.2: Expand digital literacy training.

Lack of broadband access and digital literacy skills was another workforce barrier mentioned often in the outreach activities.

Teaching digital literacy connected to job search is another example of a contextualized learning approach. JobScout is a program that resulted from a partnership of the California state library system and the LINKS AMERICAS Foundation.⁴⁷ The program

⁴⁵ To learn more see <http://www.buildingskills.org/programs/advance/>.

⁴⁶ For more information see <http://www.allies4esl.org/>.

⁴⁷ For more information and to see how Job Scout works see <http://myjobscout.org/>.

provides an innovative, game-driven online tool to teach the digital skills needed to conduct a job search online.

The mission of the California Emerging Technology Fund (CETF) is to provide leadership statewide to close the “Digital Divide” by accelerating the deployment and adoption of broadband to un-served and underserved communities and populations.⁴⁸ A current Bay Area example of its work is a grant in Oakland to provide refurbished computer training and technical support to 2,000 families and individuals. The group is called Oakland Technology Exchange West.⁴⁹

The CETF efforts are not exclusively targeted at job-related use of the Internet. But by expanding broadband coverage, the initiative allows new users to develop digital literacy skills on their own to find assistance. Joint partnerships with business are another area of opportunity for digital literacy instruction. Building Skills Partnership is working with the company providing janitors to Google to use email and the Internet to receive work orders and report problems on tablets provided by the contractor.

1.3: Improve programs focused on soft skills and work readiness, as well as other basic skills.

Many organizations and educational providers throughout the Bay Area are focused on work readiness training. While much of these skills were in the past taught in high school, there are many employers who note that some workers lack basic math and reading skills as well as other work readiness “soft skills” that affect performance in the workplace. The key strategy is to continue expansion of these programs and the further incorporation of soft skill and workplace readiness training into high schools and the overall education system. One example of an organization working on basic skills training is Jewish Vocational Services in San Francisco.⁵⁰ There are many other programs region wide that help low- and moderate-wage workers.

Benefits

- Overcoming deficiencies in English language proficiency helps low- and moderate-wage workers advance in their current jobs and is a prerequisite for most middle-wage jobs.
- Improving digital literacy helps low- and moderate-wage workers advance in their current jobs and is a prerequisite for most middle-wage jobs.
- Basic skills acquisition helps low- and moderate-wage workers advance in their current jobs and is a prerequisite for most middle-wage jobs.

Challenges

⁴⁸ For more information see the CETF website <http://www.cetfund.org/>.

⁴⁹ See website is <http://www.otxwest.org/>.

⁵⁰ See: <http://www.jvs.org/>.

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- English language instruction is already in very high demand throughout the Bay Area, and improving services will be difficult without significant additional resources and having instruction offered at convenient times.
- English language instruction programs are highly decentralized, and lack common goals, assessment standards, student tracking and coordinating systems that are needed to gauge the effectiveness of specific programs or approaches.
- Much English language instruction is done in the adult education system and has not traditionally been connected to the workforce world.
- While there are individual initiatives that connect digital literacy training to job search, this is not yet being done systematically in response to the rapid changes in how job seekers find and apply for jobs in the Internet age. Moreover, the limited resources available in the workforce development system support the need for and benefit of doing as much online and at the job seekers convenience as possible.
- The best practice programs have depended on limited federal, state and foundation grants with some business participation in funding.

Strategy 2: Establish industry-driven, sector-based regional training partnerships.

This strategy responds to a skills gap barrier for low- and moderate-wage workers identified in the project outreach efforts and documented in the national literature. Many workers do not have the skills required for current and future middle-wage jobs and many employers find difficulty in finding enough skilled workers. A recent Bay Area example that illustrates this finding is the advanced manufacturing workforce analysis developed for the Workforce Development Board of Contra Costa County. Companies identified middle-wage job openings, many as a result of baby boomer retirements.⁵¹ These openings do not require advanced education but do require specialized training to meet industry needs.

The presence of an industry partner is the critical factor that differentiates this strategy. The industry partner is essential for designing programs that have a high chance of leading to actual jobs at the end of the training.

The three components of a successful industry-driven regional training partnership are:

- Identifying industry partners to develop curriculum and provide financial support.
- Coordinating training regionally.
- Including additional career pathways tools.

The Bay Area has several ongoing programs that include all of these key components and, in addition, provide direct access to jobs, internships and apprenticeships. Two excellent examples are the Bay Area Consortium for Water and Wastewater Education (BACWWE) and the Loyd E. Williams Pipe Trades Training Center (PTTC) in San Jose.

Solano Community College is the lead agency for the BACWWE.⁵² The industry partners include water and wastewater organizations in Solano, Alameda, Contra Costa, Marin and San Mateo counties, giving the project both scale and regional breadth. The Contra Costa Water District initiated the program when it approached the college and expressed concern about how to replace the wave of skilled baby boomers nearing retirement age. The courses are taught at industry partner sites throughout the region. Most of the instructors hold high-level positions in the agency partners.

The partners work to make the courses taught at times convenient to students. The program also includes the ability to accumulate what are called “stackable certificates” where a student or worker can gain one skill level, work for a while, and go back and get additional training leading to additional certifications and a chance for higher paying jobs.

Industry partners pay for students training costs and provide programs funds.

⁵¹ See: [http://www.wdbccc.com/docs/default-source/boarddocuments/advancingmanufacturinginccc\(final\).pdf?sfvrsn=2](http://www.wdbccc.com/docs/default-source/boarddocuments/advancingmanufacturinginccc(final).pdf?sfvrsn=2)

⁵² See more information at: www.bacwwe.org.

The program has 1) an industry partner, 2) industry help in both designing curriculum, teaching the courses and providing financial support, 3) a regional approach that increases both the number of students and the number of available internships and jobs, and 4) a program that works toward actual jobs and access to training convenient to students.

Founded in 1941, the Loyd E. Williams Pipe Trades Training Center (PTTC) currently has 275 enrolled apprentices and over 970 journey-level training seats annually. The center is industry-funded via a joint labor-management trust, providing a permanent, predictable stream of funding. A joint committee of union and industry representatives oversee the center's work and ensure that the training it provides is directly responsive to employers' needs.

The instructor roster includes 70 trained instructors who work in the field and bring their hands-on experience into the classroom. Instructors receive training from Foothill College on the basics of teaching apprentices. Once they have completed this they are sent to a special instructor training program let by Local 393 of the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States, Canada and Australia (UA).

The PTTC is continually refining the curriculum and course offerings to meet employer needs. The curriculum is informed by the 70-plus pipe trades contractors who employ the apprentices and journey-level workers and a number of whom sit on the governing board of the Center. The training approach is the product of a comprehensive strategy to create a workforce pipeline for the industry through clearly defined and articulated career pathways that lead from the entry-level up to the highest skilled.

Apprentices that begin the five-year program have a greater than 85 percent chance of graduating, according to past performance. The program's partner employers hire registered apprenticeship participants as they begin their classroom training. The employers also provide on-the-job training in concert with the classroom and lab instruction. Personal mentoring by field coordinators for each apprentice is instrumental in facilitating placement and retention.⁵³

2.1 Identify industry partners to develop curriculum and provide financial support

Many workforce boards and community colleges have developed training for individual companies. While many of these programs are successful, they usually are not able to reach a large number of students or existing workers seeking career advancement. Only in rare cases do these programs receive financial support from the industry partner.

⁵³ For more information see <http://www.pipetrade training.org/>

Programs such as BACWWE and PTTTC — that have multiple industry partners, cover multiple county areas and provide substantial financial support — are rare but offer excellent models for other stakeholders seeking to replicate this approach.

Identifying industry partners who are interested and able to design programs that lead to actual jobs or internships/apprenticeships and provide financial support is not an easy task. However, the following approaches have the best chance for success:

- 1) Find industries where there is either large expected job growth or, more likely, a large wave of upcoming retirements. As the economic recovery proceeds, the number of industries facing a wave of skilled worker retirements will grow, Training replacement workers is critical for more industries in the region, state and nation.
- 2) Think regionally. This means that workforce boards and community colleges should work together to find industry partners. This reflects the realities that most industries have a regional scope within the Bay Area and also the reality that multiple partners are more likely to be found within a region than in local college or workforce board service areas.
- 3) Work to find multiple industry partners. The successful initiatives described above all had multiple industry partners whether or not they were regional in scope. Finding multiple partners with the same needs is important for designing programs that are large enough to make a difference in meeting the project goal and also will provide a wider choice of job opportunities for people completing the training,

The project did identify some other Bay Area industry-driven training initiatives that meet one or more of the critical components.

The SolarTech Workforce Innovations Collaborative (SWIC) was a partnership of SolarTech, Foothill-De Anza Community College District, and the NOVA Workforce Board. The goal of the partnership was to expand workforce training programs and meet the needs of employers by providing highly skilled workers for California businesses that are moving toward emerging green economies.⁵⁴

SolarTech, an initiative of the Silicon Valley Leadership Group, provided industry input on curriculum designed to meet industry needs and participated in helping program participants find jobs. The Foothill-DeAnza district coordinated training across three community colleges and NOVA was the lead partner in administering the program.

The SWIC initiative reported high levels of placement for participants who completed the training. One interesting outcome was that there were a number of sales job openings identified in the Solar Tech Collaborative. This initiative did depend on substantial one-time government funding.

⁵⁴ For more information, see: <http://www.novaworks.org/SpecialProjects/GreenInnovations.aspx>

Community-based organizations can lead these efforts as well. The Stride Center in Oakland has had success with preparing low- and moderate-wage workers for entry-level positions in the information and communication technologies (ICT) sector. The program works by understanding industry requirements for entry-level jobs and designing training to meet these requirements. Funding is a mixture of private and foundation donations and industry support.⁵⁵

The Stride Center is a central partner in one of the recently awarded pilot projects led by NOVA and funded through the HUD Regional Prosperity Plan. The project proposes to increase access to sustainable ICT careers for Bay Area low- and moderate-income workers. It will create and deliver career navigation curriculum content for Stride Center students (career navigation skills include professional networking, personal marketing and the ability to access relevant labor market information). The project will also work with industry partners to create internship and employment opportunities for students as well as share the curriculum and outcomes with regional workforce stakeholders in the fast growing ICT industry. The project will also create a networking group of program alumni to provide advice to current and future program participants.

Another model for industry sector training partnerships involves direct financial participation by a company or industry. One example is PG&E's Power Pathway program where the company donates equipment as well as advice in the training needed to fill their current or anticipated vacancies. More and more companies like PG&E are anticipating the need to fill vacancies created by retiring baby boomers. One example of the PowerPathway program is shown below.

The program is partnering with Laney College in Oakland to help train welders who could end up working for the utility. The partnership is an ideal arrangement. PG&E needs skilled welders and Laney College has a welding lab that dates to World War II. The free class is popular. Students must be working welders or have advanced welding skills. Of the 100 who applied, only 15 were invited to take part. Also, PG&E has donated \$45,000 in new equipment to the college.

Other PowerPathway programs are open to residents with 8th to 10th grade math and English proficiency. Applicants are screened by workforce boards and use federal individual training account funds to pay for programs. Starting wages in 2013 were \$24.41 an hour.⁵⁶

[Begin Sidebar] Industry-driven partnership models in other states

The Professional Automotive Training Center (PACT) at Shoreline Community College near Seattle, Washington is the premier automotive technician program in the U.S. The PATC and its industry partners originated this innovative model that integrates education with hands-on workplace experience. The average automotive technician

⁵⁵ For more information on this program see <http://www.stridecenter.org/>.

⁵⁶ See: <http://www.pge.com/powerpathway/>

salary for the region ranges from \$50,000 to \$52,000, depending on location and the individual's production abilities. Because the PATC program is so closely tied to the industry, the job-placement rate for PATC graduates is high, approaching 100 percent.⁵⁷

The Hobart Institute of Welding Technology in Troy, Ohio responds to the shortage of skilled welders and the imminent retirement of more (the average age of welders is 55) with a nine-month program including 1,000 hours of actual practice.⁵⁸ The average starting hourly salary is \$17. The starting salary is higher for those who master the trigonometry classes at the institute. The American Welding Society estimates there will be a shortage of 290,000 welding professionals by 2020.⁵⁹

States are using industry-driven training programs as an incentive for plant location. Mississippi offered to train residents in basic manufacturing at a community college (\$4 million) and build a skills center (\$7.5 million) for a new Yokohama Tire Corporation factory. Florida announced a \$20 million program in January 2014 to train employees for jobs in science and technology while Wisconsin has pledged \$35 million to provide customized training for companies. In Georgia, a new Caterpillar Inc. training center mimics the factory floor.

[End sidebar]

2.2 Coordinate training regionally

Workforce training and related programs exist currently in the context where funding is limited relative to the demand and where funding in many cases has been reduced in recent years. This is certainly true for many workforce boards and community college programs. In addition the research in this project shows that the Bay Area has a regional labor market. Many residents commute across county lines for work and employers hire people from around the region. And, as discussed above, a regional approach is more likely to find industry partners with the largest training needs.

All of these facts suggest that a regional approach to workforce training is appropriate. In practice that means that not every workforce board, community college, labor union or nonprofit training provider should target each occupation or industry of opportunity. It means that specialization and memoranda of understanding delineating areas of responsibility are the best ways to make efficient use of limited funding for sector-based training.

Regional coordination will require new ways of thinking and doing business for many workforce boards and community colleges. Any transitions will be easier if partners remember that their worker customers are willing to travel across service area boundaries to get good jobs and business customers do not look for workers only in their immediate geographical area. The Bay Area is truly a regional labor market.

⁵⁷ For more information see <http://www.shoreline.edu/auto/>.

⁵⁸ See: <http://www.welding.org/> for more information.

⁵⁹ Philips, Matthew. "Welders, America Needs You." March 20, 2014. See: <http://www.businessweek.com/articles/2014-03-20/skilled-welder-shortage-looms-in-u-dot-s-dot-with-many-near-retirement>

At the current time there are efforts underway by Bay Area workforce boards and community colleges to work out arrangements that avoid duplication of effort.

The California Workforce Board is developing a new initiative called SlingShot to provide direction and financial incentives for the development of regional partnerships to address the workforce preparation challenges. The Bay Area will be one of the eligible regions for grant funding. Workforce boards, community colleges and potential industry and community based organization partners can follow the development of this initiative and develop a regional partnership initiative to present to the state. This will be a great opportunity to develop additional successful models of industry-driven regional training partnerships.

2.3 Include additional career pathways tools

Training provided at convenient times and places would address one of the barriers identified in the outreach. For example, the Bay Area Consortium for Water and Wastewater Education classes are offered in the evening at sites around the region.

Programs that include stackable certificates help develop career pathways by allowing students to increase their skills while working.

Programs where the tuition is paid for such as the Pipe Trades Training Center classes help students overcome part of the financial challenge of taking time off for training. The same is true for programs that include paid internships or on-the-job training.

Benefits

- Industry-driven sector based training partnerships offer the best opportunities for existing low- and moderate-wage workers to prepare for middle-wage jobs because they are targeted to and incorporate industry skill needs.
- Increasing the supply of skilled workers supports economic growth in the region as employers face current and anticipated skill shortages as baby boomers retirement even in a less than full employment economy.
- Helping low- and moderate-wage workers advance to better jobs reduces the need for safety net programs directed at low-income individuals and households.

Challenges

- It is difficult to implement these programs at a large enough scale to help everyone who could benefit.
- It is difficult to identify opportunities for a much greater number of programs that follow these successful models. Workforce boards, colleges and other training providers must work to identify willing industry partners. Efforts are underway within the Chancellor's Office of the California Community College system and the California Workforce Investment Board to identify opportunities

and help develop these partnerships and to make efficient use of limited resources in each region by avoiding duplication of efforts.

- Even with industry advice, it is difficult to design training programs that effectively link graduates to middle-wage employment. The majority of the best practice programs described above have achieved high placement rates for graduates. However, there also exist many well-intentioned efforts in which workers complete training only to find that the anticipated employment opportunities are not available.
- Timing is an enduring challenge in workforce preparation. Employer needs and industry trends change so fast that training programs struggle to adapt in time or the trainees graduate before or too long after the actual demand.
- There is not enough funding to expand these program efforts. Many of the industry-driven regional sector training partnerships described above have been funded by federal and state grants, foundation funds and private/corporate donations. All of these funding sources are limited relative to both the number of low- and moderate-wage workers and to the current and future skills gaps for industry.

Strategy 3: Improve career navigation systems and support pathways, at the K-12 level and beyond.

The basic components of this strategy are 1) programs that provide experience and connections to higher paying jobs such as Linked Learning, apprenticeships, and paid internships, 2) programs that help workers navigate the new world of job search, and 3) programs that help workers network as part of their job search such as ProMatch, a Santa Clara County program that helps dislocated workers network.

This strategy responds to both changes in how people find and get jobs after they acquire the needed skills and to the need to excite students about the connection between learning and getting a good job before they drop out of high school because they see no hope and no connection between school and career.

This strategy responds to barriers identified in the outreach and literature review including poor high school connection to the world of work, difficulty in gaining experience to qualify for better jobs and difficulty navigating the new online world of job search and application. Another barrier is the difficulty for many in giving up paid work to make time for training that is not on-the-job or paid for by employers.

3.1: Expand Linked Learning programs.

The statewide Linked Learning program helps high school students, often from disadvantaged backgrounds, find pathways to higher education and/or work. The program shows students the linkage between what they study and job opportunities, and similar programs for workers highlight linkages between work experience and future opportunities. The James Irvine Foundation has sponsored and organized a major Linked Learning initiative with 16 California high schools.⁶⁰ The Antioch Unified School District is one of the Irvine sites and their program has been quite successful.⁶¹

California is committed to expanding these effective programs. Legislation passed in the 2013-14 state budget sets up the California Career Pathways Trust with \$250 million to be awarded in competitive grants to support career-pathways programs, strengthen K-14 alignment, and build scalable work-based learning infrastructure. The state hopes to foster a variety of successful initiatives and if that happens, overall funding will be increased in future years.⁶²

3.2: Help workers navigate the new world of online of job search and applications.

⁶⁰ An overview of the program can be reviewed at <http://irvine.org/linkedlearning2013/overview> and SRI International is conducting an evaluation of the program. Early results are positive as reported in <http://www.sri.com/sites/default/files/publications/llyr3execsumm-2013june20.pdf>.

⁶¹ It is summarized at <http://www.antioch.k12.ca.us/LL>.

⁶² For more information see <http://linkedlearning.org/wp-content/uploads/2013/07/California-Career-Pathways-Trust.pdf>.

Searching and applying for middle-wage jobs is now done primarily online. Interviews and any personal contact happen at the end of the process, not at the beginning. That means that individuals need to understand how resumes are reviewed online and what companies are looking for in the resume besides skills and experience. In addition, more and more job listings are found only online, which adds to the technical skills needed to find and apply for jobs.

The NOVA Workforce Board has developed an online tool called My Plan to help job seekers find jobs and prepare for job search, application and interviews.⁶³ The goal is to develop a step-by-step process that can be used by experienced and inexperienced Internet users alike. My Plan enables users to learn lessons at their own pace, greatly multiplying the number of users with access to job search and preparation tools and allowing job seekers to prepare for personal visits to the NOVA job center when needed.

This model can be adapted and used in different settings throughout the region. It can be integrated with digital literacy training appropriate for the customers of organizations helping people prepare for and find jobs.

3.3: Create networking opportunities for low- and moderate-wage workers.

Many people get jobs through initial contacts with people they know. This is true for workers at different income levels. Networks are both virtual (like LinkedIn) and physical (social clubs or meetup groups). But the value of networks is both based on who is in the network as well as how someone utilizes the network to achieve their specific goals. Workers are more likely to be hired for a new job when referred by an existing employee.

Some workforce investment boards have set up specific programs to try to instruct workers on how to establish and utilize networks to find jobs. For example, NOVA's My Plan has a module focused on helping workers strengthen use of networks. It teaches workers that networking is more of a process about looking for and learning about opportunities, not simply asking contacts to get you a job. The strategy focuses on encouraging workers to ask specific questions of those in their network. The key questions are summarized as "AIR":

- **Advice:** "Can you tell me the best way to apply for a position at your company?"
- **Information:** "From your perspective, what are the skills most in demand for someone in your field?"
- **Referrals:** "Do you know someone working in the field of (insert industry) with whom I might be able to connect with for more information?"

⁶³ The new online tool is available at <http://myplan.novaworks.org/>.

In addition NOVA provides information on a five-step process for networking that involves making a list of the people one knows, developing a short statement about oneself, making contacts and asking the questions noted above.

NOVA has also developed a networking program called ProMatch dislocated professionals. It is quite intensive and includes some skill building, volunteering to help mentor others and has been very successful in helping its members find jobs.⁶⁴

Creating networking programs and opportunities for low- and moderate-wage workers will require new approaches. The NOVA and Stride Center project described earlier has an explicit networking component. The goal is to follow the ProMatch model and use alumni of the Stride Center to form a networking group for current enrollees.

The Stride Center/NOVA pilot project model can be adopted by other workforce training organizations. It can even be replicated retroactively for organizations that have good records of their alumni. Program alumni who have successfully entered the workforce can be asked to form an informal or formal network and mentorship group to help current workers receiving training.

The Contra Costa Community College District is developing a pilot project that includes a component on job search and hiring practices. A pilot project led by Success Concord in the City of Concord has the goal of developing an intensive, culturally competent case management model by creating individualized employment action plans for at least 40 low- and moderate-wage workers, primarily immigrant workers.

3.4: Encourage apprenticeship programs and paid internships.

A key model for helping workers move into the middle is to pay them to learn on the job. This can take the form of an apprenticeship program or a paid internship.

While many occupations of opportunity do not require formal education requirements, many applicants may not qualify for jobs because they lack experience. On-the-job training through a paid internship or an apprenticeship program is a key way to get necessary experience in a new work site. This gives workers an important leg up in their job search, even when the internship did not involve specific technical skills. Certain industries that demand more specialized technical skills could offer paid apprenticeship programs to allow workers to learn necessary skills in a structured setting.

The construction industry is the largest example of successful apprenticeship programs. The Pipe Trades Training Center program described above is one example of a career pathways program that incorporates apprenticeships.⁶⁵ While most apprenticeship programs are in construction there are efforts to expand the concept to other sectors.

⁶⁴ Details on the Pro Match program can be found at <http://promatch.org/>.

⁶⁵ For a more complete description of construction apprenticeship programs in California see <http://onlinecpi.org/wp-content/uploads/2011/06/Construction-Apprenticeship-Programs-report.pdf>.

President Obama's budget includes \$2 billion for registered apprenticeships, which include many industries beyond construction.⁶⁶

[Sidebar] Innovative paid apprenticeship programs

South Carolina, with its robust manufacturing base, has started Apprenticeship Carolina, offering tax-credits to firms who work with the state's education facilities to offer apprenticeship programs.⁶⁷

The Foundation for California Community Colleges is promoting paid internships as part of its Career Pathway program. The initiative pairs students with employers and offers to handle the record keeping and liability by being the employer of record. The initiative recognizes the importance of work experience in developing career pathways and the barriers facing students and employers in finding and developing paid internship opportunities. The Foundation has recently received a \$1.2 million grant from J.P. Morgan Chase & Co. to fund internships within the Linked Learning initiative for high school students.⁶⁸

Benefits

- Career navigation strategies will help low- and moderate-wage workers to use basic skills and training they acquire and to more successfully find jobs. These strategies help workers understand the new ways in which workers find and apply for jobs as online application replaces interviews with human resource people at companies.
- The Linked Learning, apprenticeship and paid internship strategies all help workers and students explore career pathways and better understand what is required. In addition they connect the learning that students do in school with job skills and thus have the potential to motivate students to continue studies when they might otherwise get discouraged and drop out.

Challenges

- It is difficult to bring these programs to a sufficient scale to help many workers. Most of the best practice initiatives are a single program in a single location. Moreover, most are and were funded with one-time grant monies and have no long-term funding source.
- The Linked Learning, paid internship and apprenticeship strategies require identifying and recruiting industry partners. There is a new state initiative to fund the development of more model programs. However, the initiative acknowledges that major additional funding will be required to bring successful models to scale.

⁶⁶ See <https://21stcenturyapprenticeship.workforce3one.org/>. The Registered apprenticeship program is described here <http://www.doleta.gov/OA/apprenticeship.cfm>.

⁶⁷ See: <http://www.elpadvisors.com/2014/01/18/european-style-apprenticeships-on-u-s-shores/>

⁶⁸ The Foundation program is described at <http://www.foundationccc.org/WhatWeDo/StudentJobs/tabid/356/Default.aspx> and the J.P. Morgan grant is described at <http://www.foundationccc.org/WhatWeDo/StudentJobs/LaunchPathProject/tabid/959/Default.aspx>.

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- Low and moderate-wage workers may not have access to the networks in desired middle-wage careers. Creating models to effectively broaden and create intersections between disconnected networks may be difficult, resource-intensive and necessitate considerable commitment of time and energy by mentors and advisors, who tend to be middle-wage workers facing their own life stresses and challenges.
- Networking models for low- and moderate-wage workers require development of programs that do not currently exist and may be difficult to implement given the time and financial pressures these workers face in daily life.

Goal 2: Grow the economy with a focus on the middle

While Goal 1 is about providing pathways to the middle, the Goal 2 focuses on expanding the number of jobs in the middle for lower-wage workers to move into. This means identifying strategies that both strengthen the economic competitiveness of the Bay Area economy and also grow the number of middle-wage jobs.

Current projections show 300,000 openings for middle-wage jobs (i.e. \$18 to \$30 per hour) over the current decade, far less than the over 1,000,000 openings for both higher and lower-wage work combined.⁶⁹ That growth will be dispersed across industries in the entire economy. Industries of opportunity – those with the highest numbers of middle-wage job openings, many of which have minimal education and training requirements – range from professional services to construction.

As a result, expanding middle-wage employment will require many of the same policies and investments that are a part of a standard regional economic development strategy: supporting the region's portfolio of competitive industries, ensuring sufficient land and political support for a significant amount of new housing and jobs, investing in infrastructure and maintaining an efficient transportation system. But while those policies are necessary for economic growth, they are not sufficient on their own to ensure that there will be a major increase in the number of middle-wage jobs. In short, Goal 2 assumes modifications to these policies to ensure substantial middle-wage job openings in the future (given that middle-wage jobs are a small share of overall job growth).

The following are four key strategies to support economic growth with a focus on middle-wage job creation:

- **Strategy 4: Focus economic development resources on strategies to grow the industries of opportunity by emphasizing business formation, retention/survival and expansion and greater policy coordination among jurisdictions.** This includes analyzing the distribution of wages within industries, enhancing the local supply chains, supporting entrepreneurship training as well as coordinating policies and regulations among cities to reduce competition for jobs and revenues.
- **Strategy 5: Effectively plan for a range of diverse needs to accommodate the region's growth, including housing at all income levels, accessible job centers, and support for industrial land uses.** This includes ensuring enough housing production near to jobs, preserving sufficient industrial land, and encouraging better concentration of jobs and facilities in accessible places near transit. It means having land use planners recognize the job impact of their policies, from establishing more zoned capacity for jobs in

⁶⁹ "Job openings" combines net new job growth with "replacement jobs," where there is a job opening due to a worker retiring or leaving the job.

some areas to implementing zoning protections to help retain important but less competitive industries in another.

- **Strategy 6: Rebuild and expand infrastructure in a way that supports economic development and job growth.** Infrastructure lays a foundation for long-term growth. Business development and growth is only possible with adequately maintained transportation, energy, water and other infrastructure systems. Furthermore, many of the jobs associated with building and maintaining infrastructure are middle-wage. A key additional strategy is therefore to identify new local and regional sources to finance needed infrastructure investment.
- **Strategy 7: Manage the region's transportation as an integrated system that is easy to navigate.** This means workers should be able access quality jobs throughout the region no matter where they live. This includes making the region's public transit look and feel unified as well as better coordinating and expanding non-transit options from car-sharing to ride-sharing to shuttles in both urban and rural environments.

Implementation of these strategies relies on many actors: regional planning agencies (MTC, ABAG), local cities and county government agencies, transportation providers, local economic development agencies, small business assistance providers, and lenders. However, it should be recognized that the "customer" for these policies are employers who will create Bay Area jobs.

[BEGIN SIDEBAR]

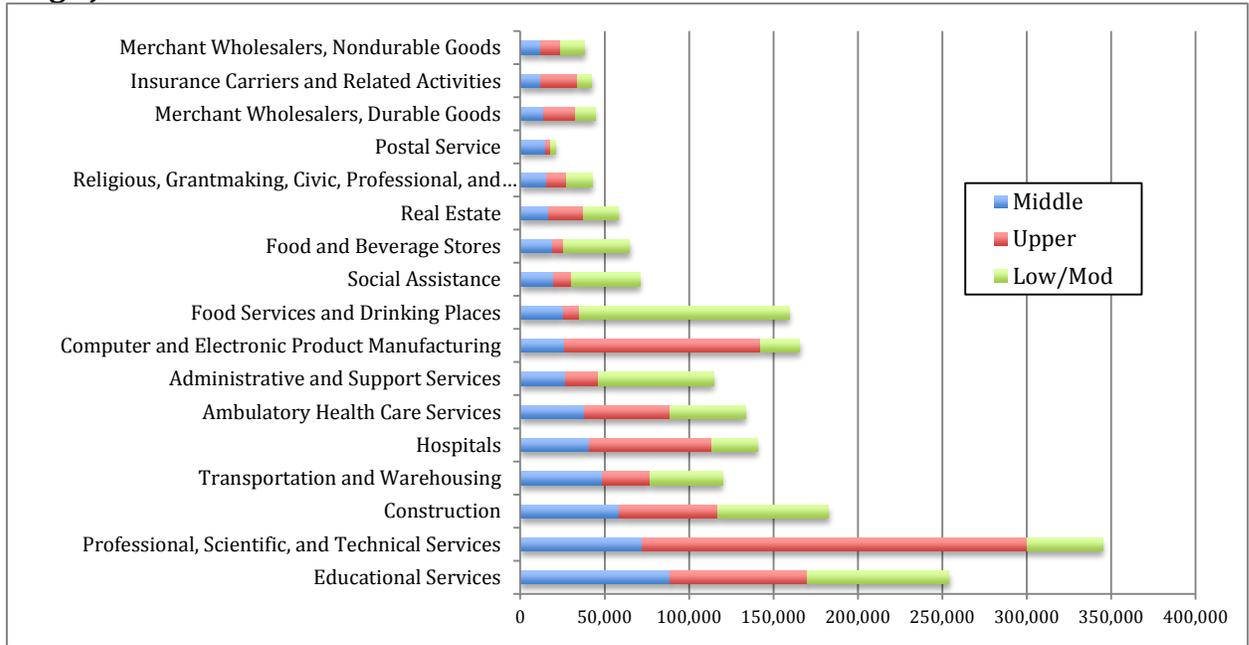
What is the relationship between overall job growth and expansion of middle-wage employment?

Middle-wage jobs exist in every industry in the economy. As a result, middle-wage jobs will grow with overall economic growth. But the distribution of wages varies significantly across industries. So the actual number of middle-wage jobs will depend on the types of industries that expand in the region.

For example, the following are key industries with different distributions of middle-wage jobs:

- Relatively even wage distribution across low, middle and high: Education Services, Construction, Transportation, Warehousing and Health Care
- Primarily higher wage: Professional, Scientific and Technical Services and Computer/Electronic Manufacturing
- Primarily lower-wage: Administrative Support and Food Services/Drinking Places

Table: Wage distribution among industries with the largest number of middle-wage jobs



Source: Marin Economic Consulting, SPUR analysis

In addition, the future rate of job growth in an industry will depend on whether the industry is within the export sector (i.e. it primarily sells goods or services outside of the Bay Area) or the local-serving sector.

Primarily export-oriented sectors include professional and technical services and computer product manufacturing. Primarily local-serving sectors include health care, administrative support and construction. These distinctions are important because export-oriented industries are ones that can grow significantly over time. For example, software and technical services can have fast job growth when there is rapid expansion in demand nationally and globally for the goods and services produced by Bay Area firms. In contrast, future growth prospects of local-serving sectors are more in line with overall population or economic growth and less likely to exhibit dramatic long-term growth (though industries like construction can have booms associated with real estate and building cycles).

[END SIDEBAR]

Strategy 4: Focus economic development actors on industries of opportunity and encourage greater policy coordination among jurisdictions.

Strategy 4 is about the specific efforts at the local and regional level to promote economic development and job growth. The general approach proposed here is to encourage public and private economic development staff to focus on supporting “industries of opportunity”. These industries, described in Chapter TK, have a greater number or share of middle-wage jobs than other industries and are likely to grow over time. Growing industries of opportunity requires a competitive business environment for companies at various stages of their development – initial formation, early survival, growth and expansion and retention over time. The strategies described below seek to enable local and regional economic development actors to support the growth of these industries of opportunity through a variety of tactics and mechanisms.

Some economic development officials will note that their community may not be well suited to one or more of the industries of opportunity, or that emphasizing industries with a larger share of middle-wage jobs is a constraint on capturing opportunities that emerge. Those concerns are valid; the strategies described below should not be viewed to restrict other efforts. Instead they are meant as a discussion of ways in which the Bay Area, its cities and its local and subregional economic development actors can more effectively collaborate to achieve greater economic strength for industries with a healthy share of middle wage jobs. And most of the strategies described do double duty to general economic development efforts that promote any industry or community.

Economic research suggests that economic development efforts that focus on broad industry sectors or “clusters” (i.e. groups of interrelated firms who share suppliers and rely on specialized local inputs like skilled labor or infrastructure) are an effective approach to maintaining economic competitiveness over the long run.⁷⁰ In particular, the most effective strategies focus on the competitiveness of the inputs to the cluster (like skilled labor, land or specialized infrastructure).

Other economic research suggests that economic development efforts should target new business formation and the expansion of existing employers, not attraction of firms located elsewhere. Most job creation results from the starting of new businesses or the expansion of existing ones. For example, between 1995 and 2009, just 2.3 percent of total employment in the Bay Area resulted from business establishments moving into the region from elsewhere (with 55 percent resulting from new business formation and nearly 43 percent from existing firms adding headcount).⁷¹

⁷⁰ See ICMA International, “Cluster-Based Economic Development Strategies” (Nov. 2009), http://icma.org/en/international/resources/insights/Article/101968/ClusterBased_Economic_Development_Strategies; Stuart Rosenfeld, “A Governor’s Guide to Cluster-Based Economic Development” (National Governor’s Association, 2002), <http://www.nga.org/files/live/sites/NGA/files/pdf/AM02CLUSTER.pdf>

⁷¹ See: The Bay Area: A Regional Economic Assessment. Bay Area Council Economic Institute Report (October 2012) <http://www.bayareaeconomy.org/media/files/pdf/BAEconAssessment.pdf>

The following are the proposed elements of this strategy:

- Identify and promote industries of opportunity and align economic development efforts towards similar sectors at the subregional and regional scale while developing a deep understanding of the needs and challenges of these industries.
- Expand business outreach and better coordinate among business retention efforts to keep and grow the middle-wage jobs that are here now, in part by facilitating connections between supplier firms to export firms in the same cluster. (This is often referred to as enhancing the local value chains).⁷²
- Support small-business formation, entrepreneurship and the growth of co-ops to open up new middle-wage opportunities.
- Harmonize and simplify permits, policies and regulations among jurisdictions in the region to make it easier to expand as well as operate at a regional scale.

The actors involved in this strategy include economic and workforce development staff, business organizations, anchor employers, small business support organizations in the public and private sector, unions, colleges/universities and local and regional government staff.⁷³

This strategy responds to the following key challenges:

- *The economy is not producing enough middle-wage jobs.* Most job openings are at the top and bottom.
- *Middle-wage work is not concentrated in any one industry.* There are no industries with a majority of middle-wage jobs (though there are some with higher share of jobs paying middle-wages).
- *Many industries of opportunity – those with high shares of middle-wage work with low skill and education requirements – will grow in tandem with the entire economy making overall economic growth critical to middle-wage job growth.*
- *Economic development is often focused on the fiscal impacts of businesses and land use decisions.* For example, cities try to attract retail uses given that they generate sales taxes that local governments use to finance services. Retail uses predominantly employ low-wage workers. The emphasis on planning for retail could crowd out employers in industries such as manufacturing and warehousing that are more likely to include middle-wage jobs. Further, as shopping habits change, the amount of retail needed will also shift and cities should be prepared for this transition.
- *There is too little incentive for collaboration or coordination around economic development.* Not every industry is going to locate in every city. Some cities are great for industrial work, some are great for major hospitals, others are great educational hubs, others for biotech manufacturing and others for software start-ups.
- *Too little attention is paid to business retention, particularly for firms that some cities see as replaceable or not essential for their future.* This is particularly true with long-

⁷² See: http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_182600.pdf

⁷³ Such as small-business development centers (<http://norcalbdc.org>) and not-for-profits that provide business advisory services and start-up capital, like Inner City Advisors (<http://www.innercityadvisors.org/index>) and Pacific Community Ventures (<http://www.pacificcommunityventures.org/about>). Industry-specific organizations, such as SF Made () and the Golden Gate Restaurant Association () play a valuable role as well.

standing industrial businesses that may be small yet provide significant middle-wage opportunities.

- *Many workers who turn to entrepreneurship as a pathway to the middle face major barriers* from financing to market knowledge to regulatory challenges. Many businesses also fail, often causing significant economic harm to the people who took the risk to start the business. Providing more up front information or assistance could mitigate some of these risks.

4.1: Analyze and support the local and regional industries and clusters of opportunity.

The best economic development strategy begins with a deep understanding of the structure of the local and regional economy. The focus of this substrategy is to encourage economic development actors to continually analyze the structure of their economies as an important input to policy-making. This includes identifying the income composition of the local and regional industry sectors, developing an understanding of which sectors have high projected job growth as well as the capacity to induce growth in suppliers firms.

High growth firms, along with their ancillary suppliers, often develop as clusters, concentrated in specific geographic regions. For example, the information technology cluster in Silicon Valley includes mature software development firms, start-ups, sources of venture capital, specialists in legal issues associated with firm creation and capitalization, temporary employment agencies that focus on software skills, and an educated workforce. Other geographically distinct clusters in the Bay Area include the transportation and logistics firms near the Port of Oakland, SFO and the hotel, restaurant and entertainment establishments in San Francisco, wine and value-added agriculture in the North Bay and more region-wide clusters such as healthcare and bio-science.

All the industries described above provide some middle-wage jobs. As noted before, the share of middle-wage jobs varies by industry and the number of middle-wage jobs available to applicants currently earning lower wages is often well below the number who desire such positions. Therefore, a specific objective of the Economic Prosperity Strategy should be to grow the region's industries and clusters of opportunity, particularly those that already generate a large number of middle-wage jobs.

The following are a few of the steps to achieve this objective:

- *Identify the portfolio of industries of opportunity in the local economy to determine how it aligns with the region's primary clusters*⁷⁴. Compare the list of clusters identified in this analysis with the primary sectors that are the focus of local

⁷⁴ It may not be clear to local decision-makers which clusters exist, which ones are driving industries with high growth potential, and which clusters could be assisted in developing. For example, the City of San Jose's economic development department now identifies the high tech cluster as a critical driving industry warranting government support. But this recognition came after significant resources spent on a smaller hospitality and restaurant cluster, which had much lower growth potential and generates a much smaller number of middle-wage jobs.

workforce investment boards (WIBs). It will be important to align economic development with workforce development priorities to make sure the pipeline of workers to fill the positions is consistent with the job openings projected in those industries.⁷⁵

- *Once clusters are identified, economic development professionals in the public and private sector should focus efforts on convening businesses and related stakeholders.* From networking sessions to ongoing working groups, collaboration is a key to economic success. In some instances, it will be appropriate to convene the entire “cluster” into a series of working groups that will bring together industry leaders, suppliers, policy makers, workforce development providers among others. The East Bay’s Design It, Build It, Ship It initiative is an example of a multi-sector, employer-led economic and workforce development strategy that includes cluster working groups.⁷⁶ The working groups should be tasked with identifying critical challenges to the growth and expansion of the jobs in the cluster and on developing collective strategies to overcome them. Some clusters may need help with coordinating training, others with transportation and others with regulatory issues. For example, an industrial cluster with large parking lots may require assistance with storm water run-off regulations. Some of these steps have been taken at the regional scale through projects like the Prosperity Partnership of the Puget Sound Regional Council, which took on a cluster-based approach to regional economic development.⁷⁷
- *Local governments should consider coordinating the activities of some of the cluster’s component parts.* For example, convention and visitor’s bureaus are typically public/private entities that work to promote tourism and hospitality in a given location. They are also involved in booking the local convention center. By having a broad view of the many parts of the industry’s value chain (from hotels to restaurants to tour operators to caterers), the convention and visitors’ bureau can make the best cost/benefit analysis about which conventions to book.

4.2: Strengthen evidence-based business retention and expansion programs that touch a greater share of employers providing middle-wage and middle-skill jobs.

Local officials often put significant resources and attention on business attraction rather than retaining and growing the industries that are in the community already. While most cities have very few (or often just one) economic development staff, the suggestion here is to focus whatever limited resources exist more towards the needs of existing employers and entrepreneurs, not to companies who are looking to relocate. This is particularly important across the region given that most relocations in the Bay

⁷⁵ Drew Osborne and Paul Sommers, “Middle-Wage Jobs in Metropolitan America” (Brookings, June 2009), http://www.brookings.edu/~media/research/files/reports/2009/6/10%20employment%20sommers%20osborne/0610_employment_report.pdf

⁷⁶ For more information, see: <http://www.4cd.edu/taagrants/docs/Design%20it-Build%20it-Ship%20it%20Project%20Summary.pdf>

⁷⁷ See Puget Sound Regional Council, “Prosperity Partnership” (2012), <http://www.psrc.org/econdev/prosperity>

Area are from one jurisdiction to another (such as a manufacturing facility relocating from Sunnyvale to San Jose). While such a move might be hailed as a success in one city and a loss to another, the move is only a net positive regionally if the relocation allows the firm to expand more than it otherwise would have.

Business retention and expansion is of critical importance a strategy focused on middle-wage jobs because older existing firms are often a major provider of middle-wage jobs. If such companies leave the Bay Area, the region loses the middle-wage jobs they provide. For example, much of the warehousing that was once in the East Bay has shifted to the Central Valley. Although the warehousing function is still vital to the Bay Area's economy, many of the jobs are based elsewhere even though the trucks still travel back and forth to the Bay Area to bring the goods from local ports to warehouses located outside the region.

The following are a few of the key steps to accomplish this concept of business retention:

- *Utilize and implement customer relationship management systems to be able to effectively manage and track all contacts with businesses in the jurisdiction.* Retention programs require ongoing communication with leadership inside of local firms and it is necessary to have software to help track the contacts and organize the types of issues and needs of the firms. This evidence-based approach allows economic development officials to focus efforts on the most effective strategies to retain important firms. Some cities (such as San Jose) note that business retention and outreach programs require significant staff resources. In order to best balance staff time between outreach and other economic development efforts it is important to have a single point of contact at the city who can then receive requests and assign the outreach work to others as necessary.⁷⁸
- *Identify areas where there is the economic potential for start-ups to come to scale and provide information on opportunities for growth within or across cities.* Keeping growing firms is particularly important from a middle-wage job perspective. In the shift from a start-up to a fast-growing firm that reaches a certain size, a company begins to fill out its organizational chart with a broader range of occupations. If a company is trying to grow to scale and cannot meet its land use needs within its original jurisdiction, it is important for economic development staff locally to try to work to keep the company in the region, even if they leave the jurisdiction they started in. For example, Tesla started in Menlo Park. When they looked to do their initial manufacturing they located that function in Fremont at the former NUMMI factory. While local economic development officials are not typically rewarded for helping a firm move to other communities, some subregional organizations – like the East Bay Economic Development Alliance (EDA) and the Silicon Valley Economic Development Alliance (SVEDA) are

⁷⁸ Nanci Klein, Memo to City of San Jose Community & Economic Development Committee re: Business Outreach and Development Strategy (Sept. 7, 2012), http://www3.sanjoseca.gov/clerk/CommitteeAgenda/CED/20120924/CED20120924_d5.pdf

increasingly coordinating economic development efforts at the staff level and providing information across their jurisdictions in a way that more broadly promotes job growth in their area.

- *Focus economic development efforts on trying to grow successful smaller firms.* The Bay Area has many places with start-ups. But the region often loses the firms as they expand or die. This is particularly true in manufacturing where prototyping takes place in the region but larger scale manufacturing happens elsewhere. This approach would also include a business survival strategy. Having city staff available as a resource to small or struggling local firms would not only enhance firm survival, but firm loyalty to a given jurisdiction.
- *Offer some marketing assistance for firms that are export-ready.* Exporting is by definition a business expansion strategy. Although a new or small cluster may be able to successfully market its products throughout the United States, it may find it difficult to cope with the differing languages, licensing and legal issues, lack of business connections, and understanding of foreign business practices that are associated with international commerce. Rather than each firm “learning the international ropes” by itself, government agencies and business support organizations can offer assistance to an entire cluster or multiple clusters in regard to solving problems that prevent the expansion of exports.
- *Provide an ongoing economic analysis of local policies and regulations.* This could involve conducting economic impact assessments of local legislation and policies on an ongoing basis. To maintain and grow a set of clusters locally, it is essential to have a clear understanding of the impact of local decisions on the competitiveness of the community’s industries. Everything from local tax measures to land use regulations to new permit processes have an economic impact that is important to understand prior to action. For example, the City of San Francisco provides an analysis of the impacts of legislation on the city economy. This approach involves a cost/benefit analysis of the impact of the legislation on the overall economy as well specific industries.⁷⁹

4.3: Expand entrepreneurship opportunities, particularly for lower-wage workers forming new businesses.

Maintaining the dynamic system that supports new business formation in the Bay Area is essential for the region’s long-term economic health. Self-employment and entrepreneurship are also key strategies to help lower-wage workers access middle-wage employment. Since there are not enough middle-wage opportunities for all to move up, it is essential to create new opportunities from companies that may not yet exist. Lower-income workers in occupations that cut across industries, such as sales and janitorial services, or in heavily low-wage industries like food service often have no defined pathways into middle-wage work except for starting their own business.

The strategy must focus on helping lower-wage workers leverage skills and expertise gained working in an industry (e.g., working for a landscaping company) to break out

⁷⁹ See City & County of San Francisco, Office of Economic Analysis, <http://openbook.sfgov.org/oea/>

and start their own business. Having this strategy succeed requires help with business education, financial literacy, strategic planning, accessing capital and knowledge of the regulatory environment.

While there are always significant risks associated with anyone starting their own firm, one way to mitigate against such risks is to encourage heavy participation in entrepreneurship training programs. Local city officials might consider waving or reducing the local business license fee if the entrepreneur owner has taken an entrepreneurship training course or workshop (as their enterprise will be more likely to survive).

Local Chambers of Commerce (including ethnic Chambers), Small Business Development Centers, industry associations, local cities and others can provide this assistance. WIBs or other entities should maintain connections with, and compile data from, small business formation programs in order to inform area workers about potential opportunities. Forming cooperatives may be a viable strategy for entrepreneurship and expanding such cooperatives is one of the pilot projects funded by the Bay Area Prosperity Plan.⁸⁰

[Sidebar] Establishing employee-owned cooperatives

A viable strategy for some companies is to shift to employee ownership of a firm. In the case of the New Belgium Brewery in Fort Collins, Colorado, the original owner recognized long before she retired that she wanted to sell the company to the current employees. By planning ahead, she was able to make a transition in ownership that allowed the company to maintain its workforce and transform the employees to owners – and therefore into higher wage work.⁸¹

Another approach is to form a worker co-op. Co-ops have long existed in the food industry. Bakeries like Arizmendi and Alvarado Street, as well as markets like Rainbow Grocery, are examples of worker-owner co-ops. One pilot project funded through the HUD grant will focus on expanding co-ops. Led by the East Bay Community Law Center, “A Blueprint for Creating Pathways to Ownership for Low and Moderate Income (LMI) Workers in the SF Bay Area: The Inner East Bay as a Case Study” will focus on pathways into higher-wage work through training workers to form cooperative businesses. (This process may involve partnerships with local community colleges).⁸²

[end sidebar]

4.4 Develop consistent permitting and regulatory processes among jurisdictions in the region.

⁸⁰ For a list of the pilot projects, see <http://www.spur.org/blog/2014-01-30/10-pilot-projects-boost-bay-area-economy>

⁸¹ For more information, see: <http://www.newbelgium.com/community/Blog/13-01-16/We-are-100-Employee-Owned.aspx>

⁸² For more information, see The Sustainable Economies Law Center, “Worker Cooperative Academy,” <http://www.theselc.org/worker-cooperative-academy>

The issue of harmonizing, aligning and coordinating local permits and regulations at the subregional or regional level is a consistent theme across numerous economic development reports. It was also an important concern expressed in the outreach workshops and interviews for this project. Coordination among economic development providers and cities on local tax policy and/or permitting makes it easier and potentially less costly for companies to locate in the region and grow.⁸³

The following are some of the key steps:

- *Coordinate permits and fees within a subregion* in order to make the overall area more attractive and to reduce competition between cities for firms. For example, Innovation Tri-Valley⁸⁴ coordinates efforts to streamline approval and permitting processes between the various jurisdictions in the Tri-Valley area. They have also created a business-facing portal that consolidates information on all the jurisdictions' permitting processes and incentives. In another example, the Silicon Valley Economic Development Alliance⁸⁵ is similarly working to create a "one-stop shop" for businesses navigating permitting processes in San Mateo, Santa Clara, Santa Cruz, and southern Alameda Counties.
- *Do not harmonize in all circumstances.* The instances where harmonization makes most sense are for something, like solar installation, that happens everywhere and where the differences in how it is done are not significant between places. As a result, there was a push to harmonize basic rules for solar interconnection for residential solar. Nonetheless, attempts to harmonize regulations should recognize that there is a cost of living difference between San Jose and Santa Rosa so some policies that acknowledge these differences (such as prevailing wage laws) are worthwhile to maintain.
- *Set up a non-compete clause among jurisdictions within a subregion.* Eastern Contra Costa County has set up an MOU among some cities to ensure that they do not attempt to lure companies from one city to another. The economic development departments in Silicon Valley are members of the Silicon Valley Economic Development Alliance and adopted a similar non-compete clause in 2006. Their "Recruiting Across Jurisdictions: A Statement of Principles" states that members will not "actively recruit a business from another SVEDA member jurisdiction." It also stipulates how they should respond when approached by a company in another nearby city.
- *Share information among cities about the most effective tools to promote and grow business.* With the absence of redevelopment and with the ending of the state's Enterprise Zone program, many cities lack a strong set of tools to support local businesses as well as sufficient information on what other programs could be developed.⁸⁶ Sharing information about economic development tools and

⁸³ Employers consistently raise regulatory inconsistencies as a barrier. For example, see Bay Area Council Economic Institute, "The Bay Area: A Regional Economic Assessment" (Oct. 2012), page 66, <http://www.bayareaeconomy.org/media/files/pdf/BAEconAssessment.pdf>

⁸⁴ Innovation Tri-Valley, "Business Permitting Streamlining Process," <http://www.innovationtrivalley.org/initiatives/permitting.aspx>

⁸⁵ Joint Venture Silicon Valley, Silicon Valley Economic Development Alliance, http://www.jointventure.org/index.php?option=com_content&view=article&id=18&Itemid=37

⁸⁶ See: <http://www.hcd.ca.gov/fa/ez/EZoverview.html>

incentives between cities is important.⁸⁷ While the Bay Area is a high cost region and thus competing on cost incentives is not likely to be effective over the long run, judicious use of local incentives (such as expedited permitting, workforce development assistance, or very targeted tax rebates) can be effective to assist firms to expand where they are. Such tools should never be used to lure a company from one Bay Area city to another as that is a zero sum game regionally.

[Sidebar] Moving towards tax-sharing on a regional scale

The broadest and most effective way to reduce competition between jurisdictions is to implement some form of tax sharing among jurisdictions. This reduces incentives for inefficient competition for tax base and encourages joint economic development efforts by allowing the region to share in tax-base growth in only one area. It also complements regional land-use planning efforts by spreading the tax benefits of regional planning decisions across the whole region.

The best national example of this is tax base sharing as implemented in the Minneapolis-St. Paul region. In this scheme each city pays a percentage of the growth of their commercial and industrial tax base into a regional pool. This money is then distributed to cities based on population and property tax values.⁸⁸

In the Bay Area such a mechanism could share sales taxes or property taxes. But it would be likely that any sharing would only take place on the increment of growth, not a redistribution of the current tax receipts.

[end sidebar]

Benefits

- Better regional coordination of economic development will support broad-based economic growth. Different parts of our region are suited for different industries. Getting local jurisdictions to recognize this reduces unnecessary investments and competition. Local jurisdictions waste resources competing with each other when the total amount of employment is based on overall regional competitiveness, not the distinctions among individual jurisdictions.
- A focus on keeping what you have, particularly industries with a strong share of middle-wage work today, is a less expensive, more certain way to keep middle-wage jobs than gambling on attracting a big employer from outside the region – or even worse for the region, from the town next door.⁸⁹
- The Bay Area has several industries of opportunity that are also export-oriented – such as information and communications technology (ICT) and advanced manufacturing. Supporting these industries will drive economic growth

⁸⁷ TK: See AB 93, SB 90, Advanced Manufacturing tax credit program at CAEATFA and any other available economic development tools to promote business growth and hiring in middle-wage occupations.

⁸⁸ Metropolitan Council, "Fiscal Disparities: Tax-Base Sharing in the Twin Cities Metropolitan Area," <http://www.metrocouncil.org/Data-Maps/Fiscal-Disparities.aspx>

⁸⁹ See e.g., Good Jobs First, "The Job-Creation Shell Game" (Jan. 2013),

<http://www.goodjobsfirst.org/sites/default/files/docs/pdf/shellgame.pdf>, (discussing the harmful economic impact of intra-metro jobs competition in the New York City, Kansas City, and Memphis areas).

throughout the regional economy. This will grow middle-wage opportunities in those specific industries, as well as in ancillary roles such as sales and administrative jobs.

- Focusing on business formation support will help some lower-wage workers move up into higher wage work by creating their own companies. Helping these new companies thrive provides an alternative pathway to moving to the middle while also creating more middle-wage jobs.

Challenges

- It is difficult to target economic development efforts in ways that isolates and dramatically grows middle-wage jobs. There are few differences between policies to support industries with a larger share of middle-wage jobs and those with a small share of middle-wage jobs. But it is important for local and regional economic development officials to make a concerted effort to consider the wage structure of their industries and explore what strategies might work to grow firms that provide many middle-wage jobs.
- There are structural and political barriers to overcoming parochialism in economic development. Cities only gain fiscally if economic development occurs within their own jurisdiction. It has been historically difficult to motivate city leaders to view projects or programs in other parts of the region as a priority and elected officials do not win votes by touting job growth in a neighboring town.
- Coordinating permits and regulations across jurisdictions is hard with such a large region.
- The absence of redevelopment limits the tools available for cities, particularly in the form of financing and investment.
- Property taxes are limited to only 1 percent of assessed valuation, and cities generally receive a smaller share of the proceeds than schools or counties. Similarly, the basic state sales tax only distributes 1 percent to the local jurisdiction in which the sale took place, although local tax increases above the base may provide additional revenue. When budgets are tight, spending on economic development must compete for public dollars with departments that provide essential services.
- Some argue that it is risky to encourage lower-wage workers to start new businesses. Often they do not have the resources necessary to undertake a new business and the impact of failure is more economically devastating than to those with more resources.

Strategy 5. Effectively plan for a range of diverse needs and land uses to accommodate the region's growth, including housing at all income levels, jobs and services in accessible centers, and protection of and investment in industrial lands.

In a region with strong demand for space in many places, different land uses are often in competition with each other. Housing developers and advocates seek conversions of industrial lands for new housing or commercial offices. Supporters of transit-oriented employment may push to restrict housing around some regional rail stations to make sure there is sufficient capacity for jobs directly adjacent to transit. Supporters of industrial businesses might push for zoning that restricts any form of non-industrial uses into industrial areas.

All three perspectives are valid, but the current Bay Area model, where land use decisions are made at the local scale with limited regional coordination or incentives, results in suboptimal outcomes. Many cities simply do not approve enough housing, particularly in places with strong demand. Job centers are often located far from transit or have urban design that is not oriented towards pedestrians and thus unlikely for commuters to arrive on transit. And it is not possible for an individual city to determine the region's overall need for industrial land in the midst of a local zoning process.

Middle-wage job growth suffers as a result of how each place resolves these competing pressures. The region has become expensive relative to surrounding areas for employers to build facilities and offices, and the high cost of housing means the viability of finding a local middle-wage workforce is dwindling. While the Bay Area cannot completely escape the pressures on the cost of land that result from geographic constraints and steady demand, there are steps the region can take to create more opportunity for growth within the region's communities. In short, maintaining and growing middle-wage industries across the region requires more of a regional approach to land use planning and ensuring a sufficient supply of land in accessible places.

This strategy seeks a regional balance among the competing interests of commercial centers, housing, and industrial land in order to keep the Bay Area a viable place for middle-wage job-producing industries to locate. Coordinated land use planning at a regional or sub-regional level creates conditions for broad-based economic growth, including many industries with significant shares of middle-wage employment. To do this requires a clear regional policy and planning framework and local jurisdictions willing to plan in a way that supports regional goals. The outcome of this strategy is regional land use planning that seeks to achieve the following:

- Sufficient housing for workers at all income levels, so that the Bay Area can remain economically competitive and also facilitate the existence of a middle-wage pool of labor, which facilitates keeping middle-wage jobs;
- Placement of job facilities (such as major office complexes or hospitals), education and training opportunities (such as new satellite campuses for existing colleges), and services like retail and child care in accessible places near transit,

- Increased certainty and reduction of barriers for industries of opportunity, particularly in land-intensive industries, such as production, distribution, and repair businesses, that the region is at the highest risk of losing to other regions because of cost pressures.

This strategy responds to the following key barriers:

- *Housing costs are high and a burden for most workers.* Cities do not always accept their fair share responsibility and often are unsupportive of approving new housing. This is a major burden for lower-wage workers as well a drag on regional job creation.
- *The Bay Area's economic strengths are contingent on finding housing for the incoming two million people.* Employers will likely find the Bay Area less attractive than nearby regions if employees are unable to afford living here. Housing cost pressures are becoming untenable for the middle-wage workforce. The growth projections are only valid if we take steps such as building sufficient housing and planning for required infrastructure.
- *There is insufficient regional coordination around planning for major facilities* such as corporate campuses or office parks, hospitals, higher education, or government centers to make sure they locate in transit-accessible places. As a result, jobs are more scattered than they could have been and the regional economy loses productivity through increased congestion from an auto-oriented commute pattern.
- *The region's industrial lands face pressure for redevelopment,* particularly to housing. This uncertainty harms the long-term viability of manufacturing, fabrication, assembly, wholesale and logistics sector and is one factor in loss of such jobs at a regional scale.

5.1: Develop strategies to promote a sufficient amount and variety of housing to meet future housing needs reflecting job growth.

Housing is the biggest cost in a household budget and the single biggest factor making the Bay Area inhospitable for many lower-wage and even middle-wage workers.⁹⁰ It is arguably also the single biggest factor limiting overall regional job growth, and area businesses have ranked the high cost of workforce housing as the top business climate concern.⁹¹ Ensuring a sufficient supply of housing that is affordable to the region's workforce makes it easier for lower-wage workers to relocate to access training programs or middle-wage job opportunities. This in turn improves employer's ability to recruit and retain workers, and keeps employers from moving jobs to less expensive areas such as the Central Valley. When workers spend less on housing, there is more money freed up for education, entrepreneurial activity, and contribution to civic life. In

⁹⁰ Housing and transportation cost-shares have been steadily increasing for lower-wage and middle-wage workers in the Bay Area. See Urban Land Institute, "Bay Area Burden" (2009), http://www.cnt.org/repository/Bay-Area-Burden_FINAL_lowres.pdf. More recent data confirm the ongoing, region-wide affordability crisis. See Economic Policy Institute, "Family Budget Calculator," <http://www.epi.org/resources/budget/>

⁹¹ This issue has been among the top of concerns for business leaders for many years. See Silicon Valley Leadership Group, "CEO Business Climate Survey" (2014), http://svlg.org/wp-content/uploads/2014/03/CEO_Survey_2014.pdf.

short, increasing the region's housing supply is perhaps the greatest change that would improve the economic conditions in the region with a particular benefit to expanding middle-wage work.

Many reports and projects focus in great detail on how to modify housing policy at the local and regional scale. The following are select strategies that would be of particular benefit to economic growth generally, for industries of opportunity expanding middle-wage employment in the Bay Area, and for lower-wage workers for whom the cost of living is a serious barrier to accessing middle-wage opportunities.

- *Expand the amount of housing that can be built throughout the region through changes to zoning, particularly on or near transit corridors.* The Priority Development Area planning processes,⁹² supported by MTC and ABAG as well as county-wide Congestion Management Agencies, are a way to encourage local planning that increases the zoned capacity for housing and other uses. Models for strategic up-zoning in high-mobility areas include San Francisco's Neighborhood Planning Processes⁹³ and San Jose's Urban Village plans.⁹⁴ Other opportunities to expand housing supply include rezoning of existing single-use office and R&D job centers into mixed-use places that permit housing. There is a particular opportunity to incorporate housing into the office park areas throughout the Peninsula and South Bay, such as was proposed for the North Bayshore area in Mountain View during their General Plan process and is currently taking place in North San Jose.⁹⁵ This strategy could also apply to universities who should be encouraged to build housing for their students and faculty.
- *Establish additional regional sources of funding for subsidized affordable housing.* There is currently a \$50 million Bay Area Transit-Oriented Affordable Housing (TOAH) fund that was seeded with a \$10 million investment from the Metropolitan Transportation Commission (MTC).⁹⁶ The fund is an example of an initial regional investment into affordable housing. But there is a need for additional sources of funding given that there are simply too few units of housing affordable for workers with income below the median wage. For

⁹² For an overview of how MTC uses grants to encourage infill development near transit, as well as a list of local planning in line with these goals, see MTC, "Priority Development Area (PDA) Planning Program," http://www.mtc.ca.gov/planning/smart_growth/stations/

⁹³ The Market/Octavia area plan is a particularly good model for how to increase zoned capacity while respecting the community context. For details see SF Planning Dep't, "Market/Octavia Area Plan," http://www.sf-planning.org/index.aspx?page=1713#adopted_materials

⁹⁴ San Jose's Urban Village planning process is an example of the local city working with county agencies like VTA with support of regional agencies (MTC and ABAG) to accommodate additional growth. See VTA, "The Urban Village Plan for The Alameda (East)," <https://www.sanjoseca.gov/index.aspx?NID=3786>

⁹⁵ Mountain View hopes to bring more intense land uses to an area dominated by auto-oriented office parks. See "North Bayshore Change Area," <http://content.mindmixer.com/Live/Projects/NorthBayshore/files/87784/NorthBayshoreChangeArea.pdf?63513840402120000>. Another archetypal Bay Area office park, Bishop Ranch, is moving forward with plans to add a walkable, mixed use city center on its property: <http://www.bishopranch.com/about-br/location>. For more on the current state of job sprawl in the region, see "Job Sprawl in the Megaregion," *The Urbanist* (Sept. 2009): www.spur.org/publications/library/article/job_sprawl_megaregion. There are sites like North Bayshore throughout the region that hold great potential for redevelopment. See SPUR, "The Urban Future of Work" (Jan. 2012): www.spur.org/urbanwork.

⁹⁶ For more information, see: <http://bayareatod.com/>

example, San Francisco has fewer than 40 rental units available for each 100 renters earning 30 percent of less of the metropolitan median wage, and that number dips below 30 units per 100 renters in Santa Clara and Alameda counties.⁹⁷

- *Advocate for local policies that lead to the production of affordable housing (such as inclusionary zoning policies and impact fees).* Inclusionary zoning policies can be powerful tools for ensuring a diverse housing stock but their future is currently in limbo as a result of legal cases and pending legislation.⁹⁸ Local entities should pressure state lawmakers to ensure that consideration of the inclusionary zoning is not over. In the meantime, local impact fees can provide funding to produce affordable housing.
- *Remove local policy impediments that increase the cost of housing.*⁹⁹ This includes elimination of parking minimums and other parking requirements and the prohibition on secondary units.¹⁰⁰ Parking is a major cost factor in construction and many cities require minimum parking requirements that exceed market demand. Allowing in-law units in many neighborhoods would provide a near-term increase in affordable housing options.
- *Encourage communities to experiment with housing prototypes that produce middle-income housing or housing that is affordable by design.*¹⁰¹ These are units that have less space and fewer amenities than some of the higher-end housing currently in the pipeline. These units might be less costly to produce, and cities can provide zoning and density bonuses to incentivize the production of housing affordable to middle-income residents. While these models will not work in every city, there are certainly places that can experiment in some types of housing that is smaller, but exceptionally well-designed. For example, some developers in San Francisco are proposing housing types which re-conceptualize multi-family floorplans where individual units (with small kitchens) are grouped into “suites” clustered around a co-living space with kitchen, dining, living room, laundry and a balcony.¹⁰²
- *Expand tenant protections to more communities throughout the region.* While some communities have strong renter protections, many do not. Protections

⁹⁷ California Housing Partnership Corporation, “How California’s Housing Market is Failing to Meet the Needs of Low-Income Families” (Feb. 2014), <http://www.chpc.net/dnld/CHPCHousingNeedReport020814FINAL.pdf>

⁹⁸ Ever since a 2009 decision found that state law guaranteeing landlords the right to set initial rents preempts local inclusionary zoning requirements, these policies have been frustrated. See: *Palmer/Sixth Street Properties L.P. v. City of Los Angeles*, 175 Cal. App. 4th 1396 (2009). A case considering the legality of inclusionary zoning restrictions on for sale housing is currently before the California Supreme Court. See: *California Building Industry Association v. City of San Jose* (S212072). Last year’s AB 1229 was supposed to give cities and counties the power to enact inclusionary zoning ordinances, but the governor vetoed it.

⁹⁹ For more details on specific policy changes to bring down the cost of housing production, see SPUR, *8 Ways to Make San Francisco More Affordable* (Jan. 2014):

http://www.spur.org/sites/default/files/publications_pdfs/SPUR_8_Ways_to_Make_San_Francisco_More_Affordable.pdf.

¹⁰⁰ The SF Board of Supervisors approved an ordinance in April 2014 setting out a process for legalizing in-law rentals: <https://sfgov.legistar.com/LegislationDetail.aspx?ID=1526884&GUID=43366AC3-ED24-401D-9D60-90DCB561D6FB>. See SPUR, “Secondary Units, A Painless Way to Increase the Supply of Housing” (June 2006), <http://www.spur.org/publications/spur-report/2006-06-01/secondary-units>

¹⁰¹ See SPUR, “Affordable By Design” (Nov. 2007): <http://www.spur.org/publications/spur-report/2007-11-20/affordable-design>

¹⁰² A proposed project at 1532 Harrison Street rethinks conventional multi-family floorplans with a plan for 235 double occupancy, group housing “suites,” which would be grouped into 28 individual group “houses.” “SoMa development would put new twist on commune living,” *SF Business Times* (Dec. 9, 2013), <http://www.bizjournals.com/sanfrancisco/blog/2013/12/soma-development-would-put-new-twist.html?page=2>

could include just cause evictions requirements and relocation payments for no-fault evictions.¹⁰³

- *Reinvest in the public housing stock.*¹⁰⁴ Throughout the region, public housing remains an important source of affordable housing for many residents. San Francisco has 6,300 units of public housing and Oakland has around 3,000 units. While most of the funding for public housing is federal, local communities (such as San Francisco's Hope-SF program) are pursuing their own approach to funding the rebuilding of public housing.
- *Ensure that land is available and attractive for housing development* through regional and local investment in infrastructure and public amenities (such as schools, parks, neighborhoods centers, and pedestrian-friendly streetscapes).

5.2: Encourage major employers, institutions, higher education and the public sector and to locate jobs and major services in transit-accessible centers and along corridors.

Major employers and institutions should collaborate with local and regional planners to identify locations for expansions that are in transit-accessible places. In particular, **employers in industries of opportunity** such as health care (i.e. hospitals), educational services (particularly higher education) and government (at all levels) **should work with local planners to locate new or expanded facilities in transit-accessible places.** A regional approach would make it easier to identify where different industries of opportunity might be clustered and make regional investments in improving accessibility to those areas. Transit agencies should be involved as well to make sure transit service aligns with hours of work at the facilities.

The Bay Area has several examples of different types of transit-accessible job and activity centers. Contra Costa Centre is an older example of a job center and district built around BART in the East Bay, and it is currently planning for increased density that includes zoned capacity for jobs and residences near BART. Fremont's Warm Springs BART station is a good example of how to incorporate jobs and housing into a PDA area and around transit.¹⁰⁵ The West Oakland BART Station is another example of an area that could greatly benefit from commercial development both to provide high quality jobs for the surrounding areas as well as to take advantage of the area's proximity to downtown San Francisco and downtown Oakland (and their respective

¹⁰³ For cities with rent control, it is important to protect the existing rent controlled housing stock. One policy change that requires statewide legislation would be to modify the Ellis Act, a state law that gives landlords the unconditional right to evict tenants to "go out of business." One proposed would be to discourage the practice of buying rent-controlled units for the purpose of converting to tenancy-in-common units (TICs) or condos by requiring landlords to actually have been in the landlord business for a period of time before using the Ellis Act to "leave the business."

¹⁰⁴ For more on plans to reinvest in public housing, see: SPUR, "Re-envisioning the San Francisco Housing Authority" (June 2013), <http://www.spur.org/publications/spur-memorandum/2013-06-24/re-envisioning-sanfrancisco-housing-authority>. See also SFHA, "Re-Envisioning: Recommendations to Mayor Lee on how to transform the SF Housing Authority" (July 2013), <http://www.sfgsa.org/modules/showdocument.aspx?documentid=10842>.

¹⁰⁵ City of Fremont, "Warm Springs/South Fremont Community Plan" (Jan. 2014), <http://www.fremont.gov/DocumentCenter/View/21154> (laying out Fremont's vision for research and manufacturing employment-focused development around the planned BART station).

BART stations). Attraction of innovative and flexible office and contemporary production space could provide new opportunities for West Oakland.

The Grand Boulevard Initiative is an example of sub regional coordination around land use (jobs, housing, retail) and transportation.¹⁰⁶ This process could be expanded to also consider the location of education and workforce development services along the corridor, and other sub-regional corridors, such as San Pablo Avenue in the East Bay. All of these corridors could benefit from similar coordinated planning for more intensified uses appropriate with the corridor's capacity.

There are other sub-regional strategies that could incentivize job center development in existing transit hubs. For existing strong-market transit-served job centers – such as Walnut Creek, San Francisco, and Palo Alto – the **strategy is to allow additional job growth through zoning that encourages dense employment**. For weaker job market areas that are on transit (downtown Oakland, downtown San Jose, Fremont) the strategy may involve additional regional investment and tax incentives.

5.3: Develop a regional strategy to incorporate preservation of, infrastructure for, and access to industrial land for employers creating middle-wage industrial, distribution, logistics (including Port-related), and manufacturing jobs.

Many cities in the Bay Area have land devoted to industrial uses. These areas have a strong legacy of manufacturing, warehousing, repair, and distribution businesses that create significant shares of middle-wage jobs. These jobs are at-risk because, unlike the middle-wage jobs in office work and retail, jobs tied to industry and goods movement require special infrastructure and land. Since some industrial areas have high vacancy rates and declining employment– in part due to aging infrastructure and the relative affordability of land in outlying regions – and are generally lower-density areas, they are often the focus of rezoning efforts as places for housing, office or other non-industrial uses. This development pattern makes the Bay Area even less viable for the vital slice of middle-wage job growth due to production, distribution, and repair-related employers. Further, if goods movement and repair businesses are increasingly unable to locate here, costs for businesses in other industries, which rely on these services, will increase and pose another threat to job growth.¹⁰⁷

While many industrial businesses can mix well with newer uses, some uses require buffer zones or greater protection from new uses. This is particularly true for heavy industrial uses, which often involves discharges into the air/water where the flow/dispersion must be considered or the necessity to appropriately route heavy vehicle traffic.

Preserving existing industrial lands and improving the infrastructure within them is thus a strategy to keep existing middle-wage jobs in accessible parts of the region.

¹⁰⁶ Grand Boulevard Initiative, "About Us," <http://www.grandboulevard.net/about-us/grand-boulevard-initiative.html>

¹⁰⁷ See Hausrath Economics Group, "Importance of Industrial Land in the Central Bay Area," *MTC Goods Movement/Land Use Project* (Sept. 2011), http://www.mtc.ca.gov/planning/rgm/final/Final_Summary_Report.pdf

Industry sectors such as distribution and warehousing require a significant amount of land – often in large contiguous parcels – and good access to the region’s transportation network.¹⁰⁸ They also play an important foundational role for the Bay Area’s export economy, driving growth along ancillary supply chains.¹⁰⁹ Since they are “typically lower-density uses that cannot pay to compete with higher-density, more intensive residential and commercial uses,”¹¹⁰ these industries and their middle-wage jobs will be lost and the export economy slowed down if housing and other uses continue to supplant industrial uses in many parts of the urban core.¹¹¹

But planning for industrial lands takes place at the local level, not the regional level. Individual cities (particularly small ones) are not able to determine the region’s overall need for industrial land. In places with strong industrial legacies and existing infrastructure, like Contra Costa County’s Northern Waterfront and the 880 Corridor in Alameda County, there are competing jurisdictions with different zoning rules and protections for industrial businesses – in the case of the 880 corridor there are half a dozen cities between the Port of Oakland and Fremont. Planning for industrial lands in such corridors is best done at a sub-regional level.

Some solutions include the **adoption of zoning language that provides greater certainty to existing industrial businesses and also discourages incursions of housing and other incompatible uses into viable industrial areas.** For example, the City of San Francisco identified overall industrial land use needs and developed zoning language for its Eastern Neighborhoods that simultaneously allowed some areas to shift towards housing, other areas to become increasingly mixed-use and other areas to entirely prevent housing and become focused for production, distribution and repair uses.¹¹² The City of Oakland during 2002 to 2005 developed several new industrial zoning districts, which articulated differing regulatory needs in separate industrial districts in the city. These include Commercial Light Industrial (which allows office and retail as well as industrial but not housing) and General Industrial (which prohibits stand-alone office and retail development) and an Office Industrial Business Park zone. The City of San Jose is exploring adopting an ordinance to protect “manufacturing rights of existing industrial land uses from encroaching incompatible uses.”¹¹³

¹⁰⁸ Contra Costa County Board of Supervisors, “Revitalizing Contra Costa’s Northern Waterfront” (Jan. 2014), page 42, <http://www.cccounty.us/DocumentCenter/View/28228>

¹⁰⁹ Hausrath Economics Group, “A Land Use Strategy to Support Regional Goods Movement in the Bay Area, Section II” *MTC Goods Movement Study*, <http://mtc.ca.gov/planning/rgm/Task11.pdf>

¹¹⁰ *Ibid.*

¹¹¹ An analysis conducted in 2008 for MTC posits that the East Bay and North Peninsula will lose “large numbers of industrial goods movement businesses and jobs ... because of shortages of industrial land.” The report estimates that a little less than half of the forecast demand for these jobs – around 87,000 jobs – will have to locate outside the area by 2035. See Hausrath Economics Group, “Goods Movement Land Use Scenarios for Central Area Study Corridors,” *MTC Goods Movement Study*, http://www.mtc.ca.gov/planning/rgm/final/Task_4A_Report.pdf

¹¹² See: San Francisco Planning Department. “Eastern Neighborhoods Community Planning,” <http://www.sf-planning.org/index.aspx?page=1677#3>

¹¹³ City of San Jose, “Economic Strategy 18-Month Implementation Workplan” (May 2013-December 2014). : <http://www.sanjoseca.gov/DocumentCenter/View/15825>

While larger cities may have sufficient staff to develop industrial zoning protection policies, it is important to share the best practices among them. One idea is for **the region's multiple cities to share consistent zoning language regarding the definition and planning of industrial land.** This will clarify the types of industries that can locate in certain areas thereby reducing confusion for businesses, as well as help retain land for similar industrial uses. While cities could collaborate to develop such zoning language, coordinating this effort may be an appropriate role for ABAG or subregional economic development organizations and partnerships like the East Bay EDA and Silicon Valley Economic Development Alliance.

It is also **important for there to be a stronger regional role in setting industrial land policy.** One role for the region is **to monitor on an ongoing basis the quantity of, availability of, and zoning for the region's industrial land.** This analysis would show locations in the region that have abundant square footage and capacity to support additional job growth and for different types of industries. MTC would be the appropriate regional entity to manage this analysis on an ongoing basis.¹¹⁴ Sub-regional groups, like the East Bay Economic Development Alliance, already acknowledge the important role a vital industrial sector plays; they could play a more robust role cataloguing and monitoring industrial lands in sub-regions and facilitating planning processes across jurisdictions.

More targeted initiatives, such as the East Bay Green Corridor, are cataloging specific parcels in cities across the East Bay suitable for clean/green industrial uses.¹¹⁵ Initiatives like this can help convince local jurisdictions that the demand for industrial land exists and calls for the preservation of industrial lands at-risk of re-zoning.¹¹⁶

While the strategies described above identify the importance of preserving land for industry, this must be done in tandem with approaches that identify sufficient land for housing and other jobs. Chicago's south suburban areas have been involved in a planning process that successfully focuses on both industrial development and housing.

[Sidebar] Planning for housing and jobs in tandem – Chicagoland's Green TIME (Transit, Intermodal, Manufacturing, Environment) Zone.¹¹⁷

Chicago's south-central suburbs share characteristics with the East Bay's 880 corridor: a concentration of industrial lands and brownfields, rail connections to a major intermodal port, and commuter rail. Like the 880 corridor, Chicago's south-central suburbs are a collection of cities with differing zoning codes and, as manufacturing, fabrication, assembly, wholesale, logistics and related uses have become less prevalent, they have often competed with each other for new big-box retail and other quick jolts to municipal

¹¹⁴ See MTC, "Regional Goods Movement Study for the San Francisco Bay Area," <http://www.mtc.ca.gov/planning/rgm/>

¹¹⁵ East Bay Green Corridor, "Opportunity Sites," http://www.ebgreenecorridor.org/opportunity_sites.php.

¹¹⁶ An analysis of 2006-7 General Plan updates in legacy industrial areas (I-80 between Emeryville and Richmond, I-880 between Oakland and San Jose, and the northern Peninsula) showed 41% of industrial acreage was at risk of being re-zoned, even as demand for industrial lands – particularly for businesses related to goods movement – is projected to grow. See Hausrath Economics Group, "Importance of Industrial Land in the Central Bay Area," *MTC Goods Movement/Land Use Project* (Sept. 2011).

¹¹⁷ Center for Neighborhood Technology, "Chicago Southland's Green TIME Zone" (2010), http://www.cnt.org/media/CNT_GTZ.pdf

tax bases. The cities are part of Chicago's inner-ring of suburbs, and, like the cities stretching south of Oakland, they have suffered as suburban development sprawls ever further into the prairie.

Starting in 2004, cities in the south suburban subregion collaborated to create what is now the Green TIME (Transit, Intermodal, Manufacturing and Environment) Zone. The 42 cities in the region recognized their assets and are now collaborating to attract "cargo-oriented development" to infill sites in the subregion. The coordination allows a subregional assessment of existing facilities and has helped these communities shore up infrastructure that cuts across many jurisdictions. The unified effort of this group has made viable the remediation of brownfield sites, as well as attracting supportive state legislation that creates subsidies for such remediation,¹¹⁸ and existing industrial lands are better cataloged and thus more easily assembled for prospective employers.

The initiative is helping reestablish a jobs-housing balance to an area that has suffered unemployment and disinvestment for decades, and it has created a model for leveraging legacy assets and underutilized industrial lands to lay the foundation for middle-wage job growth. Significantly, the plan combines cargo-oriented development with transit-oriented housing development, focusing housing growth along existing commuter rail corridors that serve the subregion.¹¹⁹

[end sidebar]

5.4 Establish explicit job-focused criteria for Priority Development Area planning processes.

The regional framework for growth is Plan Bay Area. The "Priority Development Area" (PDA) is the main local tool implement the land use vision of the regional plan. In the 2013-approved Plan Bay Area, over 80 percent of future housing and two-thirds of jobs were projected to locate in PDAs. Achieving significant growth in the PDAs is core to the success of Plan Bay Area. Establishing a PDA process requires a local community electing to designate an area as a PDA that meets minimum regional criteria, such as:

- Willingness on the part of local communities to support growth, namely housing.
- Presence of transit with 20-minute frequencies during the peak periods.

While not limiting job growth, the PDA framework has long emphasized housing production. During the interviews and outreach in this project, some jurisdictions noted their concerns with the emphasis on housing in PDAs, including areas around important transit facilities.

¹¹⁸ Center for Neighborhood Technology, "A Boost for Brownfield Remediation + Cargo-Oriented Development in Chicago's South Suburbs" (2013), <http://www.cnt.org/2013/06/04/brownfield-remediation-cargo-oriented-development-in-chicagos-south-suburbs/>

¹¹⁹ Center for Neighborhood Technology, "Chicago's South Suburbs: Smart Growth in Older Communities" (2011), <http://www.cnt.org/repository/SS-Case-Study.pdf>

This suggests that **the PDA framework should be strengthened to include a more explicit focus on jobs.** In addition to the requirements and incentives for housing, there should be requirements to zone for jobs, especially for those industries of opportunity that are most likely or able to locate in denser settings (such as health care, professional services, government, and education).

In particular, **communities with PDAs around regional transit (such as BART or Caltrain stations) should be able to focus primarily on employment uses.** Many studies have demonstrated that employment uses within the one-quarter mile geography around regional transit is of particular importance in encouraging commuters to take transit to work.¹²⁰

Regional and local planning agencies should require analysis of job impacts from growth plans for priority development areas (PDAs). The PDA planning framework and funding for local planning often come from MTC and/or county-based Congestion Management Agencies (such as Santa Clara County's Valley Transportation Authority or the Alameda County Transportation Commission). As a result, there is a role for these agencies to adopt specific language about jobs in PDA plans. MTC is now requesting counties and cities that apply for funds for PDA planning grants to include an analysis in the plans of the current and future jobs and industries to be located in their PDAs. The analysis could become a requirement and discuss the types of jobs that currently exist or would locate within the PDA as well as the skill requirements for those jobs. These analyses should note, for example, whether or not the current or future jobs are within industries of opportunity described in this report.

To make the PDA framework, local cities must also be supportive of overall growth within them. Cities should support rezoning of PDAs in their jurisdictions to encourage job growth, and streamlining of regulations and procedures to reduce the cost burden to businesses.

Benefits

- The Bay Area is more likely to be able to accommodate needed housing and jobs with appropriate regional incentives and when local jurisdictions make planning decisions in coordination with regional needs and goals.
- Industrial land uses that produce a relatively high share of middle-wage jobs are land intensive, and more likely to stay in the region if there are coordinated policies for preserving those land uses.
- More coordination and planning certainty could reduce some of the region's high costs of development, since some of those costs stem from the uncertainty involved in land use decisions and the limits placed on expanding uses, most notably housing.
- Intensifying land uses along transit corridors that cross multiple jurisdictions will put more jobs in transit-accessible places and reduce overall costs for

¹²⁰ See e.g., Public Policy Institute of California, "Making the Most of Transit: Density, Employment Growth, and Ridership around New Stations" (Feb. 2011), http://www.ppic.org/content/pubs/report/r_211jkr.pdf

workers who can then rely on lower-cost transit (as opposed to higher cost driving).

- Developing employment centers, housing, and other services near transit will encourage the continued shift away from automobile mode share.

Challenges

- While many local communities recognize the need for greater regional coordination, it is difficult to establish strong enough incentives for local jurisdictions to adopt zoning and other planning that best meet regional needs. This is particularly true given that there are over 100 municipalities across the Bay Area. The first iteration of Plan Bay Area – adopted in 2013 – made significant progress towards greater buy-in towards a regional vision.
- Many local residents do not support new development and see changes to their local communities as wholly negative. This is a particular challenge to change since Proposition 13's relative freezing of property tax upon the sale of a home disconnects residents from the fiscal impacts of development.
- Establishing greater clarity and consistency of planning regulations regionally would reduce the potential for development interests and local jurisdictions to rewrite the rules on a case-by-case basis. This would be a significant change for some jurisdictions in how they make land use decisions.

Strategy 6: Rebuild and expand infrastructure in a way that supports economic development and job growth.

If a region has identified its key clusters and produced a comprehensive land use vision that balances competing needs, it is necessary to identify key infrastructure investments that support the economic development and land use vision. While the federal and state governments have long driven investment in infrastructure, in the current fiscal and political climate, it is increasingly important for the Bay Area to identify its own new funding sources for infrastructure.

The Bay Area's not alone. New York City also faces similar challenges of an aging infrastructure, booming growth, skyrocketing costs, and a shrinking middle-wage workforce, and is also looking to finance infrastructure investments locally, in part to drive middle-wage job growth.¹²¹

[Sidebar] How does infrastructure investment support job creation and middle-wage opportunities?

Infrastructure investment does double duty as a job creator.

First, investment in infrastructure now will lay the foundation for a competitive economy for decades to come. It enhances the attraction of the region for new jobs and saves companies both time and money, ultimately making them more competitive. In the 2014 CEO survey by the Silicon Valley Leadership group, the top recommendation to local governments was "Ease local street and road congestion," a business climate issue that needs investment in infrastructure.¹²²

Second, infrastructure projects employ many people in construction, manufacturing, and the building trades.¹²³ These jobs are often middle-wage jobs with low education requirements, and they are some of the last remaining occupations where paid apprenticeships and training opportunities exist. In fact, a Treasury Department analysis found that 80 percent of jobs created by investing in infrastructure will likely be in construction, manufacturing, and retail trade.¹²⁴

[end sidebar]

The Bay Area's infrastructure needs include transportation infrastructure, broadband, the energy grid, waste and water systems, seismic safety and more. These investments

¹²¹ Center for an Urban Future, "Caution Ahead: Overdue Investments for New York's Ageing Infrastructure" (2014), page 56, <http://nycfuture.org/research/publications/caution-ahead/P1#recons>.

¹²² Silicon Valley Leadership Group, "Silicon Valley CEO Survey Business Climate 2014," http://svlg.org/wp-content/uploads/2014/03/CEO_Survey_2014.pdf

¹²³ U.S. Dep't of the Treasury, "Creating Jobs and Boosting the Economy: The Case for Rebuilding our Transportation Infrastructure" (2011), <http://www.treasury.gov/connect/blog/Pages/Creating-Jobs-and-Boosting-the-Economy-The-Case-for-Rebuilding-our-Transportation-Infrastructure.aspx>.

¹²⁴ U.S. Dep't of the Treasury, "A New Economic Analysis of Infrastructure Investment" (Mar. 2013), <http://www.treasury.gov/resource-center/economic-policy/documents/20120323infrastructurereport.pdf>.

are crucial not only to drive job growth, but also to return the infrastructure to a “state of good repair,” a level of investment that simply maintains the infrastructure at a point where it does not continue to degrade.

This strategy addresses a key barrier to economic growth: *Infrastructure is often aging and overburdened and needs substantial investment to support long-term economic growth.* Aging infrastructure places constraints on firms’ abilities to grow. Much of the Bay Area’s underlying water, energy, and transportation infrastructure dates back to the 1950s and 1960s. Critical upgrades are needed over the next 10 years to maintain and grow the economy. The statewide estimate is that California needs \$765 billion in infrastructure investment over 10 years, \$500 billion of this in transportation alone.¹²⁵

Contra Costa County’s Northern Waterfront – from Hercules to Oakley – is an example of an area with a strong industrial legacy where outmoded infrastructure undermines job growth. After a steady decline in industrial activity and the catastrophic impacts of the recent recession, the area is seeing a rebound in industrial employment, including in middle-wage job-producing industries like advanced manufacturing, logistics/goods movement, and clean energy. Nearly half of manufacturing firms in the area plan on growing their business in the coming three to five years.¹²⁶ For that growth to occur within the region – and not relocate outside the region where the cost of building anew in greenfields is often lower than remediating old sites¹²⁷ – there must be major upgrades to area infrastructure. The roads and rails are too congested, in disrepair, and even too hazardous to accommodate the current level of activity, let alone accommodate forecasted growth.¹²⁸ The maritime shipping lanes of the Carquinez Strait and Suisun Bay need to be dredged to accommodate today’s cargo ships. The area’s water system does not have the capacity to provide the amount of water demanded by modern industrial uses and does not adequately reach many industrial parcels. Fiber optic cables needed for Internet access that enables even manufacturing processes are non-existent.

If these basic infrastructure needs are addressed, further upgrades of infrastructure systems can be brought to the table. For example, the region’s energy grid is ripe for transformation to bring it in line with greenhouse gas emission reduction goals. While clean energy and green collar jobs have become popular buzzwords around the Bay, these nascent industries contribute less than twenty percent of the power PG&E supplies the region.¹²⁹ The technology to dramatically change our power sources are here, but this will require regional cooperation and funding.¹³⁰

¹²⁵ “Smart Infrastructure: Financing” (California Economic Summit, 2013), <http://www.caeconomy.org/progress/entry/financing>; Ed Coghlan, “Time to do Something About California’s Infrastructure” (California Economic Summit, 2013), <http://www.caeconomy.org/reporting/entry/time-to-do-something-about-californias-infrastructure>

¹²⁶ Contra Costa County Board of Supervisors, “Revitalizing Contra Costa’s Northern Waterfront” (Jan. 2014), page 12, <http://www.cccounty.us/DocumentCenter/View/28228>

¹²⁷ See “Building on Our Assets: Economic Development & Job Creation in the East Bay,” (East Bay EDA 2011), Chapter 6

¹²⁸ ¹²⁸ Contra Costa County Board of Supervisors, “Revitalizing Contra Costa’s Northern Waterfront” (Jan. 2014), page 40, <http://www.cccounty.us/DocumentCenter/View/28228>

¹²⁹ ABAG, “Bay Area Smart Energy 2020,” (2014), <http://www.abag.ca.gov/jointpolicy/pdfs/BayAreaSmartEnergy2020fin.pdf>

¹³⁰ *Ibid.*

Worker mobility is impacted by poor infrastructure as well. Most lower-wage workers depend on automobiles to access jobs and other services, so congestion on roads increases the money and time costs for workers and presents another barrier to accessing training programs, better jobs, or other services.¹³¹ Additionally, there is a critical need to shore up infrastructure to maintain regional mobility in the event of an earthquake. Serious risks to roads and freeways would result from soil liquefaction, and resulting power outages would cripple transit like BART and Muni. These transit operators also face daily crowding and major capital costs – namely new vehicle purchases – to expand service.

Without these investments, congestion on the region’s transit lines, roadways, and airports will slow the movement of goods and people. Inadequate utilities and the existential threats to the region posed by climate change and fault-lines also require investment and solutions if the Bay is to remain an attractive place for employers to locate. Few disagree on the urgent need for these investments; the challenge is finding the money.

[Sidebar] State voter-approval requirements make it very hard for local jurisdictions to finance needed infrastructure.

California requires very high voter thresholds for raising the funds needed to make infrastructure improvements. Any property tax increase to finance infrastructure – with the exception of school facilities – needs a supermajority, 2/3 vote to pass. Raising any other sort of tax to raise funds for a specific project or purpose similarly must have the support of 2/3 of the electorate.¹³²

Proposition 13, passed in 1978, imposed these requirements before which local jurisdictions did not need voter approval for tax increases. Prop. 13 gained support as Californians grew frustrated with unpredictable, and sometimes rapid, increases in tax rates in some jurisdictions.

Having a check on local jurisdictions’ power to raise taxes is important, but the straightjacket imposed by Prop. 13’s high voter threshold is getting in the way of funding critical projects. The voters recognized the dire need to finance improvements to this state’s schools by passing Proposition 39 in 2000. This new law lowered the bar for tax measures to finance school facilities improvements to 55 percent. As a result, the percentage of successful school facilities bond measures in local jurisdictions across the state have shot up by 30 percent, and our education system is seeing a much needed infusion of capital.¹³³

¹³¹ For further discussion of LMW auto-dependence, see The Urban Institute, “Driving to Opportunity,” (2014), <http://www.urban.org/UploadedPDF/413078-Driving-to-Opportunity.pdf>

¹³² Legislative Analyst’s Office, “California’s Property Tax” (2012), http://www.lao.ca.gov/handouts/state_admin/2012/CA_Property_Tax_4_11_12.pdf

¹³³ Mac Taylor, “A Look at Voter-Approval Requirements for Local Taxes” (LAO, 2014), <http://lao.ca.gov/reports/2014/finance/local-taxes/voter-approval-032014.pdf>

The infrastructure that brings water, people, energy, and more to our region is also in critical need of upgrades. A lowered voter threshold for specific types of infrastructure improvements could allow for crucial improvements to ensure the growth of our economy over the decades to come.

[end sidebar]

6.1: Encourage communities to produce long-range capital plans.

Each community should develop and update a long-range capital plan that projects the community's capital needs at least 10 years into the future. Given constrained funds, the long-range plan and a corresponding budget can help build consensus around which capital needs to fund and in what order.

San Francisco created a Citywide Capital Planning program to develop capital plans every March¹³⁴. The Plan prioritizes the city's infrastructure needs, and it informs the Mayor's annual capital budget by requiring capital budget requests to link to an element of the capital plan.¹³⁵ Putting all the long-term infrastructure needs into a long-range capital plan allows for the planning staff professionals to produce the plan independent of a city budget process. In addition, to avoid pitting long-range obligations against day-to-day needs this moves towards a more honest assessment and prioritization of the community's needs and secures the annual funding in a way that is less vulnerable to the political process. The San Francisco model uses a separate department – the SF Capital Planning Committee to develop the capital plan and budget.¹³⁶ They are somewhat uniquely situated to reach across city departments to compare the urgency of all types of capital expenditures and reduce inter-agency friction.

There are other local entities – such as Alameda County – that take a long-range planning approach to prioritizing capital needs.¹³⁷ If more cities and agencies adopt and continually update ten-year plans, there could be better sub-regional coordination around projects that necessarily cross multiple jurisdictions.

6.2: Local and regional entities should pursue a range of source of debt funding and taxes for infrastructure.

The regional economy can absorb the costs of many infrastructure upgrades – especially if these efforts are coordinated across the multiple cities and counties that surround the Bay.

The key tactic explored here includes expanding the use of existing tools for local infrastructure financing.

¹³⁴ For background on the need for long-term capital planning in San Francisco, see SPUR "The Big Fix: Capital Planning and City Government." (Jan.2005), <http://www.spur.org/publications/spur-report/2005-01-03/big-fix>

¹³⁵ OneSF, "FY 2014-23 Ten Year Capital Plan," <http://onesanfrancisco.org/category/capital/capital-plan/>.

¹³⁶ For more information, see <http://onesanfrancisco.org/about-us/>

¹³⁷ For the 2013-2018 Capital Improvement Program, see <https://www.acgov.org/admin/documents/cip.pdf>

- *Expand use of General Obligation (GO) bonds for needed local infrastructure and regional projects.* GO bonds are a long-term debt financing tool, secured by property tax revenue, which state law allows local jurisdictions to use for capital improvements. San Francisco has placed GO bonds on the ballot for street improvements, and the Mayor's Transportation Task Force 2030 has recommended the city pursue its first GO bond to fund transit since 1966 by seeking voter approval for two bonds totaling \$1 billion between now and 2030.¹³⁸ A GO bond – issued at the city, county or multi-county level – backed by local property taxes could raise significant funding for infrastructure improvements. A 2012 study of a regional GO bond to pay for northern California rail improvements in connection with high-speed rail projected a \$2.5 billion GO bond based on the \$800 billion assessed values in the five county area served by BART and Caltrain. This is a potent source of financing that could easily cover major improvements such as electrifying Caltrain (\$1 billion) and creating a renewable energy source to power BART and Caltrain (\$700 million).¹³⁹
- *Local jurisdictions should also consider raising sales taxes to fund important investments.* San Francisco has estimated that an increase of only 0.5 percent in the sales tax rate could generate over \$69 million dollars per year between 2016 and 2030.¹⁴⁰

6.3: Expand user fees such as road pricing to finance both infrastructure and related operations.

User fees can be an effective source of financing infrastructure, because they draw revenue directly from those who will most benefit from the infrastructure investment. For example, road pricing and other auto-related fees would raise funds directly from the users of highways and roads to cover the burden of maintaining an extensive auto-oriented infrastructure. Road pricing also serves double duty by also improving mobility. Unlike the local tax and GO bond strategies, revenue raised this way would not face the same high voter threshold. These fees also cause motorists to internalize the cost and impacts of driving on our region, and those costs could help shift commuter mode shares, to carpools or transit for instance, while simultaneously raising funds to improve non-auto systems.

Establishing tolls on the Bay Area's main highways – like some Southern California communities¹⁴¹ – would raise money to pay for highway maintenance and upgrades while also generating revenue to support other infrastructure projects. The technology to implement tolling at freeway on-ramps exists with FasTrak, and is already being rolled out to a limited extent through Alameda County's express lane program on Interstates

¹³⁸ Transportation Task Force 2030, http://www.sf-planning.org/ftp/files/publications_reports/transportation_taskforce/Taskforce_AnnualReport2030V9_1113.pdf, at 47.

¹³⁹ SPUR, "Getting High-Speed Rail on Track" (July 2012), <http://www.spur.org/publications/article/2012-07-10/getting-high-speed-rail-track>

¹⁴⁰ Transportation Task Force 2030, *supra* note 73, page 47.

¹⁴¹ See San Joaquin Hills Transportation Corridor Agency, "Toll Rates," <https://www.thetollroads.com/ontheroads/toll-rates.php>

580 and 680 as well on select expressways in Santa Clara County. Santa Clara County is considering implementing a small toll at each metered ramp as well. Based on initial analysis, a fee of just 5 cents per car on select ramps could bring in \$42 million per year in funds to support infrastructure.

The most cost-effective way to approach road pricing is to consider pricing existing lanes, not the more common approach of using pricing to pay off revenue bonds backed by tolling revenue streams. For example, the region could experiment with freeway tolling along I-80 between the Bay Bridge and the Carquinez Bridge. That congested corridor is served well-served by BART, AC Transit, and Capitol Corridor regional rail, so there are alternatives for drivers to shift onto different modes that accommodate travel within the corridor as well as through to the Bay Bridge and the North Bay.¹⁴²

There are other user fees tied to auto use that MTC could raise at the regional level. The tolls on Bay Area bridges are lower than tolls in other metros, such as New York, and higher tolls in strategic areas could help fund transit alternatives along those corridors. A higher gas tax – which would require a two-thirds majority vote of the nine-county electorate – would raise revenue while encouraging mode shift by raising the costs of driving. A vehicle license fee increase, as allowed in San Francisco by SB 1492 (2012), would serve a similar purpose.

In addition to the transportation-related fees above, it is possible to raise revenue for infrastructure through increasing existing fees, like water, sewer, gas and electricity.

6.4: Leverage private capital for job-creating public infrastructure projects.

Public-private partnerships – P3s – allow local governments to execute complex infrastructure projects by leveraging private sector expertise and resources. Where public financing is inadequate to maintain current infrastructure and make necessary investments, one option for regional entities is to work with private interests to close financing gaps on critical projects. Where appropriate, private firms can be called upon to manage public projects and infrastructure if there are demonstrable public savings.¹⁴³ Cities should look for creative financing solutions that harness this region’s abundance of private capital. With careful attention to fiscal and administrative oversight, cities can also set up independently governed entities such as public benefit corporations (501(c)(3) nonprofit agencies) that can be devoted to tapping public and private resources and effectively manage interagency projects.

An emerging P3 model is the infrastructure bank, which is a quasi-governmental entity set up to facilitate private sector investment in public projects.¹⁴⁴ A regional infrastructure bank would facilitate cooperation among local jurisdictions in planning

¹⁴² These ideas and more are under consideration by the Bay Area Infrastructure Finance Authority. See “BAIFA Express Lanes,” http://www.baifaexpresslanes.org/projects/express_lanes

¹⁴³ Urban Land Institute – San Francisco, “After Redevelopment” (Nov. 2013), http://sf.uli.org/wp-content/uploads/sites/47/2011/05/ULI-SF_AfterRedevelopment_FINAL_18Nov131.pdf, at 18-19.

¹⁴⁴ For more background on Infrastructure Banks generally, see Congressional Budget Office, “Infrastructure Banks and Surface Transportation” (July 2012), <http://www.cbo.gov/sites/default/files/cbofiles/attachments/07-12-12-InfrastructureBanks.pdf>

and financing necessary infrastructure investments. One benefit of an infrastructure bank is the creation of an entity with the capacity to engage in long-term planning and financing.¹⁴⁵

California has had some success with infrastructure banks. The Infrastructure and Economic Development Bank (I-Bank) has turned an initial capitalization of around \$180 million into over \$400 million in loans to agencies and non-profits statewide.¹⁴⁶ A key component of the I-Bank's success is its control over the project selection process – although it acts as a quasi-public agency, it has complete discretion over what it chooses to finance, so it can weigh both infrastructure needs and economic return.

The Bay Area is The region is also well-positioned to capture overseas private investment for public infrastructure projects. The region is a desirable investment for Asian and European investors (e.g., Chinese investment in Brooklyn Basin development in Oakland), with a strong international presence (e.g., consulates and economic development offices from France, Holland, etc.), air connections, and a strong international population and reputation.

[Sidebar] Chicago's Infrastructure Funding

Chicago is pioneering P3s at the regional level that are relevant to the Bay Area.

The first is the Chicago Infrastructure Trust, an infrastructure bank much like California's I-Bank, but operating at the metropolitan scale.¹⁴⁷ This is the first of its kind, and while the effort is too young to gauge its efficacy,¹⁴⁸ the Trust has already raised \$1.7 billion from Citibank, JP Morgan and the like.

The Trust will identify infrastructure projects and needs – focusing on programs to provide more cost effective and environmentally friendly energy or reduce energy consumption, repurposing underutilized city assets to their best use, and facilitating the cost-effective renewal or expansion of transportation infrastructure – and solicit proposals from the private sector. The Trust will work to simultaneously secure city and government approvals and financing for approved projects. As with the I-Bank, there is the expectation that projects financed will generate enough revenue to pay these loans back – and perhaps even offer a return in the long run.

Another type of P3 that may work well in the Bay Area is the model set up by the Chicago Region Environmental and Transportation Efficiency Program (CREATE).¹⁴⁹ CREATE

¹⁴⁵ Global Projects Center, Stanford University, "A Public-Private Infrastructure Cooperative for California" (Dec. 2012), <http://ssrn.com/abstract=2188568>

¹⁴⁶ Stanton C. Hazelroth, "California Infrastructure and Economic Development Bank." Prepared Remarks before the House Ways and Means Committee Subcommittee on Select Revenue Measures Public Hearing on Infrastructure Banks (May 13, 2010) http://waysandmeans.house.gov/media/pdf/111/2010may13_hazelroth_testimony.pdf

¹⁴⁷ See "Chicago Infrastructure Trust," <http://shapechicago.org/>

¹⁴⁸ David Kidd, "Is the Big Buildup of Chicago's Infrastructure Bank Justified?" *Governing* (Dec. 2013), <http://www.governing.com/topics/transportation-infrastructure/gov-chicago-infrastructure-trust-build-up.html>

¹⁴⁹ See Chicago Region Environmental and Transportation Efficiency Program, "About CREATE," <http://www.createprogram.org/about.htm>

brings together the federal government, the State of Illinois, the City of Chicago and all of the freight and passenger rail companies that serve the city. This group has been effective at addressing the region's rail infrastructure as a whole, despite fractured ownership of infrastructure and competing regulatory jurisdictions.

Railroad tracks and junctions in Chicago had grown with little coordination since the trains first arrived in the 1830's. The result was a hodge-podge of at-grade crossings, flyovers that lacked clearance for tall or double-stacked trains, and railroad/highway crossings. Since Chicago is a hub in which six of the seven Class I freight railroads converge, this monstrously inefficient network imposed costs on the national as well as the regional economy, not to mention the frustration of motorists.

CREATE is focused on collaboration to achieve \$3 billion dollars in investments for 25 new roadway overpasses or underpasses, 6 new rail overpasses or underpasses, and 36 other railroad improvements. Although much of the planning for CREATE has been accomplished and several projects are in place, the overall partnership has been delayed due to fiscal inaction at the federal level.

[end sidebar]

Benefits

- The Bay Area has significant private capital that could be used to invest more directly in the region's infrastructure needs.
- Expanding user fees more directly connects funders and beneficiaries of infrastructure investment. This could increase overall support for infrastructure funding.
- Sources of financing like public private partnerships (P3s) offer the opportunity to shift some of the risk associated with infrastructure financing. If the private sector partners can be induced to take on the risk, then it reduces risk for the public sector.

Challenges

- There are high voter thresholds for many sources of infrastructure funding.
- Some of these strategies, such as using General Obligation Bonds to fund regional infrastructure, place political and financial strain on cities rather than on regional agencies.
- Although the Bay Area has the ability to finance more of its infrastructure, increasingly relying on local and regional financing could put the region at a slight competitive disadvantage relative to other areas if it imposes distinct sets of fees and higher taxes. For example, many Bay Area communities already have high sales taxes when compared to national averages.
- Private sector involvement and management of public sector infrastructure or services, if carried out with inadequate fiscal and administrative oversight, may result in excessive costs, poor performance, and/or unanticipated burdens. For example, following the City of Chicago's privatization of its 36,000 parking meters, the city's inspector general concluded that "the city was paid,

conservatively, \$974 million less for this 75-year lease than the city would have received from 75 years of parking-meter revenue.” Even more challenging, a non-compete clause prohibits the city from building any parking lots or any other development that might reduce the revenue at the parking meters.¹⁵⁰ Any such partnerships should be carefully reviewed and should be entered into to achieve mutual long-term goals, not as a means to raise short-term cash.

- P3s – especially when implemented through infrastructure banks – are new enough that there is no common approach to P3 implementation. There are also a number of legal grey areas that could dissuade risk-averse cities and private entities from entering them.
- Road pricing and other user fees raise equity concerns. Drivers who cannot afford the toll are priced off the road or forced to choose alternative routes or modes that may be more time-consuming. Low-income motorists who have no alternative will pay the toll but may not value their time savings more than the toll. One mitigation for these equity concerns would be to offer qualifying drivers access to a certain number of free trips per year on the highways. This could be managed through FasTrak (which currently manages the electronic toll collections where there is no corresponding free crossing for low-income drivers).¹⁵¹
- Many of these measures would require a two-thirds approval by the local electorate in the absence of state action to change voter approval requirements for tax measures. Local government officials must make the case to voters for the critical need for increased investment in infrastructure. It may be difficult to raise support for tax increases on a regional basis, because some communities in the region will inevitably feel less benefitted by the proposed project.

¹⁵⁰ Donald Cohen, “Cities Need to Weigh Costs of Private Partnerships.” *New York Times* (July 23, 2013), <http://dealbook.nytimes.com/2013/07/23/cities-need-to-weigh-costs-of-private-partnerships/? r=0>. For additional case studies see <http://www.inthepublicinterest.org/>

¹⁵¹ SPUR, “The Urban Future of Work” (2012), page 42, http://www.spur.org/sites/default/files/publications_pdfs/SPUR_The_Urban_Future_of_Work_SPREADS.pdf.

Strategy 7: Manage the region's transportation as an integrated system that is easy to navigate.

The goal of the transportation strategy is to make access to work and other essential services on the region's transportation system as quick and efficient as possible. This includes travel on the 27 public transit operators as well as the dozens of shuttles, vanpools, carpools, ridesharing systems and other arrangements across the transportation system.

While most travel is taken in a single-occupant automobile, this strategy is focused on making transit and other shared transport options more viable for more workers. This aligns with the goal of Plan Bay Area to reduce greenhouse gas emissions from shifting travel patterns. It is also good economics: making more efficient use of existing systems (like roads) through encouraging a shift towards more carpools, vanpools, shuttles, and transit allows the same asset to be used by many more people.

Having better alternatives to driving will make the Bay Area more economically competitive as we enter an era with continued reduction in highway spending and a regional plan that is more reliant on a functioning and well-used transit system.

The overall goal of this strategy is to move in the direction of a vision of *spatial mobility*—that anyone in the Bay Area can access high quality work from wherever they are. People should be able to live where they want, and use a better functioning regional transportation system (which includes far more than traditional public transit) to take them to their work or other opportunities. Since transit alone cannot improve spatial mobility in all areas, other options such as ridesharing, shuttles and carpooling are also necessary.

This strategy responds to the following key barriers to economic growth and upward mobility:

- *The many transportation options do not function like a single system and users' experience of it is fragmented and disconnected.* Those who learn how to ride one transit system (like BART or VTA) may not be familiar with another system and thus less likely to use the other system. Employer shuttles that may serve a job center with multiple employers are not always open to workers at a different company.
- *While most workers use cars today, those who do not have a car (or for whom their car is unreliable), transportation is the major barrier to access a better job.* The daily needs for many workers are disconnected and thus difficult to access. Home, work, training, childcare, healthcare are disconnected and often far apart. This is in part because land use and development decisions are not sufficiently made in coordination with transportation.

- *Transportation costs are high for lower-wage workers.* The region's disjointed transit system is often slow and requires transfers and additional fares between operators.¹⁵²

This strategy emphasizes three key changes to the region's transportation system: Make the system more unified, particularly through broader use of Clipper, expansion of first/last mile shuttles, and investment in new transit where it is most used and needed.

7.1: Make the experience of transportation in the Bay Area look and feel like a more unified system.

Clipper is a step towards a unified regional method for travel. Clipper is currently accepted on major transit operators and is being adopted by smaller operators. But Clipper is still mainly confined to public transit (and some parking facilities)¹⁵³. Expansion of Clipper as a payment method for additional parking, vanpools, shuttles, carpools, ridesharing, and bike sharing will help create a unified brand for transportation.

Yet, while Clipper allows the rider to cross between different transit operators relatively seamlessly, the system has few discounts for riders whose total trip requires multiple operators (such as taking a local bus to BART). Further, many of those same operators do not have integrated schedules or common fares.

There are 27 different transit operators across the region and over a million commuters cross a county boundary every day to get to work. Many transit operators are primarily within one county. Most of the transit ridership across county boundaries is on regional services like BART, Caltrain, Golden Gate Transit and on AC Transit's Transbay bus service. And as noted earlier in this report, workers who leave their county for another county for work are more likely to have higher wages than those who stay within their county. But workers who transfer between different transit operators pay two or more different fares. So making it easier and less costly to transfer between transit operators supports economic mobility as it eases access to greater opportunities for many workers.

Steps to integrate the region's transportation system include common fares and/or transfer policies, zones for unlimited travel, shared scheduling, and a common transit map. Having a regional fare policy based on zones would price the trip on transit on the distance of the trip, not how many transit operators are used. Clipper, or a future smart-phone based payment system would be the consumer-facing system to implement coordinated fares and transfer policies (once Clipper is ubiquitous throughout the region).

¹⁵² It is important to recognize that reducing transit fares on its own will not directly improve the quality of the transit. To make transit a more viable strategy for more workers, the quality of transit must be improved.

¹⁵³ Clipper is also accepted at some San Francisco parking garages. See http://www.mtc.ca.gov/news/press_releases/rel615.htm

One example that demonstrates both the potential and challenges of a regional fare system is the monthly pass arrangement between SF Muni and BART, whereby pass holders can ride Muni but also ride BART within San Francisco. The system allows for seamless use of BART or Muni based on the riders' preferences. However, the system only works within San Francisco and requires monthly passholders to pay a premium to use BART (despite the fact that for off-peak trips, it is cheaper for BART to carry the passenger on the trip than Muni).

A similar arrangement between AC Transit and BART in the East Bay can lower transit costs for workers while allowing them to use local buses to access regional rail.

Internationally, examples like Transport for London (TfL) show the promise of a regional fare and consumer facing system. TfL promotes the Oyster card as a payment method that can be used on various transit options, such as buses, trams, light rail, subway, riverboats, and even national rail services within the Greater London region. Note that various private companies provide transport services in London, but the TfL and Oyster card branding integrates all the services to make a unified system. The card includes a pay-as-you-go feature that ensures travelers never pay more than the price of a day pass.

7.2: Expand first/last mile shuttle or transit options.

Unfortunately, many job opportunities are not located near regional rail stations with fast transit service. Opportunities further away require transit connections or other options.

Employer-based "last mile" connections and transportation demand management programs, particularly in suburban or rural areas, can provide an alternative to traditional fixed route transit that may not be cost effective. Employers can form transportation management organizations to encourage lower cost transit options for workers with "last-mile" needs such as shuttle services, better bicycling and walking infrastructure, and coordination of carpooling and ridesharing between employees. One example of small businesses supporting a shuttle is the Shadelands business park, which is exploring funding a shuttle to and from the Pleasant Hill BART station.¹⁵⁴

Additional steps can include:

- *Expanding car-sharing and ridesharing options for workers.* The cost of owning and maintaining a vehicle is prohibitive for low-to-moderate-wage workers. Car sharing allows workers to reduce their travel costs by not owning a vehicle and only paying when a vehicle is needed. Cities can fund car-sharing organizations to provide service near neighborhoods with significant numbers of low and moderate-wage workers, good transit service, and near work centers. Employers can collaborate to establish vanpools or organize ridesharing that brings workers from designated neighborhoods to a single employer site or a job

¹⁵⁴ See: http://www.contracostatimes.com/contracosta-times/ci_25639131/walnut-creek-shadelands-get-new-direct-bus-service

center. This strategy is particularly important in lower density and rural areas where fixed route transit service is not viable.

- *Enabling low, moderate and middle-wage workers (particularly contractors) to have broad access to employer shuttles.* Employers and office park managers can run shuttles to and from communities with larger shares of contractors or market shuttle services to these workers.

7.3: Invest in additional transit where and when most used and needed.

To make traditional fixed route transit service faster and provide the mobility that decreases costs and travel time, transit agencies should focus resources in high ridership corridors where they should be adding more frequent service. This frequent service should be operating during the early morning and late at night to accommodate non-9-to-5 schedules. Transit agencies should work with city partners to implement physical street improvements that will increase the speed of transit to decrease transit travel time thereby increasing the mobility of workers using transit. Increasing transit speed allows workers to travel further in a given amount of time, thereby allowing more access to opportunities.

Employers should increasingly subsidize transit passes. Transit passes that are employer-provided reduce the cost for workers of buying transit, and may allow some workers to live without an automobile or an additional car in the household. Implementation of the Regional Commute Benefit law - SB 1339 - is one tool to help accomplish this although this bill requires employers to provide access to pre-tax commuter benefits, not to directly provide any funding for commuting.

Benefits

- Workers are increasingly traveling across county boundaries to access better opportunities for work. Making the region's transportation system more unified and connected facilitates improved commuting experience.
- Congestion is a drag on productivity and results from peak period travel demand exceeding overall capacity. Shifting peak period regional travel from the single-occupant vehicle to alternative modes (transit, carpool, shuttle) ensures that more of the region's systems operate at optimum levels.
- Comparable and competitor regions to the Bay Area (such as Singapore, Shanghai, London, New York and Los Angeles) have far less fragmented regional transportation systems that better facilitate mobility across their respective metropolitan areas.
- Transit is a lower cost option for transportation and can decrease the need to own a vehicle or reduce the number of vehicle trips, thereby saving individual and household income (and greenhouse gas emissions).
- An integrated payment system can build in discounts for using different transport options and potentially save individual and household income.
- Nontraditional transport options or expanded transit service can provide opportunities for workers that have off-hour shifts.

Challenges

- The majority of workers in the region will continue to utilize single-occupancy vehicles because current land use patterns make driving faster than transit for most commuters, therefore changes to land use policies will be necessary.
- Integrating Clipper with other transport options and implementing a regional fare policy will not necessarily increase the number of people taking transit substantially. Transit cost is not the biggest and only barrier to using transit for employment. Service quality and reliability are also significant barriers.
- The cost to integrate Clipper with other transport services might be prohibitive. Coordination between multiple agencies, vendors, transport providers, and stakeholders will be difficult.
- Locating the funding and determining the implementation model to operate shuttles, vanpools, and first/last mile transport options is difficult.
- Focusing transit resources on high ridership corridors could result in shifting of funding from lesser-used services like first/last mile transit and late night services that cater to lower-wage workers. Reducing the zero-sum game in transit funding requires better connection with non-fixed route transit (like ridesharing) to fill in these gaps.

Goal 3: Upgrade conditions in existing low-wage and moderate-wage jobs with an emphasis on increasing workers' economic security

The Economic Prosperity Strategy is focused on approaches that enable low- to moderate-wage workers to move up into middle-wage jobs. However, the technical analysis revealed that the Bay Area economy is projected to generate only an estimated 30,000 middle-wage job openings¹⁵⁵ annually through 2020. Over 50,000 jobs openings annually are projected to be lower-wage.¹⁵⁶

With the current workforce consisting of over 1.1 million low- to moderate-wage workers, this means that even the most effective possible strategies to connect workers to jobs could only assist 3 percent of the current pool of lower-wage workers per year in moving up. Add to this the large pools of unemployed workers, young adults newly entering the workforce, and middle-wage workers changing jobs, and the ratio of middle-wage jobs to potential jobseekers drops lower still.

This finding indicates that achieving the goal of increased economic opportunity for lower-wage workers will require a multi-pronged approach; in addition to improving pathways into middle-wage jobs, it will also be necessary to improve the quality of a substantial portion of the projected number of lower-wage jobs.

Goal 3 speaks to building basic economic security, which some have argued is a necessary precursor to economic self-sufficiency. Economist Ross Eisenbrey notes that the typical employment situations of low-wage workers, which frequently include unpredictable work schedules and unstable annual earnings, “place limits on workers’ upward mobility” through several mechanisms: restricting their ability to obtain a second job or to search for higher-paying work; making it difficult to attend training or school; and impacting individuals’ physical and mental health.¹⁵⁷

The ability to achieve basic economic security through work is an essential part of improving economic and career mobility. Quite simply, for workers to pursue higher goals – such as getting onto a pathway to a middle-wage job – it is far easier once they have fulfilled their basic needs for food, shelter and security. If a worker has two full-time jobs just to pay the rent and keep the lights on, they are unlikely to have either the time or the energy to enroll in training. If they lack sufficient income to afford a mobile phone or home internet service, they are at a severe disadvantage in searching for a job. If they have no assets and live paycheck to paycheck, they will find it very difficult to start your own business.

The strategies in Goal 3 focus on changes to hiring, employment and compensation practices in the lower-wage segment of the labor market. These strategies address three barriers identified during this project:

¹⁵⁵ For the purposes of this project, middle-wage jobs are defined as those with a median wage of \$18 to \$30 per hour.

¹⁵⁶ Lower-wage jobs are defined as those with a median wage less than \$18 per hour.

¹⁵⁷ <http://www.pathtofullemployment.org/wp-content/uploads/2014/04/eisenbrey.pdf>

- **Lower-wage workers tend to lack both assets and predictable income that are necessary to establish and maintain a savings reserve.** In addition to low wages, many are in jobs where it is difficult to acquire sufficient hours or a consistent schedule.¹⁵⁸ For example, a survey by City University of New York (CUNY) researchers of employees at large retail establishments in New York found that 83% of workers surveyed did not have a set schedule at their place of work.¹⁵⁹ Without income stability, many lower-wage workers are unable to save funds to finance education, to serve as a reserve for periods of unemployment or underemployment, to invest in an entrepreneurship opportunity, or other opportunities such as purchasing a car needed to reduce geographic limitations on one's employability. The lack of stability is a major barrier to upward mobility: workers who are frequently uncertain of whether their income will be sufficient to monthly expenses or sacrifice work hours for a training course, take out a loan to start a business, or invest time and resources in seeking a new occupation.
- **Workers who are able to secure the training or experience necessary for higher-wage jobs often confront barriers in the hiring process.** An increasing proportion of employers utilize broad (often automated) screening that employ blanket criteria to exclude large pools of applicants, even if the applicant possesses all the skills, experience and qualifications needed to perform the job. The most common manifestation of this phenomenon is the requirement that applicants check a box if they have ever been convicted of a crime. Other employment screens may eliminate applicants with a recent spell of unemployment, applicants without a generic bachelor's degree (even if the position does not require a college degree in a specific field), or in some states, applicants with a low credit score.
- **Firms in industries with a significant share of lower-wage workers face competitive pressures that make it difficult for them to change their cost structure.** Some industries, such as fast food restaurants or discount retail, have evolved a business model that is premised in part upon the utilization of a majority low-skilled, low-wage, high-turnover workforce. In industries where this model predominates, it creates a substantial barrier to any employer that seeks to invest more in their workforce through higher wages or benefits, since that employer is placed at a short-term competitive disadvantage compared to other firms in the industry.

There are three key strategies to upgrade conditions for workers at the bottom of the wage-scale. The first focuses on setting uniform labor standards across an entire geography. The second focuses on improving the conditions across an entire industry. The third focuses on changing the quality of jobs that are connected to public sector funding or policy decisions.

The strategies are:

¹⁵⁸ http://www.nwlc.org/sites/default/files/pdfs/collateral_damage_scheduling_fact_sheet.pdf

¹⁵⁹ http://retailactionproject.org/wp-content/uploads/2012/03/7-75_RAP+cover_lowres.pdf

- **Strategy 8: Raise the floor by increasing minimum standards for equal opportunity, working conditions and compensation in low- to moderate-wage occupations.**
- **Strategy 9: Organize and professionalize industries to improve wages, benefits and career ladders**
- **Strategy 10: Establish standards to ensure that investment of public dollars is aligned with the goal of economic opportunity.**

While each strategy helps achieve the goal of improving conditions for lower-wage workers, not all are appropriate in every community. Most importantly, these strategies were selected because they achieve one or more of the following: (1) set uniform standards across an entire sector or multiple sectors or area, (2) are capable of increasing economic security for a substantial proportion of all lower-wage workers in a region or locality, and (3) have been shown that they can be successfully implemented.

[Begin Sidebar]

Federal and state government actions to improve conditions for lower-wage workers

Many of the most effective policies to improve conditions for lower-wage workers require significant federal and/or state action. The following are a few of the key strategies that can be changed at the federal or state level.

- **Earned Income Tax Credit:** Expanding the federal Earned Income Tax Credit is one example of a raise the floor strategy that would be difficult to implement locally.¹⁶⁰ A parallel raise the floor strategy would be adoption of a state Earned Income Tax Credit. There are currently 26 states plus New York City and Montgomery County, Maryland with some form of an earned income tax credit.¹⁶¹ California does not currently have a state EITC.
- **Overall income support:** Establishing funding and regulations for many programs that support the income of low and moderate-wage workers and their families is the primary responsibility of federal and state governments; although counties are responsible for administering some of these programs, their rules and funding typically are not locally controlled. These include establishment of unemployment insurance benefits and the rules for extended unemployment benefits; policies regarding Medicaid eligibility and benefits; policies regarding food assistance and housing assistance and a broad range of workplace rules. Federal policies such as the Affordable Care Act can affect the health care coverage and costs of low and moderate-wage workers.
- **Workplace hiring restrictions:** There is a federal/state strategy comparable to the ban the box strategy discussed below that attempts to exclude hiring

¹⁶⁰ San Francisco created a city-level Earned Income Tax Credit in 2006, known as the Working Families Credit; today, however, its primary function is not as an income support, but to incentivize lower-income residents to file and claim the federal EITC.

¹⁶¹ See: <http://www.irs.gov/Individuals/States-and-Local-Governments-with-Earned-Income-Tax-Credit>

restrictions not based on skills. This strategy is legalization for work and education of unauthorized immigrants. There are approximately 1.5 million unauthorized immigrants in the California workforce and an additional number of students. If the Bay Area has 20 percent of the state's total (less than the region's share of total population) that would be 300,000 workers.

- **Immigration reform:** The legal status of workers is a major barrier affecting their potential for upward mobility. Workers who lack legal status are less likely to demand the wages they are entitled to. Some of these workers are restricted from utilizing their full skills because they have no legal right to work. And some students are restricted from pursuing their highest levels of education and training for the same reason. Legalization of these residents would increase their incomes and help meet the needs of business for trained workers.
- **Minimum wages:** There is a state and federal role in establishing minimum wages and higher minimum wage levels are being proposed. This does not preclude local jurisdictions from establishing even higher minimums.
- **Employee benefits:** Wages are only one element of an employee's compensation package; health, retirement, and other benefits are critical elements of the total compensation package. For example, all things being equal, a job paying \$16/hour with fully paid family health coverage and a pension plan provides higher compensation and greater economic security than a job paying \$18/hour with no benefits. There have been significant innovations by Bay Area local and regional jurisdictions towards ensuring access to benefits (Healthy SF and SFO's Quality Standards Program are two). But the primary locus for employee benefits' policies remains at the state and federal levels. County governments also play a major role in both health coverage and the health care delivery structure; however, a detailed analysis of health care policy is beyond the scope of this report.

[end sidebar]

Strategy 8: Raise the floor by establishing minimum standards for workers in lower-wage jobs.

Raising the floor refers to lifting the minimum labor standards or conditions for workers in a geography. Establishing uniform standards across an entire industry and/or geographic region is one of the most effective large-scale interventions at raising the floor. From establishing occupational health and safety rules to banning child labor, workplace standards have been essential to both increasing opportunity and establishing the appropriate structures that incentivize industries to modernize and improve efficiency of operations.

Interventions to establish uniform workplace standards are often undertaken at the state or federal level. There may be considerable advantage to establishing a single statewide or national standard rather than local standards, which may differ among jurisdictions. However, there can also be considerable benefits from experimentation and innovation at the local level, building on the American tradition of cities and regions as “laboratories of democracy.”

At the level of a city or county, “raise the floor” strategies may serve one of three roles:

- (1) As complementary policies to those established at higher levels of government (e.g., local assistance to enforce California’s new laws governing wage and hour cases),
- (2) As stop-gap measures in instances where state or federal policy is absent or does not meet local needs (e.g., inflation adjustments to minimum wages to keep pace with the cost of living), or
- (3) As an opportunity to innovate at the local level in developing and evaluating policies which may eventually be adopted state- or nationwide (e.g., the Massachusetts health care reform which provided both a model and lessons learned for the design of the Affordable Care Act.)

By establishing or increasing basic workplace standards, the models described below have the potential to improve the stability, economic security, and access to opportunity afforded to workers by a substantial portion of low-wage jobs.

8.1: Adopt local minimum wage ordinances.

As noted previously, there are distinct advantages to a federal minimum wage law, which can provide uniform regulation. However, the existing federal minimum wage is not indexed for inflation, is not adjusted for regional differentials in cost of living, and for several decades has failed to keep pace with productivity growth or even with inflation. In recent years, as the gap between federal minimum wage and the cost of living has increased, several city and county governments have employed the local legislative process to establish minimum wage ordinances. In addition, voters in local jurisdictions (such as San Jose and San Francisco) have initiated and approved ballot initiatives to establish a local minimum wage.

Potential steps and policy options to be considered in establishing local minimum wages include:

- Engaging in outreach and communication with both businesses and employees as the ordinance is being designed.
- Incorporating an annual inflation adjustment, often based upon the regional Consumer Price Index.
- Tying the minimum wage to the local business license requirement.
- Clearly specifying how the ordinance is to be applied to employees who perform work both within and outside of the city.
- Allowing an exemption for collective bargaining contracts, which provide a total compensation package that exceeds the minimum wage, for instance, if a group of workers chooses to negotiate higher-value employer-paid health and retirement benefits in exchange for a lower wage.

Jurisdictions which have adopted local minimum wages include Richmond¹⁶², San Francisco and San Jose in the Bay Area; the City of Albuquerque, the City of Santa Fe, the County of Santa Fe, and the County of Bernalillo, New Mexico¹⁶³; Montgomery County and Prince George's County, MD; Washington, DC; and the City of SeaTac, Washington, where voters in November 2013 narrowly approved the nation's highest minimum wage at \$15 per hour.¹⁶⁴

Bay Area cities currently considering local minimum wage increases include Oakland, Berkeley, Sunnyvale, Mountain View, and unincorporated Santa Clara County.¹⁶⁵

8.2: Enact earned sick leave ordinances.

Paid sick leave provides employees with the right to paid leave when they fall. Nationally, an estimated 40 million American workers, nearly 40 percent of the private sector workforce, are employed in jobs that provide no paid sick leave.¹⁶⁶

There is currently no federal policy requiring paid sick leave (or paid time off of any kind). In the absence of federal action, U.S. cities and states have moved to establish policies on paid sick leave. Cities that have passed ordinances requiring some type of private sector paid sick benefits include San Francisco, Seattle, New York City, Washington, D.C., Newark and Jersey City in New Jersey and Portland, Oregon. The only state that has enacted such a law for all workers in the state is Connecticut.

¹⁶² The Richmond City Council voted to enact a local minimum wage in March 2014. The ordinance has not yet taken effect.

¹⁶³ The City of Santa Fe was one of the first in the nation to establish a local minimum wage. In 2014, the County of Santa Fe voted to establish a countywide minimum wage at the same level as the city's, currently \$10.66 per hr.

¹⁶⁴ Following passage of the ballot measure, the City of SeaTac's ability to set wages for the airport was challenged in court and is currently being litigated.

¹⁶⁵ An assessment of the nine established local minimum wage laws can be found at: Michael Reich, Ken Jacobs, and Annette Bernhardt. (2014). "Local Minimum Wage Laws: Impacts on Workers, Families and Businesses". IRLE Working Paper No. 104-14. <http://irle.berkeley.edu/workingpapers/104-14.pdf>

¹⁶⁶ http://www.epi.org/publication/the_need_for_paid_sick_days/

A paid sick leave ordinance typically allows workers to accrue an hour of sick leave (or paid time off) for a certain number of hours worked. For example, for every 30 hours worked, a worker would earn one hour of sick leave. There could be a maximum accrual per year, which could also vary based on the total number of employees.

Lower-wage workers are much less likely to have paid sick leave on their jobs than higher wage workers. An analysis of the 2010 BLS National Compensation Survey found that the incidence of paid sick leave rose steadily with wages; 86 percent of workers in the highest wage quartile had access to paid sick leave, compared to just 32 percent of workers in the lowest wage quartile.¹⁶⁷

In addition to the public health issues raised by a policy that incentivizes employees to work when they may be impaired and/or contagious, the lack of paid sick leave is damaging to low-wage workers' income stability. A worker who is too sick to work for just two days in a month loses two days' pay – equivalent to a 9.2 percent pay cut. As discussed above, a lack of income stability tends to wipe out savings, push workers into debt, and destroy workers' ability to take the financial risk needed to make the leap to a higher-paying career.

Best practices in existing policies include:

- *A recognition that paid time off (PTO) can count towards sick leave. Many businesses, rather than providing vacation leave and sick leave separately, combine the two into a flexible "time bank" known as Paid Time Off. This provision would allow businesses to use PTO systems to comply with the new laws so long as the PTO can be used for the sick leave purposes enumerated in the ordinance.*
- *A tiered requirement for smaller businesses, which recognizes the particular burden on businesses with fewer employees.*
- *A collective bargaining waiver provision which would exempt existing collective bargaining contracts which have a different provision regarding sick leave, so that employers are not placed in the position of having to comply with two contradictory, legally binding requirements at the same time.*
- *A flexibility provision allowing workers to choose to swap shifts rather than take sick leave; and allowing employees to use their earned sick days to care for a sick child, family member or other designated person, or as "safe" days for victims of domestic violence, sexual harassment, assault or stalking.*

[SIDEBAR: Examples of city-level earned sick leave policies include:

Portland: The Portland ordinance covers all employees who work within the city boundaries for at least 240 hours per year, allowing them to accrue 1 hour of sick leave for every 30 hours worked, up to 40 hours (5 days) of leave per year. Employers with 6 or more employees must offer paid sick leave. Those with 5 or fewer employees may offer unpaid sick leave. Flexibility for employers is built into the ordinance; Paid Time Off or paid vacation days can also be used to meet the requirements of the ordinance, as

¹⁶⁷ Ibid.

long as the time off accrued may be taken without notice if it is needed for the purpose of sick leave.¹⁶⁸

D.C.: The District of Columbia passed one of the first citywide earned sick leave ordinances in 2008. The D.C. policy originally excluded tipped workers. Legislation passed in Dec. 2013 extended coverage to this previously excluded class, as well as shortening the waiting period for new employees to be able to use their leave, increasing enforcement, and eliminating a provision that had permitted employers to wipe out accrued leave by firing and then re-hiring a worker.

Jersey City: Earned sick leave ordinance passed in Sept. 2013 requires businesses with 10 or more than employees to provide employees with up to 5 paid sick days per year, with sick days earned based on hours worked. Smaller businesses must offer up to 5 unpaid sick days.¹⁶⁹

San Francisco: In 2006, San Francisco voters approved a ballot measure that required employers to offer paid sick leave at a rate of one hour for every 30 hours worked after the first three months on the job. Employees who work in businesses with fewer than 10 employees can accumulate up to 40 hours (five days) of paid sick leave per year. Employees at businesses with 10 or more employees can accumulate up to 72 hours (nine days) of paid sick leave per year.¹⁷⁰

New York City: The City Council in June 2013 passed an earned sick leave ordinance applying to all businesses employing more than 20 workers, to take effect April 1, 2014. Covered workers would earn 1 hour of sick leave for every 30 hours worked, up to 40 hours (5 days) of sick time per year. Workers in smaller businesses accrue unpaid sick time.¹⁷¹ In January 2014, incoming New York City Mayor Bill de Blasio, along with City Council Speaker Melissa Mark-Viverito, announced plans to extend the ordinance to all businesses with more than 5 workers.¹⁷²

For a more comprehensive analysis, the National Partnership for Women and Families maintains a chart of enacted earned sick leave statutes, which compares the major provisions of each.¹⁷³

[END SIDEBAR]

¹⁶⁸ The Portland Protected Sick Time Ordinance was passed in March 2013 to take effect Jan. 1, 2014. Earned sick leave may be used for an employee's own health, a family member, or to address issues caused by domestic violence, sexual harassment, assault or stalking. The City is contracting with the State Bureau of Labor and Industries for monitoring and enforcement. More info: <http://www.portlandoregon.gov/sicktime/>

¹⁶⁹ More info: <http://www.dcejc.org/2013/12/18/dc-just-passed-great-minimum-wage-and-paid-sick-days-bills-whats-in-them/>

¹⁷⁰ For more information on San Francisco's paid sick leave, see San Francisco's Office of Labor Standards Enforcement at <http://sfgsa.org/index.aspx?page=419>.

¹⁷¹ Earned sick time can be used to care for a worker's own health needs or to care for the health needs of a worker's spouse, domestic partner, child, parent, or the child or parent of a worker's spouse or domestic partner. Part-time workers and domestic workers are included. To allow employer flexibility, any time of paid leave can be used to meet the requirements as long as workers are permitted to use it for sick leave purposes. The City's Department of Consumer Affairs will enforce the law.¹⁷¹

¹⁷² Grynbaum, Michael M. and Kate Taylorjan, "Mayor and Speaker to Seek Further Expansion of Sick Pay." *New York Times*, Jan. 17, 2014. http://www.nytimes.com/2014/01/17/nyregion/mayor-and-speaker-to-seek-further-expansion-of-sick-pay.html?_r=1

¹⁷³ The chart is available at <http://www.nationalpartnership.org/research-library/work-family/psd/paid-sick-days-statutes.pdf>

Building on these existing policies, a number of states and localities are now considering adopting earned sick leave legislation. As of January 2014, bills had been introduced in the Nebraska, California and Washington state legislatures to extend earned sick leave to workers statewide. In Massachusetts, supporters submitted enough signatures to place a similar initiative on the statewide ballot for November 2014.¹⁷⁴

8.3: Establish ban the box/fair-chance hiring policies.

The “ban the box” strategy, also known as Fair Chance hiring, uses a policy or ordinance approach to eliminate the check box on an initial job application where a prospective employee must divulge if they have been arrested, convicted of or pled guilty to a crime. It substitutes a policy wherein every applicant has an equal opportunity to be evaluated based on their qualifications. Individual criminal background checks or inquiries about criminal records may still be carried out, but they take place after the initial application screening.

Currently, applications from ex-offenders are commonly screened out at the very beginning of the process, without ever being read. In online applications, checking the “box” which indicates a prior arrest and conviction may automatically exclude the application from further consideration.¹⁷⁵ This practice can turn even a minor offense into lifelong exclusion from many types of employment, creating a permanent underclass of individuals who are excluded from economic opportunity. An estimated 7 million Californians have a criminal history,¹⁷⁶ making up more than a quarter of the working-age population.

“Banning the box” is intended to create an opportunity for applicants with a criminal record to be evaluated based upon their individual qualifications and circumstances.¹⁷⁷

In 2013, the State of California passed into law AB 218, a basic “ban the box” bill that prohibits state and local government employers from screening job applicants for criminal conviction history until the agency determines potential hires' minimum qualifications. Minnesota, Illinois, Maryland and Rhode Island all passed similar laws in 2013. In addition, 56 U.S. municipalities have removed questions about arrest and conviction records from their initial applications for public employment.¹⁷⁸

¹⁷⁴ [http://ballotpedia.org/Massachusetts Paid Sick Days Initiative \(2014\)](http://ballotpedia.org/Massachusetts_Paid_Sick_Days_Initiative_(2014))

¹⁷⁵ Lagos, Marisa, “Push to ban crime box on job applications expands.” *San Francisco Chronicle*, Dec. 10, 2013.

<http://www.sfgate.com/default/article/Push-to-ban-crime-box-on-job-applications-expands-5049663.php>

¹⁷⁶ Lagos, Marisa, “Push to ban crime box on job applications expands.” *San Francisco Chronicle*, Dec. 10, 2013.

<http://www.sfgate.com/default/article/Push-to-ban-crime-box-on-job-applications-expands-5049663.php>

¹⁷⁷ This approach is aligned with federal guidance issued in 2012 by the U.S. Equal Employment Opportunity Commission (EEOC), which finds that “An employer’s neutral policy (e.g., excluding applicants from employment based on certain criminal conduct) may disproportionately impact some individuals protected under Title VII, and may violate the law if not job related and consistent with business necessity.” Rather than excluding all applicants with a criminal record, the EEOC recommends, in part, that employers instead “[develop] a targeted screen considering at least the nature of the crime, the time elapsed, and the nature of the job . . . then provide an opportunity for an individualized assessment for those people identified by the screen, to determine if the policy as applied is job related and consistent with business necessity.” See: EEOC Enforcement Guidance, No. 915.002, issued April 25, 2012.

http://www.eeoc.gov/laws/guidance/arrest_conviction.cfm

¹⁷⁸ http://nelp.3cdn.net/ceb75246d6b12f887_skm6bsiip.pdf

Some private employers have voluntarily followed implemented their own “ban the box” policy. In November 2013, Target announced that it would eliminate the question asking about criminal records on job applications at all of its 1,800 stores.¹⁷⁹

In total, eleven states have enacted some variety of “ban the box” policy, with the most recent being Nebraska; five of those states have extended the policy to private employers. An estimated 56 local governments have passed similar provisions.¹⁸⁰ California’s new law applies only to public sector employers, creating an opening for additional innovation at the local and regional level to broaden opportunities in private as well as public employment.¹⁸¹

For example, in 2012 the Oakland City Council approved a community benefits plan for the \$1 billion Army Base redevelopment project that included a ban the box policy applying to all construction and permanent jobs to be created by the project.¹⁸²

The City and County of San Francisco, which in 2006 eliminated the criminal background question on initial applications for most city jobs, in February 2014 adopted a “Fair Chance Ordinance” establishing a similar policy for most private employers. San Francisco’s ordinance, which takes effect August 16, 2014, will apply to businesses with 20 or more employees. Rather than automatically screening out all candidates with an arrest or conviction record, the legislation requires employers to reserve that question until the interview stage. It exempts positions for which criminal history is relevant to the work being performed, such as child care providers or security guards.¹⁸³ A diverse range of organizations supported the San Francisco ordinance, from the Community Housing Partnership to the San Francisco Chamber of Commerce.¹⁸⁴

8.4: Strengthen local wage and hour enforcement.

Low- to moderate-wage workers are disproportionately subject to violations of wage and hour laws, which may include:

1. Pay rates less than the applicable minimum wage,
2. Failure to pay employees for hours worked or requiring employees to work off the clock,

¹⁷⁹ <http://www.startribune.com/business/229310141.html>

¹⁸⁰ <http://www.alternet.org/labor/nebraska-joins-states-banning-employers-asking-job-applicants-about-criminal-history?akid=11731.30540.NHW0jl&rd=1&src=newsletter983258&t=11>

¹⁸¹ The National Employment Law Project (NELP) provides legal information, reports on states and localities that have adopted “ban the box” policies, and standardized model legislation. Much of this information is available online at http://www.nelp.org/site/issues/category/criminal_records_and_employment/.

¹⁸² <http://jailstojobs.org/wordpress/ban-the-box-gains-victory-at-oakland-army-base-redevelopment-project/>

¹⁸³ Ordinance is available at <http://sfgsa.org/index.aspx?page=6593>. See also Lagos, Marisa, <http://www.sfgate.com/bayarea/article/San-Francisco-supervisors-pass-ban-the-box-law-5204942.php> and Lagos, Marisa, “San Francisco supervisors pass ‘ban the box’ law.” *San Francisco Chronicle*, Feb. 4, 2014. “Push to ban crime box on job applications expands.” *San Francisco Chronicle*, Dec. 10, 2013. <http://www.sfgate.com/default/article/Push-to-ban-crime-box-on-job-applications-expands-5049663.php>

¹⁸⁴ <http://www.sfoxaminer.com/sanfrancisco/ban-the-box-initiative-on-felony-identifications-gathers-support-ahead-of-supervisors-vote/Content?oid=2688774>

3. Failure to pay overtime,
4. Misclassifying workers in order to avoid paying overtime,
5. Denying required meal and rest breaks,
6. Taking tips which are legally owed to a employees,
7. Deducting illegal fees from wages owned, and
8. Payment with invalid checks or not paying wages due at all.

The net result of these activities is a reduction in the hourly pay of the affected worker below the legally mandated or contractually obligated minimum.

Substantial numbers of Bay Area workers are affected. In Santa Clara County, for example, in 2012-13 approximately 2,000 workers were awarded wage and hour judgments totaling \$8.4 million in owed wages.¹⁸⁵

In addition to impacting the economic stability of the affected workers, wage and hour violations put the majority of employers who follow the law at a competitive disadvantage to the minority of employers who do not.

By definition, wage and hour violations are already forbidden by state and/or federal law.¹⁸⁶

The State of California recently passed into law three bills (AB 263, AB 524, and SB 666) that provide additional tools for enforcement of wage and hour statutes.¹⁸⁷ All three laws took effect on January 1, 2014. These bills are designed to create the opportunity for local government agencies, which have more direct contact with both employers and workers, to play a role in community education, employer outreach, legal support, and assistance with enforcement of the new laws.

¹⁸⁵ TK

¹⁸⁶ However, two issues combine to make wage theft a widespread and persistent problem throughout California and the United States. First, enforcement is largely complaint-based, driven by individual claims by affected workers. The legal process for filing a claim can be complex and expensive, and affected workers frequently do not file due to lack of information on available remedies, fear of retaliation or job loss, or financial challenges. For these reasons, a large portion of wage and hour violations go unreported. The most extensive study to date, published in 2009, was carried out by a joint research team from UCLA, CUNY, Cornell, Rutgers and the University of Illinois at Chicago and involved surveys of employees in low-wage industries in three major U.S. cities, Los Angeles, New York City and Chicago. It found that 68 percent of the workers surveyed had experienced a wage and hour violation in the previous week. See: Greenhouse, Steven, "Low-wage workers are often cheated, study says." *New York Times*, Sept. 1, 2009. <http://www.nytimes.com/2009/09/02/us/02wage.html?partner=rss&emc=rss&pagewanted=all> See also: http://www.unprotectedworkers.org/index.php/broken_laws/index. Second, even when an employer is found guilty of a wage law violation, a judgment is passed and a penalty imposed, in the majority of cases no money is ever collected from the employer by either the injured worker or the State. The same is true of employers who agree to a settlement in wage and hour cases. An analysis of 2008-2011 data on wage-and-hour case records provided by the California Division of Labor Standards Enforcement (DLSE) found that, of the \$282 million issued in awards for unpaid wages, workers recovered only \$42 million. A variety of tactics were used to avoid paying wage claims, including hiding assets or dissolving the existing business and re-organizing as a new legal entity.¹⁸⁶ In Santa Clara County, of the \$8.4 million in wage and hour judgments awarded in 2012-13, only \$2.8 million has been paid.

On rare occasions, classes of workers may sue an employer to recover lost wages. In March 2014, employees working in Oakland, Fremont, Los Angeles, New York and Michigan branches of a major fast food chain filed a class action suit alleging that the locations where they worked engaged in a systematic practice of underpaying workers by violating wage and hour laws, including failing to pay overtime, requiring employees to work off the clock, and altering timecard records. See: <http://sanfrancisco.cbslocal.com/2014/03/13/oakland-fremont-mcdonalds-workers-allege-wage-theft-in-class-action-lawsuits/>.

¹⁸⁷ For a summary of the new laws, see <http://www.nelp.org/page/-/Justice/2013/ca-worker-protections-against-retaliation.pdf>.

To address these issues, local governments across the country have begun to pass “wage theft ordinances.” Local jurisdictions, which have adopted policies or ordinances regarding wage and hour enforcement, include Houston, TX¹⁸⁸; Miami-Dade and Broward Counties, FL; Chicago, IL; Seattle, WA; New York City; and San Francisco (partial list). The National Employment Law Project (NELP) has compiled extensive research and model best practices for states and localities seeking to improve enforcement and reduce the incidence of wage theft.¹⁸⁹

In the Bay Area, San Francisco adopted a wage and hour enforcement ordinance in 2011,¹⁹⁰ and Santa Clara County is in the process of developing a similar policy, with an April staff report recommending a potential approach including “Adopt[ing] local tools to enforce existing state and federal wage laws – for example, by utilizing the County’s permitting and contracting processes to incentivize employers not to engage in wage theft, by creating additional local penalties for violations of state and federal law, and by supporting workers in their pursuit of recovery of unpaid wages.”¹⁹¹

In addition, workers centers’ (described in Strategy 10) often provide resources and support to educate workers on wage and hour laws, and collaborate with federal, state and local agencies collect data on workplace standards violations.¹⁹²

[begin sidebar]

What is the economic impact of some of the “raise the floor” strategies?

A 2013 review of the most recent decade of economic research on minimum wages found that “The weight of that evidence points to little or no employment response to modest increases in the minimum wage.”¹⁹³ Some studies have found modest negative employment effects, primarily on teenagers. A March 2014 Goldman Sachs research note reviewed the state of current research literature and noted that “Economic Research on Minimum Wage Hikes has Found a Small Effect to No Effect on Employment.”¹⁹⁴

Earned sick leave policies are a more recent innovation in the United States than minimum wages; the first policy was enacted in San Francisco in 2007. The evidence to date (in those jurisdictions which implemented earned sick leave policies between 2007 and 2012) suggests that the provision of earned sick leave has improved productivity and has had no negative impact on job growth, business location decision,

¹⁸⁸ <http://www.houstontx.gov/ordinancefeedback/wagetheft-final.pdf>

¹⁸⁹ Many of these resources are available at

http://www.nelp.org/index.php/content/content_issues/category/strengthening_government_enforcement_of_wage_laws.

¹⁹⁰ <http://wagetheft.org/wordpress/?p=1683>

¹⁹¹ http://sccgov.iqm2.com/Citizens/Detail_LegiFile.aspx?Frame=&MeetingID=5477&MediaPosition=&ID=71327&CssClass=

¹⁹² See e.g.

http://www.nelp.org/index.php/content/content_issues/category/support_for_wage_campaigns_by_worker_centers_and_unions

¹⁹³ Schmitt, John, “Why Does the Minimum Wage Have No Discernible Effect on Employment?” (Feb. 2013) Center for Economic and Policy Research. <http://www.cepr.net/documents/publications/min-wage-2013-02.pdf>

¹⁹⁴ <http://jaredbernsteinblog.com/a-non-thumb-on-the-scale-look-at-the-impact-of-higher-minimum-wages>

or business profitability.¹⁹⁵ In Seattle, the City Auditor released a report on the implementation and initial outcomes of that city's earned sick leave ordinance in April 2014.¹⁹⁶ These initial studies have relied primarily upon employer surveys, with some analysis of labor market data.

The City and County of San Francisco presents a unique opportunity for a case study, having passed an extensive set of local employment standards since the 1990s, including a city minimum wage, a requirement to offer earned sick leave, an employer healthcare mandate, and most recently, an ordinance establishing employees' right to request a flexible work schedule. Economists at the University of Berkeley recently published an extensive examination of the cumulative impacts of San Francisco's local employment standards. They found that the labor standards had no effect on overall employment in San Francisco as compared to surrounding counties.¹⁹⁷

[end sidebar]

Benefits

- **High impact potential.** Many common approaches to increasing workers' economic opportunity tend to touch only a selected group of workers – such as those who enroll in a training program – and are difficult to scale. Raise the floor standards, on the other hand, are inherently designed to apply to all or nearly all employers in a region. These strategies thus touch a broad swath of low-wage workers and thereby have the potential to not just benefit individuals, but shift the structure of the local labor market. For example, the Congressional Budget Office in February 2014 estimated that an increase in the federal minimum wage from \$7.25 to \$10.10 per hour would directly raise the wages of 16.5 million workers, with another 8 million workers receiving indirect increases.¹⁹⁸
- **Minimal cost to taxpayers.** Because raise the floor strategies rely on the regulatory power of local governments, they have the ability to lift up working conditions for large numbers of residents without requiring public expenditures, in contrast to social welfare programs or income tax credits which can incur a high cost per individual served. There is a public cost associated with monitoring and enforcement, but these tend to be small, especially for jurisdictions that utilize an existing regulatory framework already in place. In addition, effective raise the floor strategies, by moving individuals and families closer to economic self-sufficiency, may reduce taxpayer costs for social welfare programs. An initial study by economists at the University of California Berkeley found that a 10 percent minimum wage increase (for example, from \$8.00 to \$8.80) reduces expenditures on SNAP (the federal food stamp program) by 1.9 percent.¹⁹⁹

¹⁹⁵ See: <http://www.nationalpartnership.org/research-library/work-family/psd/paid-sick-days-low-cost-high-reward.pdf>

¹⁹⁶ Report is available at

http://www.seattlemet.com/data/files/2014/4/attachment/194/PSSTO_UWReport_wAppendices_copy.pdf

¹⁹⁷ See: <http://www.irle.berkeley.edu/publications/when-mandates-work/when-mandates-work-slides.pdf>

¹⁹⁸ See: http://economix.blogs.nytimes.com/2014/02/18/the-impact-of-a-minimum-wage-increase/?_php=true&_type=blogs&_r=0

¹⁹⁹ See: <http://www.americanprogress.org/issues/economy/report/2014/03/05/85158/the-effects-of-minimum-wages-on-snap-enrollments-and-expenditures/>

- **Simple, uniform standards for all businesses.** Raise the floor standards typically apply to all employers within the city, county, or other jurisdiction. This uniformity simplifies compliance for businesses. Verifying (for example) that one is paying the minimum wage to all of one's workers is far simpler than understanding and complying with the often complex requirements of programs that may target one particular company, take effect within only a targeted zone or the city or apply only for hiring a particular category of workers. It is important to note that these policies can be adapted and adjusted based on the size of an employer.
- **Growing base of economic evidence.** Employment standards, and minimum wage increases in particular, have been the subject of intense study by economists for several decades, generating an extensive base of evidence for their impacts on employment, wages and economic growth.

Challenges

- **Inconsistent policies among neighboring cities:** Residents, workers, businesses and economic activity in the Bay Area all cross city boundaries constantly. For this reason, workplace standards that differ between cities can create challenges and inequities in those cases where workers on one side of a street are treated differently than those on the other sides. A different set of standards in each city can also be challenging for businesses in which a single employee routinely works in different locations, such as truck drivers or janitorial contractors. To address this challenge, designers of city standards may consider taking into account any similar standards enacted by nearby cities and consider whether to align with those standards; in addition, clear guidelines should be provided for whether and how the policy applies to employees who work some of their hours within the city and some hours outside of the city.
- **Difficulty with implementation and enforcement:** Enactment of a floor will have limited impact without an effective mechanism to implement and enforce the new regulations. On the one hand, an efficient mechanism should make compliance simple and straightforward for employers; onerous administrative requirements are likely to reduce compliance and negatively impact businesses. On the other hand, an effective policy must incorporate vigilant enforcement and sufficient consequences for noncompliance to ensure that businesses are incentivized to adhere to the policy. Implementation therefore requires a careful balance between efficiency and vigilance. The City of San Jose local minimum wage ordinance provides one model of how these needs can be balanced; by linking enforcement to the existing local business license, the ordinance avoids creating any additional administrative requirements for businesses. The only administrative action required of employers is to post the city wage bulletin informing employees of the new minimum wage.
- **Need for exemptions:** Certain categories of employers may face special challenges in complying with a particular standard due to the nature of their business. For example, construction industry schedules may not allow for

workplace flexibility; micro-businesses with only a handful of employees may not be able to provide sick leave and still maintain daily operations; and law enforcement agencies must screen applicants for criminal history. To address this challenge, policy design may take into account types of businesses that may need exemptions or alternatives, without creating exemptions that are so broad as to undermine the policy's effectiveness.

- **Disproportionate impact on certain industries and types of businesses.** Raising employer costs affect different industries and employers in different ways. For example, an increase in the minimum wage is more difficult to absorb for an employer like a bookstore that cannot raise prices (as the prices are listed on the back).

Strategy 9: Organize and professionalize industries to improve wages, benefits and career ladders.

Most of the biggest gains for lower-wage workers have taken place when entire industries become professionalized and organized. Industries that take a “high road” approach to growth seek to compete in the marketplace by having a highly productive workforce that is able to produce highest quality goods and services. Companies in “high road” industries are often unionized and treat environmental sustainability as a necessary objective rather than a business trade-off. Their workers are highly-skilled and well-compensated for their skills.

This approach is in direct contrast to the “low road” approach of employers who compete on the basis of the lowest possible wages and labor costs—but with the results of low skills, low productivity, high employee turn-over and low-quality products and services. In low road industries, it is difficult if not impossible to move up a career ladder into higher paying jobs.²⁰⁰

High-road policies that professionalize industries and improve wages and working conditions can be instigated by companies, unions, by local policy makers or by non-profit associations representing the interests of workers. Examples of industries that have taken a high-road approach include the unionized San Francisco hotel industry, janitorial services in Los Angeles, San Francisco, Chicago and NYC, and the building security industry in Washington DC.²⁰¹

In addition, there is a growing long-term trend across industries toward the utilization of a contingent workforce (i.e. non-permanent and temporary workforce). This includes increased use of contract, seasonal or part-time employees, independent consultants and even day laborers. This approach provides flexibility to the employer but rarely provides career ladder opportunities or workplace protections. Many contingent workers do not earn middle-income wages. Professionalizing and organizing these industries will both improve productivity for employers and improve wages and working conditions for employees. In low-wage industries with a relatively unskilled workforce, investments in job training can improve worker retention and move workers up into middle-wage jobs. Professionalization typically also has the added benefit of increasing the quality and reliability of services or goods received by the consumer; a licensed electrician (for example) is more likely to have received all the requisite training standards.

These strategies generally work best on a sector or occupational-wide level. Any single employer who tries to invest in improving their workforce’s skills or creating internal pathways will not be cost-competitive in the short run, even if professionalization and investment in workforce would improve productivity industry-wide in the long run.

²⁰⁰ “According to a [National Employment Law Project] analysis of Census data, managerial positions make up just 2.2 percent of all jobs in the fast food industry, with opportunities for franchise ownership remaining even more limited, making up just one percent of all jobs in the industry.” (http://nelp.3cdn.net/84a67b124db45841d4_o0m6bq42h.pdf).

²⁰¹ See: http://www.nelp.org/content/content_issues/category/job_standards_for_economic_development/

Individual employers in competitive industries can nonetheless pursue high road strategies. Take for example Costco, a partially unionized employer whose wages are among the highest in the retail industry. Costco is in direct competition with firms like Wal-Mart, an employer that prides itself on low prices and whose low wages have been noted as having direct costs on taxpayers.²⁰² Whereas Wal-Mart's employee turnover is approximately 44 percent, Costco's is only 17 percent.²⁰³ Costco seeks to maintain positive relations with employees generally and is able to pay higher wages in a highly-competitive retail environment through cost savings from reduced employee turnover.

Strategies such as worker centers, joint labor management partnerships for workforce training and removing barriers to union organizing, all serve to upgrade the lowest wage jobs and create "high road" employers who are better able to compete in the Bay Area economy with higher skilled and more productive employees.²⁰⁴

Professionalization policies, like training and licensing programs, when combined with labor and employment law enforcement, can significantly upgrade the skills and wages in a low-wage industry.

9.1: Encourage the creation of worker centers and industry guilds that help establish minimum wage rates and job standards for industries.

Two key strategies for raising standards for contingent workers are worker centers (sometimes known as Day Laborer Hiring Halls) and industry guilds (or new types of labor organization).

Worker centers have become more common over the past twenty years, with estimates that today there are more than 200 nationwide.²⁰⁵ These centers provide four essential services—1) they provide a minimum wage rate, 2) they create a rational system for distribution of work through a hiring hall, 3) they enforce wage rates and working conditions by providing legal and advocacy support to workers with pay disputes or employer complaints, and 4) they provide training and social supports to contingent workers. Worker centers generally deploy workers for construction, gardening, agriculture work, housekeeping and janitorial services.

Examples of worker centers and related groups in the Bay Area include the Day Worker Center of Mountain View, the Graton Day Labor Center, La Raza Centro Legal, a day labor center, the Chinese Progressive Association in San Francisco, and the Restaurant Opportunity Center, a New York-based worker center that opened in the Bay Area in 2013.²⁰⁶

²⁰² See: <http://money.cnn.com/2013/06/04/news/companies/walmart-medicaid/>

²⁰³ Cascio, Wayne F. "Decency Means More than 'Always Low Prices': A Comparison of Costco to Wal-Mart's Sam's Club. Academy of Management Perspectives. August 2006. Available at: <http://www.ou.edu/russell/UGcomp/Cascio.pdf>

²⁰⁴ See: <http://www.aflcio.org/Learn-About-Unions/Training-and-Apprenticeships/Labor-Management-Partnerships>

²⁰⁵ Available at: <http://online.wsj.com/news/articles/SB10001424127887324144304578622050818960988>

²⁰⁶ Naduris-Weissman, Eli. "The Worker Center Movement and Traditional Labor Law: A Contextual Analysis." Berkeley Journal of Employment & Labor Law. March 2009. Available at: <http://scholarship.law.berkeley.edu/cgi/viewcontent.cgi?article=1413&context=bjell>

Many worker centers offer ESL classes, and soft-skill training such as communication skills and teamwork skills. Many offer workers opportunities to volunteer in the community and create personal job reference networks. Most worker centers are non-profit organizations. Some receive support from their local jurisdictions and others receive funds from membership fees (from workers), foundation grants, workforce training grants or support from faith communities or unions.

Local jurisdictions can encourage worker centers by offering in-kind support such as meeting space and offices, or can offer financial support to the non-profit, labor or faith-based groups that generally operate these centers.

Industry guilds give workers a network or labor organization structure that supports them as they work for different employers. The Bay Area-based Pacific Media Workers' Guild represents workers across a range of media outlets throughout California and is a good example of an industry guild, offering its members the following benefits:

- Access to health, dental and vision insurance for freelancers.
- The Bay Area News and Media Workers Network on LinkedIn, a source of job postings and other labor market information, career advice, training opportunities and primary research about potential career pathways.
- Job training and career development opportunities including the annual "Spring Training" conference at San Francisco State University.
- Development of professional standards and credentials for freelancers.
- Access to professional services including legal support for personal service contracts and tax return preparation.

Another example is the Hispanic Referral Network in Oakland which sets minimum wage and hour requirements for employers who call the Referral Network to hire day laborers for home repairs, landscaping, child care and housekeeping services. The Network provides support to workers and, like a Worker Center, supports workers in wage and hour disputes, ESL training and access to employment opportunities.

9.2: Establish multi-employer joint labor management training partnerships to raise skills in an industry.

Over the past ten years, sectoral approaches to workforce development have become a best practice for employers, workers and the government workforce development partners. Joint labor-management training partnerships are an industry-wide strategy where employers, labor representatives, workers, education and training partners and workforce development boards, foundation funders come together to address workforce needs facing the industry. The partnerships are sometimes funded through a several cents-per-hour contribution by employee and employer that is established through collective bargaining.

The role of the partnership might be to design new training programs to upgrade the skills of workers who seek to move into middle-wage jobs or alternative to work together to improve the quality (and pay) of existing low-wage jobs.

Employers who participate in joint labor management training partnerships benefit by receiving a more highly skilled workforce and affordable and tailored training (since multi-employer training programs are more efficient than for each participating company to provide training on their own). Upgrading the workforce throughout a sector will improve competitiveness for all participating employers and will improve worker recruitment and retention (both significant costs for employers).

For workers, the joint labor management training partnerships offer an opportunity to shape the training so that it takes into account worker needs as well as employer priorities. Multi-employer training improves career mobility and can improve wages. Even if an individual worker does not move up the career ladder, they can benefit from productivity improvements that result in increased sales (and thus higher wages for the worker). As one example, a contractor to Google has trained its janitors to use tablets to keep better track of supplies and cleaning needs. This increases productivity through time saving. As employers benefit from improved productivity, the employees may receive pay premiums even though they have not moved up the career ladder into a new job classification.

Perhaps the best known multi-employer training partnerships are those in the construction industry, where employers in each trade or craft (roofing, carpentry, plumbing, electricity, and so forth) can join joint labor-management funds that sponsor apprenticeships to produce a trained and skilled workforce and provide lifelong learning to upgrade journey-level workers' skills to meet employers' latest needs.

However, although the broader public is most familiar with construction apprenticeships, joint labor management training partnerships are utilized in a number of industries, among them health care, janitorial and building services, culinary arts, hospitality, transportation and manufacturing.

[Sidebar]

The San Francisco Hotels Partnership Project

Created in 1994, the San Francisco Hotels Partnership Project is a partnership between 11 hotels and the Hotel Employees and Restaurant Employees International Union (HERE). The goal of the partnership is to provide job security and improved compensation to workers, while also allowing for the increased competitiveness of participating hotels even in the economic downturn in the region's hospitality industry after September 11th, 2001..

The Hotels Project has implemented team-building and communication training programs at all levels of the participating hotels to improve labor-management relations. Other initiatives included classes in Vocational ESL (VESL) and basic skills,

alternative grievance resolution, and a welfare-to-work training center for housekeepers.

One project trained more than 200 entry-level workers to be higher-paid banquet servers, allowing the banquet hiring hall to have the best-ever performance in filling job orders for the holiday season. Funded with more than \$1 million in state funds and an additional \$500,000 from employers, these initiatives have offered nearly 225,000 hours of training to more than 1,500 labor and management participants.

At the core of the partnership were problem-solving teams comprised of workers, managers, neutral facilitators and translators, working together to develop solutions for hotels' challenges including workplace issues. The problem-solving teams from different hotels worked together, so that a partnership-wide (industry wide) standard emerged.

In one project, for example, a kitchen area was restructured: 27 kitchen job categories were collapsed into three, and two job titles were eliminated altogether. The hotel benefitted by eliminating rigid job categories that hindered flexibility in workers' assignments. At the same time, workers' wages rose and seniority rules were strengthened. This teamwork is the hallmark of the partnership model.

The Hotels Project is credited with improving opportunities for many laid-off hotel workers in the area. By offering new job skills, training and certification to 80 percent of the participating hotels' employees, housekeepers, dishwashers, and other entry-level employees received training for new jobs that employers needed to fill. The VESL training allowed unemployed workers to improve their skills so that they would be prepared to rejoin the industry as it picked up again after the 9/11 slow-down.²⁰⁷

[end sidebar]

9.3: Remove barriers to unionization.

Unionization significantly improves wages and benefits for workers with a particularly strong impact on younger workers, women and minorities in low-wage industries.²⁰⁸ But there can be significant losses for both employers and employees during contested union organizing campaigns focused on a federal-government supervised election (which are supervised by the National Labor Relations Board, or NLRB).²⁰⁹ Strikes or other work stoppages can thwart productivity, erode employee morale and create large legal bills.

Card check and neutrality agreements (also know as "majority sign-up" and "labor peace" agreements) are an alternative to a costly NLRB supervised election. In advance of the organizing campaign, employers agree to recognize a union if the majority of the

²⁰⁷ See: <http://www.cows.org/data/documents/1042.pdf>

²⁰⁸ See: <http://www.cepr.net/documents/publications/unions-low-wage-2007-08.pdf>

²⁰⁹ The National Labor Relations Act provides the legal framework for private-sector employees to unionize through establishing collective bargaining units in their workplace. The National Labor Relations Board is the federal agency responsible for supervising such elections.

workforce submits authorization forms (“cards”) expressing their desire for representation. Employers agree not to campaign against the union, but to remain neutral during the campaign period. In exchange for these agreements, the union agrees not to strike or create a work stoppage.

While most card check and neutrality agreements are entered into voluntarily by employers and unions, a recent trend has been for a local jurisdiction with a proprietary interest in a business to require “card check and neutrality” as a condition of doing business with the government, being a lessee on government’s property or receiving government grants or other financial assistance.

Academic research on card check agreements demonstrates that a card check reduces unfair labor practice charges and does not impair workers’ free choice.²¹⁰ For a local jurisdiction, the card check and neutrality agreement protects the jurisdiction against the risks of lost revenue to the city and disruption in critical services. Neutrality agreements have been used in eight California jurisdictions to cover hotels and airports businesses in hospitality intensive locations.²¹¹ In the first years immediately following the card check and neutrality agreement at SFO, researchers found that:

“The [SFO] Labor Peace/Card Check policy appears to have achieved the objective of minimizing business disruptions during the organizing process. The timing of our employer survey coincided with a period when many were still negotiating first contracts, which could have generated greater tension in labor relations. Yet, only one newly unionized firm in the survey did not report improvements on the majority of the labor relations questions in the survey—employee morale, absenteeism, employee grievances and disciplinary issues.”²¹²

Neutrality agreements can also take place at private employers. Private employer PG&E had a neutrality agreement with Engineers and Scientists Local 20. During the neutrality agreement, hundreds of highly-skilled engineers at the company elected to join a union.

9.4: Create licensing requirements and enforce labor and employment laws to professionalize workers across an entire industry.

In several low-wage industries, local jurisdictions and unions are working together to protect workers, upgrade job skills and “professionalize” the industry by creating and recognizing licensing requirements.

Key examples of these strategies include:

- Port trucking industry: Teamsters and local enforcement agencies have documented rampant misclassification of workers as independent contractors. Ports are now aggressively pursuing the misclassifications, successfully

²¹⁰See: <http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1627&context=ilrreview>

²¹¹See: <http://www.workforcefreedom.com/sites/default/files/Labor%20Peace%20Agreements%202013%2009%2012.pdf>

²¹² See: http://laborcenter.berkeley.edu/livingwage/living_wage_performance.pdf (p. 45).

enforcing labor laws, raising the standards for workers, improving trucking safety and lowering diesel emissions in neighborhoods.²¹³

- Building security: Service Employees International Union has been organizing security guards in NY City where there is a state licensing requirement for security guards. Building security companies are working with the union to create job training programs and career ladders to upgrade working conditions and wages in across the industry.
- Domestic Workers: In Connecticut, there is a movement to pass a “domestic workers’ bill of rights” that will close a loophole where domestic workers were exempt from many labor laws and clarify applicable labor and employment standards for all workers in this sector. The AFL-CIO Solidarity Center and many non-profit immigrant worker organizations are supporting domestic workers in this policy initiative.²¹⁴

Benefits

- For local jurisdictions, Worker Centers provide a rational alternative to criminalizing day labor by enforcing “loitering” laws or fining employers who use day laborers.
- Some of these strategies address needs identified by workers in the outreach phase of this project. 1) Workers need networks to find employment opportunities and 2) employees need verifiable work experience to be considered for permanent openings. This is particularly true for worker centers and other strategies that benefit contingent workers.
- Joint labor-management training partnerships offer workforce development systems advantages over other sectoral strategies by having more credibility with the workforce. Because they are founded on employer-union agreements, they are rooted in knowledge of both industry and worker needs. The labor-management relationship also provides organizational stability for the training program and it provides the ability to modify both the training and the design of work as industry needs evolve.²¹⁵
- Joint labor/management training partnerships and trust funds are directly accountable to employers. Multi-employer approaches help ensure that employment opportunities will be available for training graduates, even if an individual employer has no openings. When the training is funded through automatic cents per hour support from employers, it creates a sustainable, dependable funding stream. It also ensures that employers are invested in its success and have a strong incentive to engage. Because they have continuing contact with workers, trust funds can train both new entrants and incumbent workers and are uniquely positioned to provide lifelong learning.

Challenges

²¹³ See: <http://www.nelp.org/page/-/Justice/2014/Big-Rig-Overhaul-Misclassification-Port-Truck-Drivers-Labor-Law-Enforcement.pdf?nocdn=1>

²¹⁴ See: <http://www.solidaritycenter.org/content.asp?contentid=988>

²¹⁵ See: <http://www.calaborfed.org/userfiles/doc/2011/WorkingTogetherHighRoadReport112111.pdf>

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- Professionalization of an industry and workforce may increase skill requirements and employer expectations and inadvertently make it harder for many lower-skilled workers to access jobs.
- Unions are a small share of the private sector workforce and many private sector unionization efforts have been unsuccessful.
- Many employers and workers have little experience with unions or other worker solidarity efforts and may not understand the benefits and risks of an organized workforce.
- For Day Laborer Hiring Halls, many of the activities they work on would be more effectively solved through immigration law reform, not individual worker centers.

Strategy 10: Establish standards to ensure that investment of public dollars is aligned with the goal of economic opportunity.

Local governments, regional bodies, state and national governments all make expenditures to serve people within their jurisdictions. Nearly all expenditures of public funds will result in employment. These expenditures have the potential to create high quality jobs that will allow local families to prosper and reinvest money back into the local economy.

Policies that attach job standards to public expenditures have proven to be successful in raising the quality of jobs not only for the government contractors, but also for raising the floor of wages and benefits for all jobs in an industry sector or cluster of firms. Strategy 10 describes a range of policy tools available at the local and regional scale to attach these specific standards.

One key challenge to these strategies is that they are often enacted by a single city. If these strategies are to have a significant impact, they must be coordinated between jurisdictions with multiple Bay Area cities or counties adopting the same wage and benefit floors. For this purpose “model ordinances” should be considered best practices to avoid tremendous variation across local jurisdictions.

Examples of minimum compensation ordinances that are further described below include:

- “Living wage” ordinances (minimum wage ordinances limited to government contractors, suppliers and leaseholders),
- Prevailing Wage laws and Area Standard Wage agreements,
- Project Labor Agreements,
- Community-Benefits Agreements , and
- Self-sufficiency standards for Workforce Investment Act (WIA) job placements.

It should be noted that the difference between the policies in Strategy 10 and some of the “raise the floor” strategies described in Strategy 8 – such as a minimum wage increase – are the scope of impact. The policies described in Strategy 10 only affect firms with a direct link to public sector spending or approvals. The policies in Strategy 8 are intended to apply to all firms in a geography.

10.1: Enact “living wage” ordinances.

Living wage ordinances are requirements that firms with government contracts or other relationships with a local jurisdiction pay their workers a minimum compensation standard. Living wage ordinances are a misnomer because they rarely provide a wage floor high enough to support a family in the Bay Area. These local policies can apply to firms with the following relationships to a local government:

- Direct government contractors,

- Suppliers of materials and equipment over a certain size²¹⁶,
- All firms working on a government property (for example all of the businesses operating at an airport, on port property or on land leased by the government entity)²¹⁷,
- Businesses that are part of a land use or permitting process for large retail or other businesses seeking to locate in a particular jurisdiction²¹⁸.

A subset of “Living Wage” Ordinances include “business assistance” wage standards—setting minimum wage standards or prevailing wage standards for those businesses that are receiving government subsidies, loans or other assistance (for example, real estate developers who buy or lease government property at below market rate).²¹⁹

Studies have consistently shown that “Living Wage” Ordinances improve conditions for lower-wage workers, raise productivity and reduce turnover in affected firms, and only have a small impact on local government budgets.²²⁰

10.2: Pursue common community benefits agreements.

Community benefits agreements (CBAs) are adopted on major development projects throughout the Bay Area. The concept of a CBA is to enumerate what public benefits a developer is responsible to finance in return for beneficial terms related to the development. In accordance with the CBA, a developer will provide public benefits in addition to meeting the existing regulations and exactions (such as funds for child care, transit, education, parks, housing, etc.) required by local law. The components of a CBA vary from community to community based on market conditions and the extent to which the city requires other exactions. Some of the components of a CBA include affordable housing, job training and opportunities in the construction and/or operation of a development as well as financial support for surrounding organizations and services.

The goal of this strategy is to encourage the process of establishing CBAs to be more transparent and thus focus resources directly on the public benefits that can be supported by a pro forma, not on a perpetual negotiating process.

First Source Hiring agreements are one specific type of community benefit agreement that sets a protocol for referral and hiring of local construction workers on a development project through a job training program or hiring hall. These agreements seek to create onramps to training or construction job opportunities for workers from underserved communities. The First Source Hiring agreement is generally linked to

²¹⁶ See: <http://www.izajolp.com/content/1/1/11>

²¹⁷ See: <http://onlinelibrary.wiley.com/enhanced/doi/10.1111/j.0019-8676.2004.00375.x/>

²¹⁸ See: http://laborcenter.berkeley.edu/retail/bigbox_livingwage_policies11.pdf

²¹⁹ <http://www.izajolp.com/content/1/1/11>

²²⁰ Thompson, Jeff and Chapman, Jeff. “The Economic Impact of Local Living Wages.” Economic Policy Institute Briefing Paper. February 2006. See: <http://s1.epi.org/files/page/-/old/briefingpapers/170/bp170.pdf>

union apprenticeship programs so that workers have an opportunity to build a career ladder with training and wage increases as the worker builds job experience.

CBAs of note include:

- The CBA for the Hunters Point Shipyard Development, a project that allows 10,500 housing units, 635,000 square feet of retail, 2.65 million square feet of office and retail space plus art studios and open space. The agreement required nearly 32 percent of all housing to be built below market rate (at specific income levels), the rebuilding of a public housing development, over \$27 million into housing fund for the community, \$8.5 million in a workforce development fund to be matched by the Mayor's office, a simplified process for union recognition, a living wage and first source hiring requirements.
- The CBAs negotiated as part of San Francisco's Mid Market payroll tax reduction such as the CBA for Zendesk.²²¹
- The CBA for the Oakland Army Base, which provided for local hiring, limitations on the use of temporary agencies and job training for new hires.²²² In collaboration with the employers on the Army Base and local jurisdictions, the non-profit partner EBASE has established the West Oakland Jobs Center to help facilitate training and placement.²²³
- The First Source Hiring Agreement between City of SF and Recurrent Energy²²⁴

10.3: Pass prevailing wage ordinances.

The Davis Bacon Act (1932) and the parallel California Prevailing Wage law (referred to as Little Davis-Bacon) are now established policy for all construction projects receiving federal or California state funding. Prevailing wage laws require contractors to pay the construction wages that are "prevailing" in the industry in their location. Recently some local jurisdictions have extended prevailing wages to other contractors who are recipients of government funding either for the services provided or as subsidies or grants to support a private project with some public benefits. An example of this type of prevailing wage policy was enacted in Pittsburg, Pennsylvania in 2010.

[Begin Sidebar] Pittsburgh's prevailing wage ordinance

In the spring of 2010, the City of Pittsburgh enacted the Service Worker Prevailing Wage Ordinance to require private projects subsidized by public monies to pay wage levels that reflect the local wage scale. The Controller's Office monitors prevailing wage requirements on contractors who provide building service and food services to Pittsburgh. These contracts are required to pay prevailing wages to employees employed pursuant to such contracts and to require that building service, food service, grocery and hotel employees employed on projects receiving city subsidies must also be paid prevailing wages.

²²¹ See: <http://www.sfgsa.org/modules/showdocument.aspx?documentid=9685>

²²² See: <http://www.yesmagazine.org/new-economy/at-oaklands-abandoned-army-base-a-jobs-plan-brings-hope-to-locals>

²²³ See: <http://www.workingeastbay.org/goodjobsagreement>

²²⁴ See: http://votesolar.org/linked-docs/Recurrent_first_source.pdf

Covered projects include:

- those receiving at least \$100,000 in public subsidy,
- commercial office buildings of at least 100,000 square feet, or a commercial office complexes totaling at least 100,000 square feet,
- residential buildings of at least 50 units,
- hotels or motels of at least 100,000 square feet

Wage determinations are based on studying local wage conditions and three data sources of rate information to consider in determining prevailing wage.

[End Sidebar]

10.4: Establish project labor agreements (PLAs).

A “project labor agreement” (PLA) is a contractual agreement between a construction firm and a group of labor unions representing construction workers. Although individual PLAs vary considerably, they are typically collective bargaining agreements signed before the project is started and workers are hired. PLAs can be required by a local jurisdiction for projects with public subsidies, public funds or simply for projects that require a local permit. But many major private sector construction projects have PLAs in place. In 2001, The California State Library did a study of PLAs at that time and found that 72 percent of PLA were for “private” projects. Only 28 percent of PLAs were for public projects—paid for with public dollars.²²⁵

Local jurisdictions are likely to require a PLA because they fix the costs of the project (by pre-agreed wage rates and benefits), they eliminate the possibility of work stoppages by unions and lockouts by contractors and establish agreements for local or regional hiring for the project. PLAs are usually multi-craft agreements, generally signed by the local building trades council and/or all local unions involved, as well as by the prime contractors on the project.

PLAs have been consistently upheld by California Courts since they were first used in the 1930s. Independent research has demonstrated that PLAs generally lower costs and shorten timelines for projects while simultaneously ensuring that the wages on the job do not undermine the local area wage standards.²²⁶

10.5: Encourage self-sufficiency standards WIA job placements.

Local Workforce Investment Boards around California are looking for ways to improve the outcomes for lower-wage workers with their Workforce Investment Act funded training programs. Recently, some local Workforce Investment Boards have been using a “Self-Sufficiency Standard” (a standard for how much it costs to live in a particular area). WIBs can use the standard to target their training funding to workers at

²²⁵ Johnston-Dodds, Kimberly. *Constructing California: A Review of Project Labor Agreements*. Prepared at the Request of Senator John L. Burton, President pro Tempore

October 2001. Available at: <http://www.library.ca.gov/crb/01/10/01-010.pdf>

²²⁶ <http://www.library.ca.gov/crb/01/10/01-010.pdf>

particular income levels (such as 75 percent of the standard and below) as well as to determine the success of job placements after completion of training based on the wages and benefits of the job.

In California, the Insight Center for Community Economic Development calculates the Self-Sufficiency Standard on a county by county basis based on basic costs required for working parents to support their families.²²⁷ It is calculated for 70 different family types, ranging from a single person with no children to single parents and two parent families with 1, 2 and 3 children of varying ages. The Self-Sufficiency Standard is a more accurate measure of need than the Federal Poverty Line (FPL). The FPL is calculated only using the cost of food times three, and does not vary according to where one lives, or the ages of children in the household. The Standard includes the costs not only of food but also housing, child care, health care, transportation, miscellaneous costs, taxes and tax credits-- all the basic costs required for a family to enter and remain in the workforce.

The Sacramento Employment and Training Agency (SETA) is utilizing the Self-Sufficiency Standard, which may be a good model for WIBs in the Bay Area. SETA staff have found that “the Standard is a more reliable and valid measure of self-sufficiency than the minimum requirements under the Workforce Investment Act, poverty guidelines and LLSIL.”²²⁸

[Begin Sidebar]

Sacramento Employment and Training Agency (SETA) has been using the Self-Sufficiency Standard for several years in many different ways.

SETA adopted income levels close to the Self-Sufficiency Standard as its eligibility criteria for intensive and training services, which makes those who are working at less than \$10 an hour eligible for training. SETA identified a special population of the “working poor” as a group that would receive services on a priority basis.

SETA uses the Self-Sufficiency Standard in their client financial assessments to determine whether clients can support themselves through training.

SETA defines success, asking, “Did the training we provided help the client get closer to self-sufficiency?” SETA looks at job retention, upgrade and career ladder movement to see if their working poor clients are moving towards economic self-sufficiency.

[End Sidebar]

10.6: Explore establishing Social and Economic Impact Assessments as part of major planning and policy making.

²²⁷ See: <http://www.insightcced.org/communities/besa/besa-ca/ca-sss.html>

²²⁸ <http://www.insightcced.org/uploads/publications/wd/UsingtheCASSinPractice.pdf>

Now well established in Canada, Europe and Australia, a Social Impact Assessment allows policy makers to consider social impacts alongside of environmental impacts in all policy making decisions around public investments. In many instances there is a single integrated report that includes environmental impacts along with an analysis of (1) Employment and labor market, (2) Standards and rights related to job quality; (3) Social inclusion and protection of particular groups; (4) Equality of treatment and opportunities, non-discrimination; (5) Access to and effects on social protection, health and educational systems; and (6) Public Health and Safety. Specific attention is given to re-distributional impacts and impacts.²²⁹

As noted earlier in this report, the City of San Francisco conducts economic impact assessments of major legislative decisions. Those reports assess the impact on job creation of local policies such as tax policies, major zoning changes or other decisions that have a material impact on the city's economy. Such reports inform and help shape local policy decisions.

This strategy broadens the approach of a standard economic impact assessment to also look into issues of job quality and access from major policies. On the regional level, it could be possible to expand the type of analysis used in the preparation for Plan Bay Area to also include assumptions about the quality, jobs by location. These assessments could be integrated into (or alongside) the required Environmental Impact Report and its alternatives.

Another example would be to encourage local jurisdictions that receive planning grants from MTC (such as through the One Bay Area Grant program) to include additional economic and social impact analysis as part of a Specific Plan or station area plan. specific planning processes.

The US EPA and other US Federal Agencies have developed clear methodologies for conducting Social Impact Assessments. The Berger Inquiry²³⁰, which conducted a social impact assessment analyzing the job impacts of the Alaskan Pipeline Project on the local community, is cited as a key US example of policy implications of conducting a social impact assessment.²³¹

Benefits

- A key finding of our research is that policy decision-making too often happens in silos. Without a focus on the economic opportunity impacts of public investment, each governmental agency will pursue their own independent objectives and will miss a cumulative opportunity to create significant numbers of high quality jobs. Standard setting ensures that across multiple agencies, tax dollars will be spent to benefit the local and regional community by creating high quality jobs.

²²⁹ http://www.socialsecurity.fgov.be/eu/docs/agenda/26-27_10_10_sia_en.pdf

²³⁰ <http://yukondigitallibrary.ca/digitalbook/northernfrontiersocialimpactenvironmentalimpact/#/5/zoomed>

²³¹ <http://www.epa.gov/superfund/policy/pdfs/SILitRevFinal.pdf>

- The standard setting policies listed in Strategy 10 have a ripple effect of raising the standards for all employers in a given industry sector or cluster of firms. For example, a service contractor who is required to pay a living wage to workers who perform work on a city contract is likely to pay that same wage to other workers who may be working on both private and public contracts.
- While most employment is in the private sector, the public sector is nonetheless a major part of the local and regional economy and can have a significant impact in setting the conditions across an entire industry. By having the public sector establish higher standards for its workers and for related workers, the public sector can demonstrate its leadership in helping find viable solutions to the challenges of improving the quality of jobs for lower-wage workers.

Challenges

- Some of these policies increase direct costs to the public sector. This means that pursuing them could result in less funding available for other public investments.
- Higher standards for government contractors can create disproportionate impacts within the same industry as well as unintended consequences if a local living wage policy is significantly different from a local minimum wage ordinance. For example, exclusive franchises for a vendor – like a coffee cart- to operate on city-owned property would be subject to a living wage even though the same vendor could open a store on the next block and not pay the living wage. This could inadvertently make it more difficult for some cities to activate their publicly-owned land and property.
- Inconsistent policies among neighboring cities could wreck havoc on regional businesses that seek to do business across several local jurisdictions. For example a food outlet that has multiple locations could be faced with a living wage requirement for the outlet on Airport or Port property, but could continue to pay lower wages for its outlet in a downtown shopping district. To minimize the potential for this detrimental effect, regional collaborative policy initiatives are desirable with multiple jurisdictions adopting the same model ordinances.
- The social impact assessment as a policy tool has not been utilized consistently enough in the Bay Area so that consultants who offer these services may not have training and expertise necessary to conduct these reports for regional agencies or local jurisdictions.

5. Conclusion

Lifting lower-wage workers into middle-wage jobs is a matter of regional importance and concern. As outlined in this report, workers earning lower-wages live and work in every community throughout the entire region. And at over one third of the workforce, they are a critical lynchpin to an economically prosperous region.

Many local and regional leaders are working on strategies to connect lower wage workers on a pathway to better employment. This report is an attempt to tie together some of those efforts and support a more comprehensive approach. Improved training is necessary but insufficient. Bolstering experiential learning and improved social networks is also necessary but insufficient on its own. Expanding the region's base of middle-wage jobs is also necessary as is raising the wage floor through targeted policies. Effective programs and policies exist in some communities or within individual firms; but too often the lessons from those programs are not broadly shared or replicated.

To solve these challenges requires moving beyond issue silos and towards greater regional coordination. Workforce, housing, transportation, economic development and labor standards are all issues where solutions at a more regional scale are appropriate. This project and report offers a step towards identifying and describing key strategies that could help maintain the region's economic competitiveness while also advancing the goal of upward mobility and opportunity for all workers.