

Improving Economic Opportunity

The Challenge We Face as a Region

Home to some of the world’s most prestigious and forward-thinking businesses and innovators, the San Francisco Bay Area has long been an economic powerhouse. While the regional economy was challenged by the past decade’s economic downturn, the Bay Area is in the midst of a strong economic recovery with rising job levels and declining unemployment.

However, the 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. The hallmark of a truly prosperous regional economy is one where the benefits and opportunities of that prosperity are broadly available to many of those within it.

In the Bay Area, more than 1.1 million workers, over one third of the total workforce, earn less than \$18 per hour (or less than \$36,000 per year for full-time work). The majority of these workers earn less than \$12 per hour.¹ Further, the number of jobs that pay wages less than \$18 per hour has risen during the economic recovery, and these low-wage jobs are expected to increase even more over the coming years.

To put these earnings into sharper perspective, a household with two adults and two children in Alameda County would need to earn over \$65,000 per year (or more than \$30 per hour) just to meet the bare minimum required to cover basic expenses.² Using this same self-sufficiency standard, a four-person household would have to earn close to \$60,000 per year in Solano County and over \$75,000 per year in San

Francisco. For a large proportion of the region’s population, earnings are low relative to the region’s high cost of living. In addition, opportunities for economic mobility are scarce. There are many lower-wage jobs relative to middle-wage jobs and the pathways for upward mobility are limited. As a result, too many of the region’s workers remain in lower-wage jobs without clear paths to advance.

This Economic Prosperity Strategy report brings critically needed focus to the challenge of improving economic conditions for low- and moderate-income Bay Area residents and workers. While the region offers many advantages, there are also significant opportunities for improvement. The report identifies strategies aimed at creating a Bay Area economy with greater economic opportunity and mobility.

Achieving improved economic opportunity requires working on three goals simultaneously: helping lower-wage workers succeed on pathways into middle-wage employment, focusing on

¹ \$18 per hour is equivalent to approximately 80 percent of the region’s median wage. In this report, it represents the bottom end of the range of middle-wage jobs. This report defines middle-wage jobs as those that pay between \$18 and \$30 per hour. The team selected \$30 per hour as the upper end of the middle-wage job spectrum because it is a natural breakpoint on the wage scale. For example, there were not many jobs with median wages between \$30 and \$35.

² The earnings are based on the Family Economic Self-Sufficiency Standard, which covers expenses for housing, food, child care, transportation, health care and taxes. See: www.insightcced.org/calculator.html

expanding the number of jobs that pay middle wages, and improving the quality of jobs for current and future lower-wage workers. Working collaboratively, public and private organizations and key leaders can take steps to create an environment where the benefits of prosperity are shared broadly. But making real change requires widespread regional commitment that involves businesses, nongovernmental organizations and community-based organizations, elected officials, city and county staff, workforce development agencies, labor unions, regional planning agencies and others—all those who are dedicated to the diverse Bay Area workforce and to the prosperity of the region's economy.

The strategies described in this report are set against a backdrop of rising poverty and growing income inequality nationally and globally. The widespread interest in Thomas Piketty's *Capital in the Twenty-First Century* suggests that many people around the world are becoming more concerned about the unequal distribution of wealth and limited opportunities for upward mobility, some of the most significant economic issues of the day.

Yet many of the tools that most affect poverty and economic opportunity require action at the state and national level. National tools include tax and wage policy, immigration reform, trade agreements, monetary policy and economic security programs. State tools include minimum wages, environmental laws, tax policies and overall investments in education, workforce and infrastructure.

While local and regional governments have fewer tools to dramatically reduce poverty, they do control policies and investments that affect overall economic prosperity. These

policies and investments include the decisions about land use approvals (how much housing, what kinds of jobs), the level of local taxes and the responsiveness of the regulatory process, the design of workforce programs, the types of transportation investments, and the presence of regulations (such as a local minimum wage) focused on economic conditions for lower-wage workers.

This report focuses on those local and regional policies and programs and their impact on economic opportunities for lower-wage workers.

Key Findings

The continued success of the Bay Area economy requires growing middle-wage jobs and offering lower-wage workers more opportunities to advance. The region faces a number of critical issues in improving upward mobility for lower-wage workers.

The strategies outlined in this report are grounded in the following key findings.

- **Lower-wage workers face significant barriers to higher-wage employment.** However, focused attention on improving basic skills, building partnerships to provide employer-based training opportunities and helping workers navigate career paths can make these barriers surmountable.
- **Middle-wage jobs are declining as a share of total employment, and there are too few jobs into which lower-wage workers might advance.** Even though the share of middle-wage jobs are declining, there are middle-wage opportunities in a wide range of industries

BENEFITS OF ECONOMIC MOBILITY

Mobility for low- to moderate-wage workers not only contributes to a widely shared national value (i.e., the American Dream) but also provides critical support for a robust economy.³ Increasing economic opportunity and mobility means maximizing the skills of all types of workers and providing pathways to better employment and higher compensation for those at the lower end of the income spectrum. When upward mobility depends on improved skills, the overall economy benefits because workers become more productive. In a knowledge-based economy, these increased skills and productivity are integral to maintaining and strengthening a region's competitive edge.

The following are some of the many benefits of economic mobility:

- Increased household wealth for low- to moderate-wage workers
- Improved quality of life for a broader segment of the Bay Area population

- Expanded opportunities for future generations, with greater economic security at home
- Lower rates of intergenerational poverty
- New job opportunities for those entering the labor market because more experienced workers move up
- The ability to fill skilled jobs vacated by retiring baby boomers
- Expanded/increased skills for the workforce, which boosts regional productivity and maintains the Bay Area's competitive edge

³ *Economic Mobility and the American Dream: Where Do We Stand in the Wake of the Great Recession*. Pew Charitable Trust. Economic Mobility Project. May 2014. Available at: www.pewtrusts.org/en/research-and-analysis/reports/2011/05/19/economic-mobility-and-the-american-dream-where-do-we-stand-in-the-wake-of-the-great-recession1

and occupations. Strategic, targeted, and regionally coordinated economic development tactics could help grow the Bay Area economy in a pattern that produces more middle-wage jobs.

- **Jobs at the lower end of the wage scale are likely to grow over time, and workers typically remain in these jobs for their entire careers.** Most workers cannot afford to pursue additional education and training without having economic security. Therefore, improving wages and working conditions for those in lower-wage jobs helps workers achieve enough stability to invest in their futures. Promoting mobility for lower-income workers is an essential element of this report's economic opportunity strategy.

Goals and Strategies

The Economic Prosperity Strategy identifies three interrelated goals to improve upward mobility for lower-wage workers in the Bay Area. These goals and supporting strategies are based on technical analysis and research, as well as a synthesis of challenges and opportunities that emerged during an extensive outreach process. We introduce the goals and recommended strategies below and describe them in detail in Chapters 4 to 6.

GOAL A: Pathways to the middle

Strengthen career pathways to middle-wage jobs.

Strategy 1: Expand job-focused basic skills training.

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

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

GOAL B: Economic growth

Grow the economy with a focus on middle-wage work.

Strategy 4: Focus economic development resources on industries of opportunity, business expansion and formation and greater policy coordination among jurisdictions

Strategy 5: Develop land use plans that support transit-oriented jobs, industrial uses and housing.

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

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

Goal C: Economic security

Improve conditions for workers in lower-wage jobs.

Strategy 8: Raise the floor by increasing minimum standards for equal opportunity, working conditions and compensation.

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

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

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 because they make up more than one-third of the workforce, they are a critical linchpin to an economically prosperous region.

Many local and regional leaders are already working on strategies to connect lower-wage workers to better employment. The *Economic Prosperity Strategy* draws on these efforts and proposes additional strategies to offer a more comprehensive approach.

There is much to accomplish: Improved training is necessary but insufficient; bolstering experiential learning and improving social networks are important steps but inadequate on their own; the California economy overall may expand but without targeted policies to expand the region's base of middle-wage jobs and raise the wage floor the expansion will not improve prosperity for all low-wage workers; effective programs and policies exist in some communities or within individual firms, but too often the lessons from these programs are not broadly shared or replicated. Addressing these challenges comprehensively requires greater regional collaboration across diverse sectors and organizational and jurisdictional boundaries. Issues involving the workforce, housing, transportation, economic development and labor standards need regional solutions. Implementing key strategies could help maintain the region's economic

competitiveness while also advancing the goal of upward mobility and opportunity for all workers.

The strategies outlined in this report are intended to encourage innovative ways to improve economic opportunity in the Bay Area. They also aim to inspire a broad range of private and public organizations to take collective action. A major goal of the Economic Prosperity Strategy effort is to encourage collaboration across diverse sectors and organizational and jurisdictional boundaries to share best practices, successful approaches and models.



Noah Berger, courtesy of the Metropolitan Transportation Commission

Critical next steps

The strategies described in this report are meant to be comprehensive. But they are not intended to be a requirement for any one place. The collection of strategies in this report can function as a toolkit, and each jurisdiction or other entity can select the most suitable tools.

Key stakeholders should implement these strategies with the following overarching considerations:

- There is no “silver bullet”—a wide range of strategies is necessary to address challenges to upward mobility in the Bay Area.
- Most strategies are not self-contained to a single policy area and may involve economic development, workforce, transportation, land use and other considerations. Successful implementation will require planning across separate policy-making bodies.
- Innovation and pilot approaches are important, and expected, to test what works.
- The most effective programs or policies should be widely shared and replicated. Emulating successful approaches will benefit the entire region.
- Working across geographic boundaries is necessary. Individual communities and cities cannot single-handedly solve these broad-based issues.
- Many of the major solutions will require active investment or policy change from the federal and state governments.

Speaking in a common regional voice and working across traditional boundaries will allow the Bay Area to take needed action to reshape the regional economy into one that provides greater opportunity for lower-wage workers.

Matrix of strategies and actions

Strategy

Potential partners and implementers²⁵⁶

GOAL A: PATHWAYS TO THE MIDDLE
Strengthen career pathways to middle-wage jobs.

Strategy 1: Expand job-focused basic skills training.

1.1: Increase English language acquisition	WIBs, NGOs, adult education, community colleges
1.2: Expand digital literacy training	NGOs, WIBs, educational institutions
1.3: Improve programs focused on soft skills and 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, educational institutions (including 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: Help workers navigate the new world of online job searches and applications	WIBs, NGOs, one-stop centers
3.3: Create networking opportunities for low- and moderate-wage workers	WIBs, NGOs
3.4: Encourage apprenticeship programs and paid internships	Employers, WIBs, NGOs

²⁵⁶ The following acronyms are used in the table: NGO is an acronym for Non-Governmental Organization and can refer to a community organization or another nonprofit organization. WIBs are Workforce Development Boards that

are at the city or county level throughout the country. MTC is the Metropolitan Transportation Commission. CMA is a Congestion Management Agency.

GOAL B: ECONOMIC GROWTH
 Grow the economy with a focus on middle-wage work.

Strategy 4: Focus economic development resources on industries of opportunity, business formation and expansion and policy coordination among jurisdictions.

4.1: Analyze and support the local and regional industries and clusters of opportunity	NGOs, local governments, business organizations, regional agencies
4.2: Strengthen evidence-based business retention and expansion programs	Local/regional governments/agencies, business support organizations
4.3: Expand entrepreneurship and ownership opportunities	NGOs, local governments
4.4: Develop consistent permitting and regulatory processes among jurisdictions in the region	Local and regional governments, business support organizations

Strategy 5: Develop land use plans that support transit-oriented jobs, industrial uses and housing.

5.1: Develop strategies to promote a sufficient amount and variety of housing	Local/regional agencies
5.2: Encourage major employers and institutions to locate jobs in transit-accessible centers	Local/regional agencies
5.3: Develop a regional strategy to preserve and invest in industrial land	Local/regional agencies
5.4: Establish new regional programs with a focus on employment in the Priority Development Areas planning processes	MTC

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

6.1: Encourage communities to produce long-range capital plans	Local/regional agencies
6.2: Pursue a range of funding sources and taxes to pay for infrastructure	Local/regional agencies
6.3: Expand user fees such as road pricing to finance both infrastructure and related operations	MTC and CMAs
6.4: Leverage private capital for public infrastructure projects that create jobs	Local/regional agencies

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

7.1: Make the experience of transit in the Bay Area look and feel like a more unified system	MTC, transit operators
7.2: Expand first- and last-mile programs, such as shuttles	MTC, transit operators, private employers, ride-sharing companies
7.3: Invest in additional transit where and when it’s most needed	MTC, transit operators, CMAs

GOAL C: ECONOMIC SECURITY
Upgrade conditions in lower-wage jobs

Strategy 8: Raise the floor by increasing minimum standards for equal opportunity, working conditions and compensation.

8.1: Adopt local and/or subregional minimum wage ordinances	Local governments, NGOs, business organizations
8.2: Enact earned sick days ordinances or other paid time off	Local governments, NGOs, business organizations
8.3: Establish “ban the box”/fair chance hiring policies	Local governments, NGOs, business organizations
8.4: Strengthen local enforcement of wage and hours laws	Local governments, NGOs, business organizations

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

9.1: Support worker centers and industry guilds that help establish minimum wage rates and job standards for industries	NGOs, employers
9.2: Establish multi-employer joint labor-management training partnerships to raise skills in an industry	NGOs, employers, unions
9.3: Remove barriers to unionization	Local governments, labor unions
9.4: Create licensing requirements and enforce labor and employment laws to professionalize workers across an entire industry	Local and regional governments

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

10.1: Enact living wage ordinances	Local governments, NGOs
10.2: Pursue common community benefits agreements	Local governments, employers, developers, NGOs
10.3: Pass prevailing wage ordinances	Local governments, labor unions
10.4: Establish project labor agreements (PLAs)	NGOs, local governments, labor unions, developers
10.5: Encourage self-sufficiency standards for workforce job placements	WIBs, NGOs
10.6: Explore using social and economic impact assessments as part of major planning and policy-making	Local governments, NGOs