Economic Prosperity Strategy

Improving economic opportunity for the Bay Area’s low- and moderate-wage workers
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KEY STATS ABOUT LOWER-WAGE WORKERS
Lower-wage workers are those who earn less than $18 per hour, or $36,000 per year

- 36% of Bay Area jobs (1.1 million total jobs) pay less than $18 per hour.
- Nearly half are over 35 years old.
- 72% of lower-wage workers have no degree beyond high school.

INFO ON MIDDLE-WAGE OPPORTUNITIES

- There is no industry where a majority of the jobs are middle-wage.
- 22% of job openings over the current decade are middle-wage (pay $18 to $30 per hour).
- Most middle-wage job openings are in occupations that only require a high school diploma.

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

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

GOAL C
ECONOMIC SECURITY
Improve conditions for workers in lower-wage jobs.

ECONOMIC PROSPERITY

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UNDERSTANDING ECONOMIC PROSPERITY IN THE BAY AREA
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. 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.1 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 area 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 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.1 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.
- Expanding 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.

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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.

Mirroring a troubling nationwide trend, Bay Area job growth is happening at the top and bottom of the wage scale while the middle continues to shrink. Income inequality—the unequal distribution of wealth across the region—has risen sharply in the last decade and is now greater in the Bay Area than in the United States or California as a whole. This is largely due to the decline in middle-wage jobs and the stagnation of wages for many workers, coupled with the rapid increase in income and wealth for workers and households at the top of the income spectrum. The shortage of middle-wage opportunities is especially troubling in the Bay Area because of the high cost of living.

Over a third of Bay Area workers earn less than $18 per hour, and the majority of these workers earn less than $12 per hour. 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 hospitality, childcare, retail and others. Middle-wage job growth has not kept pace, in part due to recent declines in middle-wage occupations in construction and manufacturing. In the current decade, overall job growth in the middle are growing more slowly relative to the top and bottom of the wage scale.

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 apprenticeships, into middle-wage jobs that do not require a four-year degree, and there are many barriers limiting lower-wage workers from having the economic security necessary to pursue training or get needed on-the-job experience (like an internship) that is often required to move into middle-wage work.

- **Strategy 11:** Expand瞄s job-focused basic skills training.
- **Strategy 12:** Establish industry-driven, sector-based regional training partnerships.
- **Strategy 13:** Improve career navigation systems and support pathways at the K-12 level and beyond.

It is the goal of this report to identify strategies that will create a Bay Area economy with greater economic opportunity and mobility. This includes helping lower-wage workers succeed on a pathway into middle-wage employment, ensuring there are sufficient opportunities for moving up as well as improving the quality of jobs for all workers who are part of the regional economy.

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 also are creating a job opening for someone else coming into the labor market. If the upward mobility is a reflection of workers’ improved skills, the overall economy benefits through rising productivity and increased competitiveness. Economic mobility for those at the bottom therefore represents an economy that makes best use of all workers and provides a pathway to better employment for those who seek it. This results in a more competitive economy and a more productive one. That in turn leads to improved benefits for all.
The Economic Prosperity Strategy is one of three components that comprise the broader Bay Area Regional Prosperity Plan, a three-year regional initiative funded by the U.S. Department of Housing and Urban Development’s (HUD’s) Office of Sustainable Communities and Housing. The Bay Area Regional Prosperity Plan includes the Housing the Workforce Initiative, the Equity Collaborative, and the Economic Prosperity Strategy, the subject of this report.¹ The Bay Area Regional Prosperity Plan is one of several dozen Sustainable Communities Regional Planning (SCRP) Grant programs funded by HUD to support regional planning in dozens of metropolitan areas throughout the country. The national program involves a partnership between HUD, the U.S. Department of Transportation (DOT),² the U.S. Environmental Protection Agency (EPA)³ and the U.S. Department of Agriculture (USDA)⁴ to develop strategies to create more jobs and regional economic activity.⁵ During 2011, a diverse collaborative of public and private organizations generated a grant proposal that focused on some of the major regional barriers for lower-wage workers and households. In late 2011, HUD awarded the Metropolitan Transportation Commission (MTC) and the Association of Bay Area Governments (ABAG) a Sustainable Communities Grant to fund efforts to improve Bay Area housing and economic conditions for low- and moderate-income residents and workers. The grant provided just under $5 million over three years for planning and implementation work. This report—the Economic Prosperity Strategy—is the framework and strategy for the economic development portion of the Bay Area’s Sustainable Communities Grant. There are also 10 pilot projects, funded by the regional grant, that test the ideas developed in this report.⁶ These pilot projects were selected to respond to the findings and recommendations outlined in the Economic Prosperity Strategy. As part of the Bay Area Regional Prosperity Plan, HUD provided over $1 million to support 10 pilot projects in 2014 and 2015. The strategies outlined in this Economic Prosperity Strategy Report reflect a comprehensive, three-pronged approach to economic opportunity. To provide greater opportunities, the region needs to strengthen career pathways, encourage economic growth (particularly in middle-wage jobs) and improve the economic conditions for lower-wage workers. Too often, different groups are working on each of these goals in isolation. Schools and agencies that promote workforce development focus on improving career pathways or ladders. Business organizations and economic development groups concentrate on economic growth. And community groups and labor partners emphasize improving conditions for those at the bottom. To enhance the chances of success, we must pursue these three strategies simultaneously. The success of this strategy will require working outside of existing silos and organizational and jurisdictional boundaries. It will not be possible to dramatically improve opportunities for lower-wage workers unless public and private entities, community groups, businesses, labor and other organizations work in partnership. Many local and regional leaders are already implementing strategies and programs to improve economic opportunity for lower-wage workers. This report aims to build on these efforts through a comprehensive approach to economic mobility. The report assesses the region’s labor market, examines issues and barriers to advancement, identifies industries and occupations that are solid middle-wage opportunities and proposes a range of strategies to guide lower-wage workers into middle-wage jobs. How to Use This Report While many of the strategies described in the report are tailored to local governments, such as cities and counties, there is a strong role for a range of other parties, including private sector employers, nonprofit organizations, civic groups, workforce development agencies and transit providers among others. Regional agencies such as MTC and ABAG also play a critical role in investing in infrastructure, setting policy for transit operators and the region’s highways, providing regional priorities for land use planning and growth management and convening elected officials and other regional leaders. The proposed strategies are not one-size-fits-all. Rather, the collection of strategies is intended as a toolkit with a range of tools to choose from. Every strategy may not be appropriate for every city, industry, business or location. In some areas, for example, certain recommendations may be out of the question due to an unfavorable market or challenging political conditions. But what matters most is that local and regional entities recognize the crucial need to implement innovative approaches and models. Fortunately, many great models already exist or are being tested in the Bay Area. 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 primarily influenced by policies and decisions made at the state and federal levels. 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 can redistribute significant income toward 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 state-level environmental policies like the California Environmental Quality Act (CEQA) have a major impact on what gets built and where. State and federal actions are necessary to fully address the barriers described in this report. Economic development has limited tools to reshape markets and opportunities. Yet the tools described in this report can still have a major impact on economic opportunities. This report is intended to inspire a broad range of private and public organizations to: • Explore and implement forward-thinking measures. • Collaborate across diverse sectors and organizational and jurisdictional boundaries to share best practices, successful approaches and models. Report Development Process The Economic Prosperity Strategy report is the culmination of more than a year of research, technical analysis and outreach focused on developing strategies to create a regional economy with more upward mobility. The Economic Prosperity Strategy development process was overseen by a broad-based body called the Economic Prosperity ¹ $18 per hour is approximately 80 percent of the median wage for the Bay Area. This was determined by looking at median wages in the four “metro” areas of the Bay Area: San Francisco, San Jose/Santa Clara County, Oakland/East Bay and Santa Rosa/Sonoma County. Median wages are highest in San Jose/Santa Clara County and San Francisco and lowest in Santa Rosa/Sonoma County. ² Throughout this report, the terms “lower-wage workers” and “moderate-wage workers” will be used interchangeably with “lower-wage workers.” In all cases, the definition of a lower-wage worker is anyone earning $18 per hour or less. ³ For more information, see: Regional Prosperity Plan, available at: www.onebayarea.org/regional-initiatives/Bay-Area-Prosperity-Plan/Economic-Prosperity-Strategy.html ⁴ For a list of the funded pilot projects, see: www.sporc.org/blog/2014-01-30/pilot-projects-boos-bay-area-economy ⁵ FIGURE 1 Jobs growth projections by wage level Nearly 36% of jobs pay less than $18 per hour, and the share of jobs in the middle is projected to decline relative to the proportions of jobs at the top and bottom of the spectrum. This limits opportunities for current lower-wage workers to move up into higher-paying employment. ⁶ For more information, see: Housing the Workforce Initiative, available at: www.onebayarea.org/Regional-initiatives-Bay-Area-Prosperity-Plan-Housing-the-Workforce-Initiative.html and Equity Collaborative, available at: www.onebayarea.org/Regional-initiatives-Bay-Area-Prosperity-Plan/Equity-Collaborative.html ⁷ For more information, see: http://public.hud.gov/ hudportal/hud?src=/program_offices/economic_resilience/sustainable_communities/regional_planning_grants ⁸ For more information, see: Report Development Process, available at: www.onebayarea.org/regional-initiatives/Bay-Area-Prosperity-Plan/Economic-Prosperity-Strategy.html; Housing the Workforce Initiative, available at: www.onebayarea.org/Regional-initiatives-Bay-Area-Prosperity-Plan-Housing-the-Workforce-Initiative.html and Equity Collaborative, available at: www.onebayarea.org/Regional-initiatives-Bay-Area-Prosperity-Plan/Equity-Collaborative.html; Economic Prosperity Strategy, available at: www.onebayarea.org/regional-initiatives/Bay-Area-Prosperity-Plan/Economic-Prosperity-Strategy.html
The following are some of the many factors affecting future opportunities for lower-wage workers.

- Increasing bifurcation of the labor market. The fastest-growing jobs are at the top and bottom of the wage scale.
- Decline in the share of middle-wage jobs and downward wage pressure on middle-wage work.
- Uncertainty around public investment in education and workforce development, including K-12 and post-secondary.
- While funding for K-12 is increasing slightly, districts may face significant cuts during a future economic downturn. At the same time, though, many older employees may continue to work longer due to good health or for financial advancement.
- Growing use of non-full-time employees (temporary contract workers, part-time employees, and self-employed workers) across many industries.
- Increasing emphasis on technology and digital literacy in the hiring process. Many job applications are now online.
- Heightened expectations of workers’ skills across all industries. In advanced manufacturing in particular, employers now want workers with greater levels of training and education, which presents a barrier for many seeking middle-wage work.
- Dramatic changes to key occupations due to technological advancements. For example, over time, the growth in online shopping will lead to the loss of some retail workers’ jobs. Online shopping will then lead to an increase in jobs driving delivery trucks (as well as building and maintaining these trucks). Perhaps one day, the delivery truck driver jobs will be threatened by the advent of driverless vehicles.
- Uncertainty of future impacts from the aging workforce. In coming years, it’s likely that significant numbers of skilled baby boomers will retire, and employers will need to replace these retirees with well-trained younger workers. At the same time, though, many older employees may continue to work longer due to good health or for financial or other reasons, which would limit opportunities for younger workers.

Research and Technical Analysis

The process to develop a comprehensive range of economic opportunity strategies involved a literature and best practices review, a quantitative analysis of the current and future labor market, and extensive interdisciplinary collaboration. Through these mechanisms, the team gathered the following types of information to inform the report’s goals and strategies:

- An overview of the challenges low- and moderate-wage workers face in accessing career advancement and new job opportunities in the Bay Area economy
- Information on existing initiatives and programs
- Profiles of low- and moderate-wage workers
- An analysis of the structure of the Bay Area economy
- An analysis of the industries and occupations with median wages in the middle of the spectrum

Outreach Process

Beginning in April 2013, the team launched a rigorous outreach process aimed at identifying barriers to upward mobility and evaluating existing initiatives. The outreach process involved a variety of stakeholder interviews, workshops and focus groups, as described below.

Over the course of a four-month period, the team conducted more than 50 interviews with key stakeholders across the region. The interviews included leaders of economic and workforce development agencies, labor organizations, community-based groups, private businesses, educational institutions and local governments.

Input obtained from these interviews helped frame content for subsequent workshops.

Next, the team facilitated over 20 workshops in seven sub-regions throughout the Bay Area:

- Central and Eastern Contra Costa and Solano County (workshops in Concord)
- Inner East Bay (workshops in Oakland)
- North Bay (workshops in Santa Rosa)
- Peninsula/San Mateo County (workshops in Redwood City)
- San Francisco (workshops in San Francisco)
- South Bay/Santa Clara County (workshops in San Jose)
- Tri Valley (workshops in Dublin)

The workshops drew several hundred participants representing a wide range of disciplines and sectors (see sidebar). Feedback gathered during these workshops allowed the team to gain an in-depth understanding of diverse stakeholders’ needs and perspectives related to improving broad-based regional economic opportunity.

Workshops included presentations of labor market data and analysis, information about regional and national best practices, and summaries of interviews and key findings to date. Three sequential workshops were held in each sub-region. The first workshop in each series focused on defining and assessing the most significant barriers to upward mobility for low- and moderate-wage workers. The second workshop was dedicated to exploring how to allow businesses to grow, particularly in ways that could expand middle-wage jobs. During the final workshop, stakeholders discussed potential solutions and prioritized strategies for upward mobility and middle-wage job creation.

Participants representing different disciplines were encouraged to offer forward-thinking strategies that would benefit lower-wage workers and would draw on cross-pollination between typically discrete sectors. For example, workforce development staff had the opportunity to communicate with transit planners about transit routes that would benefit lower-wage workers. In this sense, the workshops also served to break down barriers across diverse sectors, which might set the stage for implementing collaborative strategies in the long term.
In an effort to connect directly with lower-wage workers, the team partnered with the following community-based organizations to conduct one-on-one interviews and focus groups: A Hand in Hand, Asian Pacific Environmental Network, Communities United for Health and Justice, Marin Grassroots, Michael Chavez Center and Monument Community Partnership, Sacred Heart Community Service and Youth United for Community Action. Through this process, nearly 700 low- and moderate-wage workers provided valuable input to this report in multiple languages including English, Spanish, Chinese and Tagalog.

Research and Analysis Parameters

The topic of economic opportunity is complex and multifaceted. In order to clarify and guide the research and analysis, the team identified the following assumptions and parameters to keep the project on course and targeted to the most essential elements.

Project Scope

- This Economic Prosperity Strategy is focused on local and regional approaches to upward mobility. Some supporting state and federal policies (such as those addressing trade, immigration, wages and benefits) are noted in this report, but the aim of this endeavor is to examine what can be achieved through local and regional channels.
- This project does not address the long-term unemployed or those with significant barriers to basic employment. These kinds of barriers are largely beyond the scope of this report, but some of the proposed strategies may support the unemployed.
- Housing issues are not covered in depth in this report. While the affordability of housing is directly relevant to the well-being and advancement of lower-wage workers, this report primarily discusses housing as it relates to overall economic growth and worker mobility. As part of the HUD grant, a concurrent working group is exploring housing issues facing lower-wage workers.

Definition of “Lower-Wage” Workers

- Low- and moderate-wage workers are defined as those who earn up to $10 per hour. This hourly rate is equivalent to 80 percent of the median wage for the East Bay and 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).
- Employment benefits and/or total annual hours worked are not included in the definition of lower-wage workers. The types of benefits (such as health care and sick leave) and workplace issues such as schedule flexibility in schedules and total hours worked are part of the total employment package and have a big impact on the quality of a job. Yet this report focuses only on median wages to define lower-wage and middle-wage jobs in order to allow for clearer and more reliable comparisons across occupations and industries. The issue of benefits and workplace flexibility are explored as strategies to both help workers move up or improve existing jobs.
- Wage levels are based on individual workers, rather than households. While household income is a reliable indicator for regional housing affordability, this study is focused on the mobility of individual workers.

How Individual Economic Mobility Relates to the Regional Economy

- A strategy that helps low- and moderate-wage workers advance helps the entire regional economy. Lower-wage workers who are prepared to meet the region’s changing workforce needs can give the Bay Area a competitive advantage.
CHAPTER 2

The region’s low- and moderate-wage workers

Lower-wage workers, those who earn less than $18 per hour, face significant barriers to move to higher-wage jobs. For example, they may lack specific skills required by middle-wage jobs, and they may have a hard time accessing training opportunities or connecting through networks to better-paying jobs. Compared with other workers, lower-wage workers have less formal education and are slightly younger than the overall population.

Yet in many other ways, lower-wage workers are similar to all workers. They live everywhere, work everywhere, are employed in every industry, and largely reflect the region’s diversity. This chapter explores key findings about low- and moderate-wage workers in the Bay Area.

FINDING 1: Lower-wage workers face multiple 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 the requisite job skills to compete for higher-wage jobs in a competitive labor market. Differences in education between higher-wage and lower-wage workers account for much of this gap in skills. But often too, what workers learn in a lower-wage job does not prepare them for the requirements of a middle-wage job.

Some of the most important skill gaps for lower-wage workers include the following:

- **Basic skills**: These include math, basic literacy and GED completion. Workers need these skills to gain middle-wage employment and sometimes to enter training programs that are designed to help them move up.

- **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 often get stuck on the bottom rung of the career ladder, with limited opportunity to advance.

- **Soft skills**: Employers most often cited a lack of soft skills (customer service and communication) and job readiness (attitude, reliability, promptness, etc.) as the critical impediment for lower-wage workers.

- **Technology and digital literacy**: Fundamental technology skills are an increasingly important barrier to employment in a wide range of industries, from construction to healthcare.

To prepare extensive online job applications, workers need to be able to access technology and know how to use it.

- **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 critical thinking skills.

Many of the skills employers expect for middle-wage jobs don’t match what is learned in lower-wage jobs. Skill gaps between lower-wage and middle-wage jobs fall into several categories. Some skills are harder to train for but are important for middle-wage jobs. Other skills are easier to train but are not learned in lower-wage jobs, and still other skills are expected in nearly all middle-wage jobs but in a smaller share of lower-wage jobs.

The following skills, for example, can be difficult to train for workers. They’re useful in middle-wage occupations but are not typically important in lower-wage occupations:

- **Instructing**
- **Learning strategies**
- **Management of personnel resources**
- **Negotiation**
- **Persuasion**
- **Systems analysis**

In another category are easily trainable skills that very few lower-wage workers require but a fairly high percent of middle-wage workers use.

Finally, there are several skills that are critical for nearly every middle-wage job but for a smaller portion of lower-wage jobs. These include:

- **Reading comprehension**: Required by 75 percent of lower-wage jobs and 98 percent of middle-wage jobs.
- **Judgment and decision-making**: Required by 82 percent of lower-wage jobs and 97 percent of middle-wage jobs.
- **Complex problem solving**: Required by 61 percent of lower-wage jobs and 96 percent of middle-wage jobs.

FINDING 2: Skill requirements differ by wage level.

Figure 2 shows the number of occupations that require certain skill sets. The wage levels of the occupations are based on average annual earnings. The figure helps to show how many lower-wage workers lack the skills for middle-wage jobs and how many middle-wage jobs lack the skills for lower-wage jobs.

Table 1 shows a comparison of the share of jobs requiring certain skills, by wage level. While the overall share of jobs requiring one skill varies by wage level, the share of jobs requiring two skills (software and technology) varies more significantly.
those seeking apprenticeship or pre-apprenticeship programs. Other interviewees said many workers didn’t understand how to obtain the prerequisites needed to succeed in a training course or certificate program. Wait times or waiting lists to get into training programs are also a concern. The job search process increasingly requires digital literacy, a barrier for some lower-wage workers. 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. Basic access to the internet remains a challenge for some workers, putting them on the wrong side of “the digital divide.” And even workers with smartphones and email addresses and social network accounts may not be proficient in filling out online job applications. Data from the JobScout program—a digital literacy and job search training platform—indicates that more than 20% of the millennial workers have insufficient digital literacy skills to successfully compete for many emerging jobs.

While social networks are increasingly important for upward mobility, many lower-wage workers’ networks are limited. Opportunities for advancement often arise through informal personal connections. The personal and professional networks that

build the pipeline for lower-wage workers to enter existing apprenticeship programs. Other interviewees said many workers didn’t understand how to obtain the prerequisites needed to succeed in a training course or certificate program. Wait times or waiting lists to get into training programs are also a concern. The job search process increasingly requires digital literacy, a barrier for some lower-wage workers. 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. Basic access to the internet remains a challenge for some workers, putting them on the wrong side of “the digital divide.” And even workers with smartphones and email addresses and social network accounts may not be proficient in filling out online job applications. Data from the JobScout program—a digital literacy and job search training platform—indicates that more than 20% of the millennial workers have insufficient digital literacy skills to successfully compete for many emerging jobs.

While social networks are increasingly important for upward mobility, many lower-wage workers’ networks are limited. Opportunities for advancement often arise through informal personal connections. The personal and professional networks that

18 In an innovative partnership between Juma Ventures and SFMade, low-income youth get direct work experience inside small urban manufacturing businesses. YouthMade interns receive a grant-funded stipend and are covered by workers’ compensation. Having a nonprofit intermediary such as SFMade manage workers’ compensation turned out to be key to the success of the internship program. Another program, Year Up, works with low-income young adults, ages 18 to 24, in a year-long program that includes skill development, college credits and corporate internships. It is a national program that has locations in the Bay Area.

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

20 This was noted by several by Workforce Investment Board staff in several Bay Area counties.

21 While www.calapprenticeship.org offers information on how to apply for each apprenticeship, there are many other barriers that may prevent people from ever considering apprenticeships or may lead them to invest in training that does not qualify for an apprenticeship later on.

22 “The JobScout Story,” Available at: www.mysjobscout.org/our-story

23 Interview with Christina Gagnier, the CEO of Trail, the parent company of JobScout.

24 This issue was cited in numerous interviews conducted for this report. It is important to note that systemic issues like racism also pose barriers to career advancement for some lower-wage workers.

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

26 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 288 to “ban the box,” which will prohibit initial employment applications for local and state government jobs from requesting criminal record information. Governor Brown also 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, who have established California residency and who pass driving exams. The law will go into effect no later than January 1, 2015. See Strategy 8 for more information.

27 These issues were cited in numerous interviews conducted for this report. It is important to note that systemic issues like racism also pose barriers to career advancement for some lower-wage workers.

28 To help solve this problem, local workforce agencies are providing access to services and resources from banking and credit, to apartment rentals, to state-supported health insurance, to One-Stop training and career services.

29 Criminal background checks can remain on someone’s record for decades and can immediately disqualify applicants from jobs. In some cases, those with convictions can clear their records, but it is a time-consuming process that’s not always successful. Innovative efforts to help ex-offenders secure employment do exist and could be expanded more broadly.

30 Effectively addressing these issues requires action at the state or federal level, as there are few local and regional tools.

FINDING 2: Low- and moderate-wage workers are at a disadvantage, on average, than the overall workforce. Compared to the total regional workforce, lower-wage workers are much less likely to be college graduates and significantly more likely not to have a high school diploma. About half of lower-wage workers hold no degree beyond a high school diploma. Another quarter have attended college, while only 28% have completed a degree program, such as an Associate degree or Bachelor’s degree after high school. In contrast, two-thirds of middle- and higher-wage workers (with wages over $18 per hour) earned a degree after high school, with nearly 57% having a college degree.

Educational attainment is also significantly correlated with unemployment. Workers with lower levels of education are more likely to have been unemployed in the past five years than workers with college degrees.
Where lower-wage workers live
Lower-wage workers live in every part of the Bay Area and 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.

FIGURE 5

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

Lower-wage workers live and work in every corner of the Bay Area. In every city or town, at least 25 percent of residents are lower-wage workers. For example, while a third of lower-wage workers live and work in high-need neighborhoods, far more—two-thirds of all lower-wage workers—live outside of these neighborhoods. In fact, 34 percent of lower-wage workers call the wealthiest 40 percent of communities home.

The majority of such workers do not live in “high-need” communities (places with high poverty rates, toxic air contaminants and a large percentage of English language learners). For example, while a third of lower-wage workers live and work in high-need neighborhoods, far more—two-thirds of all lower-wage workers—live outside of these neighborhoods. In fact, 34 percent of lower-wage workers call the wealthiest 40 percent of communities home.

Where lower-wage workers work
Jobs that pay low wages are located throughout the region and are closely correlated with where higher-wage jobs are located.

FIGURE 6

There are several reasons for this. First, lower-wage jobs and commuting less than 20 minutes each day and only one in five having a commute longer than 40 minutes.

In short, where there are high-wage jobs, there are lower-wage workers. This suggests that an overall improvement in the region’s transportation system can help lower-wage workers access job opportunities.

FINDING 4: While most lower-wage workers drive to work, they tend to have shorter commutes and to work in the county where they reside. They’re more likely to walk to work than middle- and higher-wage workers. Lower-wage workers tend to have shorter commutes than the regional average. Fifty-six percent of lower-wage workers have commutes of less than 20 minutes, compared with 43 percent of workers with wages over $18 per hour. There are several reasons for this. First, lower-wage jobs and workers are located throughout the region, which means that there’s no need to travel a great distance to access a lower-wage job. Second, workers may be more willing to commute a longer distance to access a higher-paying job.

While most lower-wage workers drive to work, they do so at slightly lower rates than all workers and they are a little more likely to walk and take transit. Because of the scattered nature of living and working in the Bay Area, most lower-wage workers (76 percent) drive to work. This compares with 82 percent of higher-wage workers. The proportion of those taking any kind of transit is only slightly higher for lower-wage workers than higher-wage workers (11.2 versus 9.8 percent). Several notable differences include the following: Nearly 6 percent of all lower-wage workers (and 7 percent of the lowest-wage workers) walk to work compared with less than 2.5 percent of higher-wage workers. Additionally, nearly 10 percent of the lowest-wage workers (those earning $11.25 or less) take the bus to work compared with 4 percent of the entire workforce.

Lower-wage workers overwhelmingly work in the same county they live in. Between 67 percent and 90 percent of lower-wage workers hold jobs in the same county they live in. In contrast, higher-wage workers (those earning over $10 per hour) are more likely to leave the county they live in for a job. 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 costliest 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. This finding suggests that improved regional transit service can better connect lower-wage workers with middle-wage opportunities.

FINDING 5: Transportation is the single largest barrier to economic opportunity for workers without cars, and transit is often inadequate, even in parts of the region with good transit coverage.

Among lower-wage workers who lack cars, transportation is the single largest barrier to middle-wage work. The cost of car ownership can be prohibitive for some lower-wage workers, which prevents them from accessing a car and thereby limits their future employment opportunities. For others, there are barriers beyond the cost. For example, undocumented immigrants in California currently cannot legally obtain a driver’s license, although a 2013 state statute change is now being implemented that will enable them to do so. Young adults are another population likely to lack cars. One interviewee reported that drivers’ education is no longer offered at many high schools. Larger numbers of high school students are delaying getting their driver’s license.

Workers without a car in areas with limited transit service face significant hurdles in accessing good jobs. The three North Bay counties—Napa, Solano and Sonoma—have the highest percentages 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). These counties are also the least connected to the rest of the region by transit, and commuters within these counties are more dependent on cars than those in other subregions. The lower density land use patterns in these counties (and outlying portions of other Bay Area counties) means that fixed-route transit can be a costly challenge for the public sector. Alternatives to regular transit could include carpooling, ridesharing and employer shuttles.

Even in place with existing transit service, there are key last- and first-mile gaps, as well as limited fare or schedule coordination, that make it difficult to reach workplaces on transit. The “last-mile” challenge was a frequent concern cited in interviews and workshops for this report. For example, a worker who lives in Alameda or Contra Costa County can access many employment markets, but there is no reliable, affordable transit service that serves his or her needs.

The three North Bay counties—Napa, Solano and Sonoma—are the most isolated from the rest of the Bay Area. They tend to lack good transit service. The lower-wage workers in Contra Costa County are also located throughout the region and are not disproportionately isolated in certain lower-income communities. This finding 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 costliest places in the Bay Area—like

### Figure 4: Commute modes, by wage level

<table>
<thead>
<tr>
<th>Commute Mode</th>
<th>Below $11.25</th>
<th>Below $18</th>
<th>Below $18 per hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drive (excluding taxi, motorcycle)</td>
<td>10%</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>Bike</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Walk</td>
<td>7%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>82%</td>
<td>72%</td>
<td>72%</td>
</tr>
<tr>
<td>All transit</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

### Figure 5: Share of a county’s working residents whose job is in another county, by wage level

<table>
<thead>
<tr>
<th>County</th>
<th>Below $11.25</th>
<th>Below $18</th>
<th>Below $18 per hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Mateo</td>
<td>45%</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>Solano</td>
<td>60%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Contra Costa</td>
<td>50%</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>Alameda</td>
<td>45%</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>Marin</td>
<td>40%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>30%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Napa</td>
<td>40%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Sonoma</td>
<td>45%</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>Santa Clara</td>
<td>40%</td>
<td>30%</td>
<td>30%</td>
</tr>
</tbody>
</table>

opportunities with BART. However, there may be few or no connections between the station and the workplace or the home of a lower-wage worker. Where buses make these connections, they often don’t run frequently enough. And workers with off-hours jobs may have no transit options. In addition, the lack of fare and schedule coordination among regional transit agencies means that workers often have to purchase multiple tickets and risk being late for work if one leg of their trip is delayed. For many lower-wage workers, there is significant financial risk to arriving late at work. As a result, some workers drive who may otherwise be inclined to take transit.

FINDING 6: While lower-wage workers are younger on average than the overall workforce, many people work at lower-wage jobs throughout their entire careers. Higher-wage workers are slightly older on average. About 80 percent of higher-wage workers, two-thirds of middle-wage workers and a little over half of lower-wage workers are older than 35. In addition, the vast majority of the youngest workers—the 2.3 percent of the workforce aged 16 to 18—work in lower-wage jobs. This is not surprising, since wages tend to increase with age and experience.

Yet a majority of lower-wage workers are not young, and many are supporting families. Over half of lower-wage workers are 35 or older. This suggests that lower-wage workers may be in lower-wage jobs throughout their working lives.

FIGURE 10
Percentage of Bay Area workers at different wage levels, by age cohort, 2010
For many workers, lower-wage jobs are not a stepping stone to higher-paying work, as workers often stay in such jobs throughout their entire working lives. Over half of lower-wage workers are 35 or older.

FINDING 6: While lower-wage workers are younger on average than the overall workforce, many people work at lower-wage jobs throughout their entire careers. Higher-wage workers are slightly older on average. About 80 percent of higher-wage workers, two-thirds of middle-wage workers and a little over half of lower-wage workers are older than 35. In addition, the vast majority of the youngest workers—the 2.3 percent of the workforce aged 16 to 18—work in lower-wage jobs. This is not surprising, since wages tend to increase with age and experience.

Yet a majority of lower-wage workers are not young, and many are supporting families. Over half of lower-wage workers are 35 or older. This suggests that lower-wage workers may be in lower-wage jobs throughout their working lives.
While job growth is expected in all industry sectors, nearly half of middle-wage jobs (128,000 out of 310,000) are found in just a few sectors, such as professional services and health care. Government services account for 32 percent of all middle-wage job openings in this decade, with the Bay Area’s current jobs, 36 percent pay median wages below $18 and 38 percent pay over $30 an hour. About 27 percent of the current jobs pay middle wages, and only 22 percent of job growth will occur in the middle. Projections to 2020 indicate that 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 2:** There will be 310,000 middle-wage job openings in this decade, with the majority of the opportunities coming from replacement jobs, not job growth. Projections show that between 2010 and 2020, about 310,000 middle-wage job openings will occur. This is less than one quarter of all projected job openings.

Most of job openings that pay middle wages will come from “replacement jobs” (i.e., the replacement of workers who retire or change occupations), not from job growth. As more workers retire, the share of replacement job openings will grow over time. Replacement jobs are projected to account for 56 percent of the job openings between 2010 and 2020 and approximately two-thirds of the job openings between 2013 and 2020.

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**FINDING 1:** Middle-wage jobs are spread throughout the economy, though are a declining share of regional employment. Key occupations of opportunity with many middle-wage openings (such as 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 particular company might have to shift to a totally different industry, such as telecommunications or even health care. While many of the personal skills learned in sales (e.g., management or persuasion) are transferable across industries, it is simply harder to get a new job in a totally new industry even with the right skills and 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 (128,000 out of 310,000) are found in just a few sectors, spread throughout the entire economy. The sectors that account for nearly half of all middle-wage job openings are professional services, construction, health care, government and education. 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. Of the Bay Area’s current jobs, 36 percent pay median wages below $18 and 38 percent pay over $30 an hour. About 27 percent of the current jobs pay middle wages, and only 22 percent of job growth will occur in the middle. Projections to 2020 indicate that 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.

**DEFINING OCCUPATIONS AND INDUSTRIES OF OPPORTUNITIES**

This project defines middle-wage jobs as those that pay between $18 and $30 per hour. It also identifies “occupations of opportunity” and “industries of opportunity,” which workforce and economic development programs should focus on.

“Occupations of opportunity” meet the following criteria:

- Median wages in the middle ($18 to $30 per hour)
- Significant job openings
- Minimal barriers in the form of formal education, skill and experience requirements that would limit the availability of these jobs to current lower-wage workers
- Opportunities to learn skills on the job or through widely available job training programs

Similarly, “industries of opportunity” are those that meet the following criteria:

- Significant projected job openings, whether through job growth or turnover
- High shares of middle-wage hours worked
- Potential pathways upward for workers in the industry

The team also looked to whether or not the industry is a target or focus of one or more of the region’s Workforce Investment Boards (WIBs). Nearly all industries are a focus for one or more of the WIBs.

---

**FIGURE 12**

Middle-wage job openings 2010–2020, by largest industries

While job growth is expected in all industry sectors, nearly half of middle-wage jobs are found in just a few sectors, such as professional services and health care.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional, scientific and technical services</td>
<td>26,350</td>
</tr>
<tr>
<td>Specialty trade contractors</td>
<td>23,660</td>
</tr>
<tr>
<td>Ambulatory health care services</td>
<td>21,470</td>
</tr>
<tr>
<td>Government</td>
<td>17,080</td>
</tr>
<tr>
<td>Educational services</td>
<td>16,650</td>
</tr>
<tr>
<td>Administration and support</td>
<td>13,040</td>
</tr>
<tr>
<td>Hospitals</td>
<td>9,980</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>128,230</strong></td>
</tr>
</tbody>
</table>

Source: California Employment development Department (EDD), Labor Market Information. http://www.labormarketinfo.edd.ca.gov/
Many middle-wage jobs provide opportunities for lower-wage workers to move up without college degrees, and in theory, the jobs do not require significant prior experience.

Half of the 155 occupations with median wages between $18 and $30 per hour do not require a four-year degree. 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.

Additionally, many jobs provide opportunities to move from a lower-wage to a middle- or higher-wage job. Of the workers in the 155 middle-wage occupations, three in four workers experience and formal education and move up to occupations in which workers may start with limited education and the lowest barriers to employment, are:

- Office and administrative support (office supervisors, administrative assistants, secretaries, bookkeepers and accounting clerks)
- Sales (customer service representatives, sales representatives and retail supervisors)
- Construction (carpenters, laborers and painters)
- Distribution and repair (maintenance workers and light and heavy truck and tractor-trailer drivers)
- Health-care support (medical secretaries, medical assistants and licensed practical and vocational nurses)
- Information communications technology (computer support)

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 to would-be entrepreneurs could mitigate some of these risks.

Figure 14: Middle-wage occupations with more than 4,000 job openings, 2010–2020

<table>
<thead>
<tr>
<th>Occupational group</th>
<th>Job openings (2010-2020)</th>
<th>Specific occupations</th>
<th>Job openings by occupation</th>
<th>Median Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>47,470</td>
<td>1st-Line Supervisors of Office and Admin. Workers</td>
<td>14,100</td>
<td>$28.77</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Executive Secretaries &amp; Admin. Assistants</td>
<td>10,490</td>
<td>$26.06</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bookkeeping, Accounting, and Auditing Clerks</td>
<td>10,160</td>
<td>$21.31</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Secretaries and Administrative Assistants</td>
<td>7,650</td>
<td>$19.73</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Graphic Designers</td>
<td>5,070</td>
<td>$23.84</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Customer Service Representatives</td>
<td>11,340</td>
<td>$25.37</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales Reps, Wholesale and Manufacturing</td>
<td>13,830</td>
<td>$30.17</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales Representatives, Services, All Other</td>
<td>7,630</td>
<td>$30.89</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Carpenters</td>
<td>9,210</td>
<td>$31.01</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Construction Laborers</td>
<td>6,360</td>
<td>$29.12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Heavy and Tractor-Trailer Truck Drivers</td>
<td>4,130</td>
<td>$23.03</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Painters, Construction and Maintenance</td>
<td>7,120</td>
<td>$20.53</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Maintenance and Repair Workers, General</td>
<td>4,330</td>
<td>$23.56</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Automotive Technicians and Mechanics</td>
<td>5,950</td>
<td>$23.56</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Light Truck or Delivery Service Drivers</td>
<td>5,390</td>
<td>$16.16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medical Secretaries</td>
<td>10,890</td>
<td>$19.61</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medical Assistants</td>
<td>4,550</td>
<td>$17.55</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Licensed Practical and Vocational Nurses</td>
<td>4,270</td>
<td>$27.94</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Computer Support Specialists</td>
<td>10,890</td>
<td>$30.37</td>
</tr>
<tr>
<td></td>
<td></td>
<td>First-Line Supervisors of Retail Sales Workers</td>
<td>10,460</td>
<td>$21.18</td>
</tr>
</tbody>
</table>

This project identified the occupations with the most middle-wage job openings, including both job openings that result from employee turnover and those that result from growth. The analysis then filtered the list by education requirements. Since this project is oriented toward solutions that connect from low wages (such as in retail sales) to middle wages (such as in health-care sales), all job openings were included that had significant opportunities for advancement within the occupation.
at any given moment. Successful training programs therefore rely on ongoing input from employers and industry partners in order to ensure that workers come back to the workforce with the skills they need the most.48

In the Bay Area, many institutions involved in workforce and economic development do not sufficiently coordinate with each other or with employers. There are dozens of workforce programs throughout the Bay Area covering leading industries, from biotech to energy to shipping. Many of these programs lack close connection to employers, and many workers lack information on work opportunities and programs throughout the region. While groups like the Bay Area Community College Consortium are coordinating activities across the region’s community colleges, information does not always flow to current students or job seekers, and many workforce programs lie outside of the purview of the community colleges. Because not all programs have strong partnerships with employers, a job seeker may be able to identify where to get training, but may not know how effective that training will be for that particular workplace or employer in that field.49

Funding barriers can impede collaborations between training programs and employers. Education and workforce training systems at all levels, from K-12 to community colleges to ESL training, are overstretched and underfunded and therefore unable to meet demand. Community colleges, for example, face an increasing need to provide the basic education (particularly English and math) previously delivered by the K-12 system, which means that they have fewer resources for workforce training. For the K-12 system, there has been a shift over the past few decades away from more national and career-based training toward preparing all students for higher education. While it is important to equip all students to succeed, the reality is that many students do not finish high school and/or finish without the skills they need to succeed in the workplace. The increasing number of requirements for high school graduation imposes financial and time demands on the K-12 system and diverts resources from vocational training.

While many more high school graduates are going to college, too many are not finishing college or are taking a long time to complete their studies. One study noted that only about 40 percent of students have earned a college or associate’s degree by age 27.50 One in five students begin but do not complete college. For those who never attend college or start college but then have to increase their transportation spending by commuting greater distances. Transportation expenses can also make it difficult to access training opportunities.

Given regulatory and political constraints in towns and cities around the San Francisco Bay housing construction in the past few decades has shifted to places like Eastern Contra Costa County. While that area suffered during the foreclosure crisis and currently has less economic activity than other areas, investment in the industrial infrastructure along the Carquinez Strait could result in new job growth.51

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 mobility. As mentioned elsewhere in this report, lower-wage workers tend to have shorter commutes than higher-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 outer 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 to and from work, and transit connectivity to the rest of the region remains highly problematic in some parts of the Bay Area. In the absence of good regional mobility, workers may have to select jobs closest to where they can afford to live. In addition to housing, local economic development often focuses too much on enhancing local revenues. Many 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”—emphasizes investments that generate sales tax revenue. For example, cities try to attract retail stores because the sales taxes these stores generate can finance services provided by local governments. Retailers

49 Hamilton Project. Discuss the need to expand evidence-based training programs, with standardized metrics for measuring success.
51 See: http://onemabayarea.org/file10044.html

FINDING 5: Local and regional actions that most affect middle-wage job growth include decisions about land use and development as well as infrastructure and transportation.

Housing costs are high and a burden for most workers. The Bay Area’s economic strength is contingent on finding housing for a projected influx of more than 2 million over the next 30 years (as projected in Plan Bay Area).48 Employers will likely find the Bay Area less attractive than nearby regions if many employees are unable to afford living here. Housing cost pressures are becoming untenable for the middle-wage workforce everywhere in the region. This leads some employers to shift middle-wage and other

49 Hamilton Project. Discuss the need to expand evidence-based training programs, with standardized metrics for measuring success.
51 See: http://onemabayarea.org/file10044.html
revenue and political concerns. Workforce is often organized at the county level. But industries and companies operate across all these jurisdictions and benefit from the offerings in the broader geography. Within a region not every industry is going to locate in every city and expanding companies move from one city to another all the time. Some cities are great for industrial work, some for major hospitals, others for educational hubs, others for biotech manufacturing and others for software startups. Regional economic development groups understand this dynamic and are working to better coordinate across cities.

Permits and regulatory processes are sometimes lengthy and often vary between cities. Permitting processes in many cities add to increased costs and delays. This dissuades some firms from expanding. In addition, policies and regulations vary considerably by city, which makes operating in multiple cities a challenge, particularly for smaller firms.41

There is also 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’re located in transit-accessible places. When jobs are scattered and not reachable by transit, the regional economy loses productivity due to delays caused by increased car congestion. In addition, cities too often try to lure companies and jobs from each other and compete for fiscal winners like big-box retail.

Another result of limited coordination is that the region’s industrial lands face pressure for redevelopment, particularly to housing or other uses that generate more local revenues. Uncertainty about land use harms the long-term viability of the manufacturing, fabrication, assembly, wholesale and logistics sector and plays a role in losing such jobs at a regional scale. Additionally, when each community plans for its own industrial lands, changes occur one parcel at a time, and the region as a whole remains unaware of the collective impact of such smaller shifts.

In part due to lack of industrial protections, some of the warehousing and distribution functions of the Bay Area have shifted to San Joaquin County, particularly near the intersection of Interstate 580 and 205 just outside Tracy.42

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 can help preserve a diversity of land uses in accessible parts of the region. An absence of this coordination is partially responsible for the fact that many industrial employers have moved to places like the San Joaquin Valley (outside of the nine-county Bay Area), where land is cheap and the building process is easier. The current system, which results in small-scale and piecemeal planning decisions, does not sufficiently consider the benefits of preserving large parcels of contiguous land for industrial or agricultural uses.43

Some buildings and overall infrastructure are obsolete for newer uses. To attract new companies and middle-wage jobs to older areas, local governments need additional investment in their infrastructure and building stock. Often the needs are quite specific. For example, the City of Fremont found that ceiling heights are too low and power distribution capabilities are outdated for certain businesses in the Warm Springs/South Fremont area. The absence of redevelopment agencies and funds only makes it more difficult for small cities to find resources to upgrade industrial areas and/or fund other infrastructure needs.

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 in the center of the region. This means that major land development often requires assembling parcels—a difficult task now that the state has eliminated redevelopment agencies. In the Bay Area today, many parcels are often fragmented and/or owned by multiple parties, which compounds the challenge. As a result, some land-intensive firms are relocating from more expensive urban core locations to outlying areas (such as the San Joaquin Valley).43

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There is a limit to the scope and power of local and regional actors. For example, investing in and developing infrastructure is necessary to support economic growth (and particularly the growth of middle-wage jobs, given the importance of middle-wage jobs in developing and maintaining infrastructure). But local and regional actors lack funding sources to make such investments on their own. The decimation of the redevelopment system is frequently cited as an impediment to ongoing targeted investment in Bay Area communities. For many cities, redevelopment was their main tool to provide funds for 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 (discussed below) attempts to identify the funding needs for transportation infrastructure region-wide. But the needs exceed the proposed expenditures, and the barriers to securing new funding sources are real. Additional important areas of infrastructure investment, such as energy and broadband, are not coordinated with other regional planning efforts.
Research at UC Berkeley and Harvard offers some evidence of a correlation between places with significant spatial segregation and reduced opportunity for upward mobility. These studies reveal that the Bay Area has more upward mobility than other peer regions on three key measures. First, in the nation as a whole, someone born into a low-income family (the bottom fifth of income) has only an 8 percent chance of becoming high-income as an adult (the top fifth of income). But the odds improve to 13 percent in San Jose (first place in the country) and 12 percent in San Francisco (which tied for second). The second measure assesses how narrow the earnings gap is between someone born into the top 1 percent of households (measured by income) versus someone born into the bottom 1 percent. San Jose, Santa Rosa and San Francisco rank sixth, eighth and ninth, respectively. On a third measure, a child born into parents at the 25th percentile of national income is less likely to be low-income as an adult (the 10th percentile) than someone born into parents at the 10th percentile nationally. In all three measures studied, fewer other major cities in the nation come close to the Bay Area’s rankings.

While the barriers for lower-wage workers are significant here, the Bay Area outperforms other parts of the country in some measures of upward mobility.

HOW DOES THE BAY AREA COMPARE TO OTHER REGIONS IN UPWARD MOBILITY?

The findings of this report reveal several key conclusions:

• GOAL A: Strengthen career pathways into middle-wage jobs.

• GOAL B: Expand the economy with a focus on middle-wage work.

• GOAL C: Improve the conditions for workers in lower-wage jobs.

The following chapters describe each of these three goals, as well as 10 strategies and numerous actions to achieve them.

While Plan Bay Area (PBA) presents a huge step forward, its success is based on the participation of local governments and their support for a regional growth pattern that puts more jobs and homes in places that are accessible to more workers. PBA looks at the entire region and provides a framework for infrastructure investments that make sense for the whole Bay Area. Implementing this plan requires moving past fractious governance and putting policies in place that will foster more sustainable growth, including middle-wage jobs. For example, PBA identifies opportunities for growth in denser job centers that are served by transit, which would make jobs more accessible to a wider range of workers. Dense job centers beget more development, which can provide a robust tax base while reducing the need for cities to strain their finances by growing outward.

Finding 6: The structure of the economy limits opportunities for upward mobility, and a large share of the 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. According to projections, approximately 30,000 middle-wage jobs will open in the region per year, for a total of 300,000 between 2010 and 2020. This number equals roughly one-third of the current lower-wage workforce, which means that the share of regional jobs paying middle wages is expected to shrink.

Occupations that pay less than $18 per hour are likely to remain a part of the Bay Area economy. Job growth by 2020 will be concentrated in the top and bottom thirds of the wage scale. The number of jobs paying less than $18 per hour will increase by about 500,000. These include janitorial, housekeeping and child-care work. Some lower-wage occupations, such as retail salespersons and cashiers, may decline in the coming years as workers have no means of leveraging their work experience to move into more skilled positions or higher-paying nursing jobs. 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

Groundkeepers, like janitors and security guards, are examples of lower-wage jobs that are likely to remain and grow over time. There are also jobs that require the worker to be on site and thus not likely to be shifted to another region.

These findings are consistent with a 2009 Brookings Institution report on the Bay Area economy primarily includes industries with a majority of high-wage work and includes a substantial number of lower-wage work. Business models for many of the low-wage industries, such as retail, rely on high-employee turnover. This proliferation of short-term low-wage jobs impedes advancement because such jobs don’t provide training or better opportunities. Also, if employers continue to graviagate toward a low-wage model, today’s middle-wage job could become a low- or moderate-wage job of the future.

Many lower-wage jobs tend to be part-time, requiring workers to hold multiple jobs 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 outsourcing. Many support jobs are outsourced, which prevents those jobs from providing a ladder or entryway into the driving industry. Jobs in manufacturing, groundkeeping and security are often outsourced to either another region or another employer. For instance, a prominent IT company interviewed for this report hires all administrative support workers through a temp agency and contracts with other agencies for janitorial and mail services, as well as numerous other functions. Although these support workers are employed in a prosperous and growing industry, they are largely disconnected from any mid- or higher-level position in that industry.

There are fewer clear career pathways for upward mobility within industries and occupations, particularly for those who start in lower-wage jobs. Many industries with high concentrations of lower-wage (entry-level) jobs (such as hospitality and retail sales) lack middle-wage positions and clear pathways into higher-wage positions. Other industries (health care, in particular) do offer both low-wage and middle-wage positions but don’t offer defined career paths for workers to move up. For instance, interviewees noted that home health-care workers and nursing aides often move between jobs or clients, but these moves are horizontal; the workers have no means of leveraging their work experience to move into more skilled positions or higher-paying nursing jobs.

As a result, to expand economic opportunity for lower-wage workers, the proposed strategy framework involves three interrelated goals:

• GOAL A: Strengthen career pathways into middle-wage jobs.

• GOAL B: Expand the economy with a focus on middle-wage work.

• GOAL C: Improve the conditions for workers in lower-wage jobs.

The following chapters describe each of these three goals, as well as 10 strategies and numerous actions to achieve them.

Specific feedback on skill development to each of their sales associates and also offer some limited opportunities to move up into management positions if employees meet the goals their supervisors identified.
Goal A: Strengthen career pathways to middle-wage jobs.

Successfully getting into middle-wage jobs often requires moving from a lower-paying job to a higher-paying one. Some refer to this as a career pathway; others call it a career ladder. The gist is that upward mobility tends to happen in stages as workers overcome barriers to secure better jobs.

A successful career pathway strategy focuses on three key components. First, it is necessary to address barriers that limit employment options and also make it harder to access additional training or education. This includes expanding access to training in basic skills, English language and digital literacy. Second, the quality of training must be improved through engaging industry partners and forming sector-based partnerships. This ensures that workers get training that reflects the actual needs and skill expectations of employers. Third, there must be a concerted effort to help workers navigate between jobs throughout their careers. Training is helpful, but many lower-wage workers and students also need stronger professional networks to connect them to good jobs as well as help them navigate through a constantly evolving process of finding and applying for jobs.

Background and context

Both the job market and the ways people find and apply for jobs are changing. Most job openings in the next decade will be 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.

Due to these changes, the workforce preparation system in California and the nation is undergoing substantial transformation in how people need to prepare for and find jobs, even in an era where there have been significant cuts in funding for workforce training and education.

One important structural change that can and is occurring even without new resources is better coordination among existing programs and priorities. For example, the California Workforce Investment Board (CWIB) has adopted a sectoral approach to training; this means that programs target opportunities in specific occupations and industries. The CWIB is also developing an initiative called Slen疙to provide grant funding to regional collaborations among workforce partners that will improve the alignment of resources in order to achieve better outcomes for California job seekers.

Additionally, local Workforce Investment Boards (WIBs) are beginning to develop memoranda of understanding (MOUs) that divide responsibilities so they can avoid duplicating each other’s efforts and enhance their strategic impact. The Bay Area Community College Consortium (CBC) is now approving all new training programs in each community college. The CCC Chancellor’s Office is also promoting regional coordination and has implemented a “Salary Surfer” program in which students can learn about projected future earnings for those who have completed specific programs.

Finally, at the state and federal level, policymakers and other leaders are beginning to recognize that not everyone needs to attend a four-year college, that career vocational training doesn’t conflict with high academic standards and that such training can motivate students who might otherwise drop out and not reach their potential.

Workers with a strong command of basic skills such as digital literacy can best take advantage of industry-driven training partnerships (such as to learn about prototype machining) and navigate the trajectory of their career as they move up into middle-wage jobs and beyond.

Key findings

- Lower-wage workers need improved skills, stronger social and professional networks, and training programs with close connections to employers in order to move up.
- Lower-wage workers need basic skills, from English language to digital literacy to soft skills in order to climb the career ladder.
- 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 increasing numbers of previously unemployed workers find jobs, the economy continues to grow and the coming tidal wave of baby boomer retirements hits full force.

Proposed strategies

This chapter includes three strategies to improve career pathways and help low- and moderate-wage workers move into middle-wage jobs.

- **Strategy 1: Expand job-focused basic skills training.** The first strategy focuses on providing what workers need in order for training to be successful—for example, by helping them improve their basic skills such as English as a second language (ESL) and digital literacy.
- **Strategy 2: Establish industry-driven, sector-based regional training partnerships.** The second strategy focuses on making sure that the training results in actual job placements—for example, by establishing ongoing partnerships with employers to develop curricula.
- **Strategy 3: Improve career navigation systems and support pathways, at the K-12 level and beyond.** The third strategy focuses on improving job-search and career navigation counseling so that workers who get the proper training are then able to secure the middle-wage job. This is particularly important to help workers and students stay connected to a professional and work network as they move through careers that have frequent job changes.

Preparing low- and moderate-wage workers for better jobs will require building on these beginning steps in transforming education and training efforts. One way to do so is to replicate successful programs at a much larger scale, which will require additional funding. Industry partners must be identified and persuaded to take an active role in developing training that leads to jobs.
STRATEGY 1: EXPAND JOB-FOCUSED BASIC SKILLS TRAINING

Improving basic skills helps low- and moderate-wage workers advance in their current jobs and more readily access middle-wage work. The best practice models for delivering basic skills training for adults in the workforce involve contextualized learning. The means that basic skills—like English, math or digital literacy—are taught in a job-based context where learners can apply their skills immediately and where the subject matter is related to real-life situations. This approach has been most effective for working adults, particularly those with difficulty accessing other training or education.

The three components of this strategy are:

• Improved English language acquisition for workers with limited English skills
• Improved digital literacy training
• Expansion of other basic skills such as reading and math remediation, GED preparation and soft skills/work readiness skills

The Building Skills Partnership in Silicon Valley provides 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 that allow workers to take classes at convenient times and often with pay. One of the Building Skills Partnership’s contextualized learning programs is called ADVANCE Workplace ESL & Job Skills. This six-month program blends Vocational English as a Second Language (VESL) curriculum with job skills instruction. Classes are held at more than 30 large corporate worksites on work (paid) time, ensuring high attendance and graduation rates of over 80 percent. Janitors who graduate from the 50- to 100-hour intensive courses are often promoted to higher-paid day shifts and supervisory positions. ALLIES is a new collaboration. The San Mateo and the two Santa Clara County workforce boards have teamed up with educators and labor, business and community partners to build the workforce competencies of adult immigrants. The project targets industrial sectors with high needs for English language and other work-readiness skills and provides training in a workplace context. Among its current projects, ALLIES has collaborated with the Palo Alto Adult Education program. It has also forged a partnership between SEIU and Kaiser in Santa Clara that utilizes the Building Skills Partnership model. And in a third project, the work2future WIB and Evergreen Valley College, both in San Jose, are joining forces.

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

Overcoming deficiencies in English language proficiency helps low- and moderate-wage workers advance in their current jobs and other nongovernmental and community-based organizations working with lower-wage workers to improve their skills.

Allies

The key partners for improving basic skills training include Workforce Investment Boards and the training providers they fund, K-12 and community college systems, labor unions in partnership with their members and other nongovernmental and community-based organizations working with lower-wage workers to improve their skills.

Actions

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

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1.2: Expand digital literacy training.

Lock of broadband access and digital literacy skills prevents lower-wage workers from accessing training and middle-wage jobs for two reasons. First, more jobs today (and particularly middle-wage jobs) require basic digital literacy skills. Second, many of today’s job searches happen online. Many entities are involved in providing digital literacy training, from the K-12 system to community colleges to adult education training programs. There are many other programs that help low- and moderate-wage workers throughout the region. On a national level, the first of the success stories is the I-BEST (Integrated Basic Education and Skills Training) program in the state of Washington. This nationally recognized model 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 so students can move through school and into jobs faster. One instructor teaches professional and technical content, and the other teaches basic skills in reading, math, writing or English language proficiency. As students progress through the program, they learn basic skills in real-world scenarios offered by the job-training part of the curriculum.

Challenges

• Having a strong education system from preschool through high school is the critical foundation for moving lower-wage workers to most middle-wage jobs. Funding challenges have weakened the K-12 system, and now more adults are requiring training in basic skills.
• English language instruction is already in very high demand throughout the Bay Area, and improving services will be difficult without significant additional resources, including the ability to offer instruction at convenient times and in convenient locations.
• English language instruction programs are highly decentralized and lack common goals, assessment standards, student tracking and the coordination needed to gauge the effectiveness of specific programs or approaches.
• Much English language instruction is done in the adult education system, with no connection to the workforce.
• While individual initiatives connect digital literacy training to job searches, there is no systematic response to the rapid changes in how job seekers find and apply for jobs in the Internet age.
• The overall sources of funding for basic skill programs are limited.

59 See: www.buildingskills.org
60 See: www.seiufund.org
61 See: www.devw.org
62 See: www.jvs.org
63 See: www.sbstc.cte.edu/college/s_integratedbasiceducationandskillstraining.aspx
64 A review of contextualized learning practices and initiatives was developed by the California Community College system. See: www.ccbanet.org/Websites/basicskills/images/CTL.pdf
65 See: www.buildingskills.org/programs/advance
66 See: http://www.allies4innovation.org/esi-providers-network.html
67 See: http://myjobscout.org
68 See: www.ivetf.org
Lower-wage workers will most likely secure middle-wage work if
the training they receive responds directly to employers’ needs.
This means that training programs should provide lower-wage
workers with the specific skills required for current and future
middle-wage jobs. Industry-driven, sector-based training partnerships
offer the best opportunities for low- and moderate-wage
workers to prepare for middle-wage jobs because these
programs target the particular skills the industry needs.
This approach has several benefits. It allows employers
to find skilled workers more easily. Additionally, increasing the supply of skilled workers supports economic growth in the region—growth that might otherwise falter as baby boomers
with advanced skills retire. Finally, helping low- and moderate-wage
workers advance to better jobs reduces the need for safety net
programs directed at low-income individuals and households.
The presence of an industry partner is the critical factor that
differentiates this strategy from other skills training, because it
provides the link that ensures that trainees will find a job.
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.

**Actions**

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 to provide them with the career advancement.
Only in rare cases do these programs receive financial support from
the industry partner.

- Programs such as BACWWE and PTTC (see sidebar)—which 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 interested industry partners who are able to design
programs that lead to actual jobs or internships/apprenticeships
and who can provide financial support is not an easy task. However,
the following strategies increase the likelihood of success:

1. Find industries where there will be either large job growth
or, more likely, a large wave of upcoming retirements. As
the economic recovery proceeds, the number of industries
facing a wave of retirements of skilled workers will grow.
Training replacement workers is critical for a growing number
of 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. Most industries have a regional scope within the
Bay Area, and finding multiple partners within a region will
likely be easier than finding them within local college or
workforce board service areas.

3. Work to find multiple industry partners. The successful
initiatives described above all had several 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. This strategy will also provide a wider choice of
job opportunities for people completing the training.

The SolarTech Workforce Innovations Collaborative (SWIC)
was a partnership of SolarTech, Foothill-DeAnza Community
College District and the NOVA Workforce Board. The goal of the
partnership was to expand workforce training programs and to
provide highly skilled workers for California businesses that are
moving toward emerging green economies.60

**Partners**

The key allies for establishing an industry-driven, sector-based
partnership include:

- A group of industry partners representing a range of
  businesses within the targeted industry who can advise on
  curriculum that will benefit them.
- A training provider, such as a community college
  or apprenticeship program
- A lead agency to put the partnership together, such as
  a WIB or community college
- A funder or group of funders, which could include industry
  partners, the federal or state government, and the local
  WIB
- For the basic skills and career navigation strategies,
  additional partners include high schools and community-based
  organizations.

In the Bay Area, several ongoing programs include the three
key components and provide direct access to jobs, internships
and apprenticeships. Two excellent examples are the Bay Area
Corporation 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.61 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. BACWWE courses are taught at industry partner
sites throughout the region. Most of the instructors hold high-
level positions in the partner organizations.

The partners work to make the courses available at times
convenient for students. The program also includes the ability
to accumulate “stackable certificates”—meaning that a student
or worker can gain one skill level, work for a while, and go back
for additional training that leads to more certifications and a
chance for higher-paying jobs. Industry partners pay for students’
training costs and provide program funds.

The BACWWE program features the main ingredients for a
successful partnership:

- An industry partner
- Industry help in designing curriculum, teaching the courses
  and providing financial support
- A regional approach that increases both the number of
  students and the number of available internships and jobs
- A program that works toward actual jobs and access to
  training that’s convenient for students.

Foundation in 1941, the 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 oversees the center’s work
and ensures 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. They then attend 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 its curriculum and course
offerings to meet employer needs. The 70-plus pipe-trades
contractors who operate within the Solano, Contra Costa and
northern Alameda Counties inform the curriculum; a number of them sit on
the governing board of the PTTC. 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 trades.

Apprentices who 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 along with the
classroom and lab instruction. Field coordinators offer personal
mentoring for each apprentice, which facilitates job placement
and retention.62

A recent example that illustrates the importance of industry
partnerships is the advanced manufacturing workforce analysis
developed for the Workforce Development Board of Contra Costa
County. Companies identified middle-wage job openings, many
of which have resulted from baby boomer retirements.63 These
openings do not require advanced education but do require
specialized training to meet industry needs.

**Two Examples of Industry-Driven, Sector-Based Partnerships**

<table>
<thead>
<tr>
<th>Two Examples of Industry-Driven, Sector-Based Partnerships</th>
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<tbody>
<tr>
<td><strong>SolaTech</strong>, an initiative of the Silicon Valley Leadership Group,</td>
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<tr>
<td>participants find jobs. The Foothill-DeAnza district coordinated</td>
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<td>training across three community colleges, and NOVA was the</td>
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<td>lead partner in administering the program. The SWIC</td>
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<td>reported high levels of placement for participants who completed</td>
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<tr>
<td>the training. It also identified a number of sales job openings.</td>
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<tr>
<td>This initiative depended on a single, occasional government</td>
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<tr>
<td>funding, which ended in 2012.</td>
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<tr>
<td>Community-based organizations can lead these efforts</td>
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<tr>
<td>as well. The Stride Center in Oakland has had success with</td>
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<tr>
<td>preparing low- and moderate-wage workers for entry-level</td>
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<tr>
<td>positions in the information and communication technologies</td>
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<tr>
<td>(ICT) sector. The program sets out to understand industry</td>
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<tr>
<td>requirements for entry-level jobs and to design training to meet</td>
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<tr>
<td>these requirements. Funding comes from a mixture of private</td>
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<tr>
<td>and public sources.</td>
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<tr>
<td>The Stride Center is a central partner in one of the HUD</td>
</tr>
<tr>
<td>Grant pilot projects led by NOVA and funded through the HUD</td>
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<tr>
<td>Regional Prosperity Plan. The project proposed to increase access</td>
</tr>
<tr>
<td>to sustainable ICT careers for low- and moderate-income workers</td>
</tr>
</tbody>
</table>

60 See: www.novaworks.org/SpecialProjects/GreenInnovations.aspx
61 See: www.bacww.org
62 See: www.pttc.org
63 See: www.wdbccc.com/docs/default-source/boarddocuments/advancingm
anufacturing/project/final.pdf?sfvrsn=2
64 See: www.stridecenter.org

42 ECONOMIC PROSPERITY STRATEGY OCTOBER 2014
43 ECONOMIC PROSPERITY STRATEGY
As discussed above, taking a regional approach to PowerPathway is partnering with Laney College 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. PG&E has donated an additional $45,000 worth of new equipment to the college. Students must be working welders or have advanced welding skills to enroll in the free class. Of the 100 who applied, only 15 were invited to take part.

PowerPathway 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. PG&E has donated an additional $45,000 worth of new equipment to the college. Students must be working welders or have advanced welding skills to enroll in the free class. Of the 100 who applied, only 15 were invited to take part. Other PowerPathway programs are open to workforce boards and community colleges. This also argues for a regional approach, which can draw on a wide range of industry partners to fill funding gaps.

In practice, a regional approach means that funding for workforce training programs increases as they work together. Regional coordination will require new ways of thinking and doing business for many workforce boards and community colleges. They and their industry partners should remember that the workers they’re training are willing to travel across service area boundaries to get good jobs and that businesses do not look for workers only in their immediate geographical area.

Bay Area workforce boards and community colleges are currently trying to work out arrangements that prevent them from duplicating each other’s efforts. SingleShot, a new initiative from the California Workforce Board, provides direction and financial incentives to create regional partnerships that coordinate work-based training. The Bay Area will be one of the eligible regions for grant funding. Workforce boards, community colleges and potential industry and community-based organizations can follow the development of this initiative and propose their own regional partnership initiative to present to the state. This is a great opportunity to develop additional models of industry-driven regional training partnerships.

2.3 Include additional career pathway tools.

Offering training at convenient times and places would help lower one of the barriers that prevent lower-wage workers from learning higher-paying skills. For example, the BACWWE (discussed earlier) holds classes in the evening at sites around the region.

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Programs that include stackable certificates allow students to increase their skills while working. They also enable student workers to advance by moving from one employer to another, and they create networks of employers that need similar skills. A cluster of employers in a single sector can provide more career ladders than any single employer.

“WE ARE TALKING ABOUT JOBS THAT ARE PAYING OVER $18 AN HOUR. IF YOU DON’T HAVE A TECHNICAL SKILL IT’S DIFFICULT FOR YOU TO GET THAT JOB. WE NEED A CERTAIN TRADE SKILL TO GET THOSE JOBS. EDUCATION IS THE KEY.”

Lower-wage worker in the South Bay, interviewed for this project

Programs with free tuition, such as the PTTC classroom programs, are difficult for students to finance. The financial burden that training can present. Paid internships or on-the-job training also make advancement opportunities easier to afford.

Challenges

• It is difficult to implement these programs at a large enough scale to help everyone who could benefit.
• Identifying opportunities to create many more programs that follow these successful models can be hard. Workforce boards, colleges and other training providers must strive to find willing industry partners and must make good use of limited funding resources.
• Even with industry advice, designing training programs that effectively link graduates to middle-wage employment isn’t easy. Most of the model programs described above have achieved high placement rates for graduates. However, there are 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. Employers’ hiring needs and industry trends change so fast that trainees may graduate before the demand for their new skills arises or long after it has passed.
• There is not enough funding to expand these efforts. Many of the industry-driven, sector-training partnerships described above have been funded by federal and state grants, foundation funds and private/corporate donations. But all of these funding sources are limited and overmatched by the number of low- and moderate-wage workers and by the current and future skills gaps in the industry.

INDUSTRY-DRIVEN PARTNERSHIP MODELS IN OTHER STATES

The Professional Automotive Training Center (PACT) at Shoreline Community College near Seattle is the premier automotive technician program in the U.S. The PATC and its industry partners created an innovative model that integrates education with hands-on workplace experience. The average salary for automotive technicians in the region ranges from $50,000 to $52,000. Because the PATC program is so closely tied to the industry, the job placement rate for PATC graduates is high, approaching 100 percent.88

Anticipating the imminent retirement of skilled welders (the average age of welders is 55), the Hobart Institute of Welding Technology in Troy, Ohio, offers a nine-month training program that includes 1,000 hours of actual practice.89 The average starting hourly salary is $17, which rises 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 2020.90

States are using industry-driven training programs as an incentive for companies to locate plants there. 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 training center mimics the factory floor.

88 See: www.shoreline.edu/auto
89 See: www.welding.org
Improving career navigation is essential to ensuring that lower-wage workers can find middle-wage jobs using the basic skills and training they acquire. Making better connections between learning and getting a good job can play a critical role in combating at-risk youth to stay in high school.

The basic components of this career navigation strategy are:

- Programs that provide experience and connections to higher-paying jobs such as Linked Learning, apprenticeships and paid pathways.
- Programs that help students navigate the new world of online job search.
- 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 addresses the difficulties that students and low-wage workers face in several areas: seeing a connection between high school and the working world, doing online job searches, gaining experience to qualify for better jobs and giving up paid work to make time for training.

**Partners**

The key partners in career navigation strategies include:

- High schools and middle schools
- Community-based organizations
- Nonprofit training providers
- Industry representatives to help design curriculum or participate in career technical education and Linked Learning programs
- WIB staff and boards

**Actions**

**3.3: Expand Linked Learning programs.**

Linked Learning is an approach to K-12 education (mainly in high school) that seeks to make a stronger connection between school and work and help students, often from disadvantaged backgrounds, find pathways to higher education and/or work. School districts with Linked Learning programs show students how what they’re studying relates to the skills they’ll need in the workplace in order to better prepare the students for job opportunities and success at work. The program also aims to excite students about the subjects they’re learning and has been shown to reduce dropout rates in some districts.

The James Irvine Foundation has sponsored and organized a major Linked Learning initiative with 16 California high schools. One of the Irvine sites, the Antioch Unified School District has developed a very successful program. 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, will increase overall funding in future years.

**3.2: Help workers navigate the new world of online job searches.**

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. Now more than ever, applicants need to understand how companies review résumés online and what these companies are looking for besides skills and experience. In addition, more and more job listings are only posted online, requiring job seekers to have some basic technical skills in order to find the jobs and apply.

The NOVA Workforce Board has developed an online tool called MyPlan to help workers find jobs, apply and prepare for interviews. Experienced and inexperienced internet users can use the step-by-step process alike. MyPlan enables job seekers to learn lessons at their own pace, and allows many users to access the job search and preparation tools at the same time. It also helps job seekers prepare for personal visits to the NOVA job center when needed.

Some WIBs have set up specific programs to teach workers how to establish and utilize networks to find jobs. For example, NOVA’s MyPlan includes a module to help workers strengthen their use of networks. It teaches workers that networking means looking for and learning about opportunities, not simply asking contacts to get you a job, and encourages 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) whom I might be able to connect with for more information?”

In addition, NOVA outlines a five-step process for networking that can prompt workers to make a list of the people they know, develop a short statement about themselves, make contacts and ask the questions noted above.

NOVA has also developed a networking program called ProMatch for dislocated professionals, who can build their skills and volunteer to mentor others. Quite intensive, the program has been very successful in helping its members find jobs.

Creating networking programs and opportunities for low- and moderate-wage workers will require new approaches. Warehouse for Opportunity in the East Bay offers interview clinics that give people a chance to practice interview skills, get feedback from different professionals and learn about the importance of networks in supporting their careers.

The NOVA/Stride Center pilot project, described earlier, aims to follow the ProMatch model, which can be adapted and used in different settings throughout the region. It can also be integrated with digital literacy training when appropriate.

**INNOVATIVE PAID APPRENTICESHIP PROGRAMS**

South Carolina, with its robust manufacturing base, has started Apprenticeship Carolina, offering tax credits to firms that work with the schools to develop the abilities to offer apprenticeships programs.77

The Foundation for California Community Colleges is promoting paid internships as part of its Career Pathway program. The initiative pairs students with employers and serves as the employer of record, assuming responsibility for recordkeeping and liability. The foundation has received a $1.2 million grant from J.P. Morgan Chase & Co. to fund a paid internships pilot program within the Linked Learning initiative for high school students.78

The pilot will place high school and community college students in fields like health care, engineering and law as well as create a database of students who seek internships and employers looking to hire. The foundation and its partners will also provide administrative and human resource support for the employers and interns. A best practice in paid internships is for a third party to provide services such as payroll, health and liability insurance (as well as basic training in workplace soft skills) for the interns.

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ECONOMIC PROSPERITY STRATEGY

This model can be adopted by other workforce training organizations, especially those with good alumni records. The organizations can invite program alumni who have successfully entered the workforce to form a network and mentorship group to help current workers who are receiving training. The Contra Costa Community College District is developing a pilot project that includes training on job searches and hiring practices. A pilot project led by Success Concord in the City of Concord is 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, many applicants may not qualify for jobs because they lack experience. On-the-job training through a paid internship or an apprenticeship program gives workers an important leg up in their job search, even when the internship does not involve specific technical skills.

Certain industries that demand more specialized technical skills could offer paid apprenticeship programs to allow workers to learn those skills in a structured setting. The construction industry offers the largest example of successful apprenticeship programs. For instance, the PTTI program described earlier incorporates apprenticeships. We’re now seeing some efforts to expand the concept to other sectors. President Obama’s budget includes $2 billion for registered apprenticeships, which include many industries beyond construction.

The construction trades jobs and can be part of a pathway to a middle-wage construction job.

“NOT HAVING ENOUGH EXPERIENCE IS ONE OF THE MAIN ROAD BLOCKS I HIT WHEN APPLYING AND LOOKING FOR A QUALITY JOB. I HAVE NOT APPLIED FOR A JOB PAYING OVER $18/HOUR BECAUSE OF THE AMOUNT OF EXPERIENCE AND/OR DEGREE NEEDED.”

Lower-wage worker in the North Bay, interviewed for this project

- For a more complete description of construction apprenticeship programs in California, see: https://constructionacademy.org/wp-content/uploads/downloads/2012/03/Construction_Apprenticeship_Programs_report-cop.pdf
- See: https://21stcenturyapprenticeshipworkforce3one.org. For more information on the Registered Apprenticeship System, see: www.doleta.gov/OA/apprenticeship.cfm

Challenges

- It’s difficult to bring these programs to a sufficient scale to help many workers. Most of the successful initiatives have been single programs in a single location. Moreover, they’ve been largely funded with one-time grant monies, with 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.
- Low- and moderate-wage workers may not have access to the networks for desired middle-wage careers. Creating models to effectively broaden and forge intersections between disconnected networks may require a considerable commitment of time and energy by mentors and advisors, who tend to be middle-wage workers facing their own life stresses and challenges.
- Improving networks for low- and moderate-wage workers means developing programs that do not currently exist and that may be difficult to implement given the time and financial pressures these workers face in daily life.

Contextual learning helps apply classroom principles in the workplace. This is equally appropriate for jobs in industries like health care and information technology, or for basic skill training in English as a Second Language.

While local and regional stakeholders have significant responsibility for delivering workforce programs, federal and state governments play a critical role in ensuring significant and stable funding for the purposes of workforce training—whether K-12 education or targeted workforce training—come from federal or state sources.

Two key sources of funding for workforce preparation are the federal Workforce Investment Act (WIA) and state funding for K-12 and community colleges. These sources have been cut in recent years as the challenge of preparing people for and helping them get jobs has intensified in response to the very slow economic recovery for much of the country and many parts of California.

At the federal level, funding for workforce preparation has fallen in the last decade and is not likely to grow over time. For example, total federal funding through the Workforce Investment Act dropped from $4.7 billion in 2002 to $2.9 billion in 2013. Funding for K-12 education is the largest single investment in the state budget. The 2014-2015 budget includes nearly $62 billion for K-12 in California, an increase of $6 billion from 2013. The state budget also provides more money for higher education and new funding for Linked Learning model programs. In addition, state legislators have designated a portion of K-12 funding to provide additional resources for districts with a large number of at-risk students. Despite these increases, funding for K-12 education and adult education has also been reduced relative to inflation and the growth in students.

The California Workforce Investment Board is starting a project to promote regional coordination among the dozens of county and city WIBs throughout the state. The State WIB’s ability to support coordination among these WIBs is directly tied to its ability to fund innovative workforce program programs at appropriate levels as well as to encourage adoption of promising practices at other WIBs.

While money is not the only challenge to implementing the three strategies discussed in this chapter, it is a significant challenge and one that cannot be overcome without additional state and federal funding.
Goal B 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.

Expanding middle-wage employment will require many of the same policies and investments that are part of a standard regional economic development strategy: supporting the region’s portfolio of competitive industries, ensuring there’s sufficient land and political support for a significant amount of new housing and jobs, investing in infrastructure and maintaining an efficient transportation system. Goal B is about targeting economic growth strategies towards expanding middle-wage jobs.

Background and context
High-growth firms, along with their suppliers and business service providers, often develop as clusters concentrated in specific geographic regions. Clusters are groups of interrelated firms that share suppliers and rely on specialized local resources like skilled labor or infrastructure. For example, the information technology cluster in Silicon Valley includes mature software development firms, start-ups, sources of venture capital, and specialized resources at a regional, not local, scale. Similarly, efforts to maintain industrial land or improve transportation systems are also most effective at a regional or multi-jurisdictional scale. Land use, travel patterns and infrastructure systems affect multiple cities at once.

The Bay Area’s integrated regional land use and transportation plan—Plan Bay Area—is an important step toward better coordinating these needs across a broader scale. While effective implementation of this plan (such as building sufficient housing and locating employment in transit-accessible places to reduce demands on the existing highway system) may be key to expanding middle-wage jobs, not every strategy will start at the scale of the nine counties. Some of the more successful approaches will invariably begin with a few cities, or a city and the neighboring county, and might be best described as tactical, subregional interventions.**

Key findings
• The economy is not producing enough middle-wage jobs. Most job openings are at the top and bottom of the pay scale. Current projections show 310,000 openings for middle-wage jobs (i.e., $18 to $30 per hour) over the current decade, far less than the more than 1,000,000 openings for both higher- and lower-wage work combined.†† 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 don’t require much education or training—are often jobs to professional services to construction.
• 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 a higher share of jobs paying middle-wage)
• Many industries of opportunity will grow in tandem with the entire economy. This means that overall economic growth is critical to middle-wage job growth.
• Fiscal decisions too often drive economic development and land use decisions. As a result, there is too little coordination between jurisdictions or even between economic and workforce development. Not enough attention is paid to business retention, particularly the retention of firms that some cities see as replaceable or not essential for their future.
• Better regional coordination of economic development and planning will support broad-based economic growth. The Bay

*The sector-based job training programs highlighted in Strategies 2 and 9 are examples of how efficient multi-employer groupings contribute to the competitiveness of the cluster overall, as compared to individualized job training, which costs more for each employer. Individualized approaches create competition within a sector or cluster rather than raising the workforce skill levels for all employers in the cluster.
††“Job openings” combines net new job growth with “replacement jobs” (i.e., job openings that occur when a worker retires or leaves the job).
Area is more likely to be able to create sufficient housing and jobs when local jurisdictions make planning decisions in coordination with regional needs and goals. Different parts of the region are suited for different industries. Local jurisdictions waste resources competing with each other when the total amount of employment in the Bay Area depends on the region’s overall competitiveness.

- Local barriers to development raise the costs of housing and work spaces and make it more difficult to expand middle-wage employment regionally. Housing costs are high and a burden for most workers. The Bay Area’s ongoing economic success, particularly for middle-wage workers, is contingent on finding housing for the 2 million additional residents who are expected to arrive over the next 30 years. More coordination in the planning process 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 that local jurisdictions have placed on expanding housing.

- The region is underinvesting in its industrial lands and infrastructure needs, which threatens middle-wage jobs. The region’s industrial lands face pressure for redevelopment, particularly for conversion to housing. Industrial lands 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.

- Policy decisions and priorities do not sufficiently promote a link between transportation and employment. Intensifying land uses along transit corridors that cross multiple jurisdictions will put more jobs in transit-accessible places and reduce overall costs for workers, who can then rely on transit (as opposed to driving, which costs more). Currently, too many jobs are located far from high-quality transit, and regional policy does not sufficiently encourage major facilities and employers to locate near regional transit.

- The many transportation options do not function like a single system, which fragments the transit experience. Workers are increasingly traveling across county boundaries to access better opportunities for work. Providing them with a more unified transportation system would improve their commuting experience. Currently, those who learn how to ride one transit system (like BART or the Valley Transportation Authority) may stay away from another system because it has a different and unfamiliar set of practices. Like public transit, private employer shuttles often operate in a way that limits their usefulness; for example, some may serve a job center with multiple employers but only after transportation to workers at one company.

- When most workers use cars, those who do not have a reliable car face a major barrier to accessing a better job. For many workers, home, work, etc.

Proposed strategies

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

- Strategy 4: Focus economic development resources on industries of opportunity, business expansion and formation and greater policy coordination among jurisdictions. Local economic development efforts should move toward growing broad sectors with middle-wage jobs. This approach will be successful as communities coordinate and plan economic development efforts across jurisdictional boundaries.

- Strategy 5: Support regional growth by balancing housing, transit-oriented jobs and industrial uses. The production of new housing and smart land use planning for jobs are key to expanding middle-wage employment.

- Strategy 6: Rebuild and expand infrastructure in a way that supports economic development and job growth. Infrastructure lays a foundation for long-term economic growth and supports middle-wage jobs in both building and maintenance. Identifying new local and regional sources to finance needed infrastructure investment is critical.

- Strategy 7: Manage the region’s transportation as an integrated navigable system. Workers should be able to access good jobs throughout the region no matter where they live. This strategy includes making the region’s public transit look and feel unified, as well as expanding and coordinating non-transit options, such as car sharing and shuttles in both urban and rural environments.

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

Middle-wage jobs exist in every industry. A strong economy is thus a prerequisite to grow middle-wage jobs. 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. The chart below shows the different distribution of wages among Bay Area industries with the largest number of middle-wage jobs.

For example, the following are key industries with different wage distributions:

- Relatively even wage distribution across low-, middle- and high-wage: 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, food services and eating/drinking establishments

**Strategy 3: Focus on expanding middle-wage jobs in key industries.**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Middle-Wage Jobs</th>
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<tbody>
<tr>
<td>Computer and Electronic Product Manufacturing</td>
<td>High</td>
</tr>
<tr>
<td>Administrative and Support Services</td>
<td>High</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>High</td>
</tr>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>High</td>
</tr>
<tr>
<td>Hospitals</td>
<td>Middle</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>Low</td>
</tr>
<tr>
<td>Construction</td>
<td>Low</td>
</tr>
<tr>
<td>Food Services and Drinking Places</td>
<td>Low</td>
</tr>
<tr>
<td>Social Assistance</td>
<td>Low</td>
</tr>
<tr>
<td>Religious, Grantmaking, Civil, Professional, and Similar</td>
<td>Low</td>
</tr>
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Industries of opportunity have a greater share of middle-wage jobs than other industries and are likely to grow over time. Expanding industries of opportunity requires a competitive business environment for companies at various stages of their development—including 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 are not designed to restrict other efforts. Instead, they’re meant to promote a discussion about the ways in which Bay Area cities and economic development agencies can collaborate to achieve greater economic strength for industries with a healthy share of middle-wage jobs. And most of the strategies described dovetail with general economic development efforts that promote any industry or community.

Expanding industries of opportunity requires a competitive business environment for companies at various stages of their development—including initial formation, early survival, growth, 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. The following are a few of the steps to achieve this objective:

- Identify the industries of opportunity in the local economy to determine how they align with the region’s primary clusters. Compare the list of clusters identified in this analysis with the primary sectors that are the focus of local investment and trade (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.
- Conduct additional analysis of the structure of the clusters. This includes identifying the income composition of all local and regional industry sectors and understanding which sectors have high projected job growth as well as the capacity to induce growth in supplier firms. Convene the cluster to identify and tackle challenges. From networking sessions to ongoing working groups, collaboration is critical to economic success. Consider convening an entire cluster into a series of working groups that will bring together industry leaders, suppliers, policy makers and workforce development providers, among others. The working groups should identify critical challenges to job growth in the cluster and should develop collective strategies to overcome them. Some clusters may need help with coordinating training, others with transportation and others with regulatory issues. Projects like the Prosperity Partnership of the Puget Sound Regional Council have taken a cluster-based approach to regional economic development.

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.

- Facilitate connections between supplier firms and export firms in the same cluster. This is often referred to as “enhancing the local value chain.” For example, convention and visitors 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 taking 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.

Retaining and growing the businesses and companies that exist already, particularly industries with a strong share of middle-wage work, 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. Because most cities have small numbers of economic development staff (sometimes less than one full-time employee), they can make the most of limited resources by focusing on the needs of existing employers and entrepreneurs, not on companies that are looking to relocate. This is particularly important across the region given that most relocations within the Bay Area are moves from one city to another (such as a manufacturing facility relocating from Sunnyvale to San José). While such a move might be hailed as a success in one city and a loss to another, it’s only a positive outcome for the region as a whole if the relocation allows the firm to expand more than it otherwise would have.

Older existing firms are often major providers 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 warehousing remains vital to the Bay Area’s economy, many of the jobs are based elsewhere and trucks must travel back and forth between local ports and warehouses outside the region.
The following are a few of the steps that can be taken to increase business retention:

- Use customer relationship management systems to manage and track all contacts with businesses in the jurisdiction. Retention programs require ongoing communication with the leaders of local firms, and software helps track the contacts and organize the firms’ issues and needs. 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 who can receive requests and assign the outreach work to others as necessary.

- Identify areas with 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 for middle-wage jobs. When a start-up becomes a significant firm is particularly important for middle-wage jobs. When a start-up becomes a start-up to come to scale and provide information on opportunities for growth within or across cities. Keeping growing firms is particularly important for middle-wage jobs. When a start-up becomes a significant firm is particularly important for middle-wage jobs. When a start-up becomes a

- Offer some marketing assistance for firms that are export-ready. Exporting is, by definition, a business expansion strategy. Although new or small firms may be able to successfully market their products throughout the United States, they may find international commerce more challenging, given language differences, licensing and legal issues, a lack of business connections and the mysteries of foreign business practices. Rather than leaving each firm to learn the ropes by itself, government agencies and business support organizations can help an entire cluster or multiple clusters solve problems that prevent the expansion of exports. 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 throughout the region and will grow middle-wage opportunities in these industries, as well as in ancillary roles such as sales and administration.

- Provide an ongoing economic analysis of local policies and regulations. To maintain and grow a set of clusters, it is essential to have a clear understanding of the impact of local decisions on the competitiveness of the community’s industries. Local tax measures, land use regulations and new permit processes all have an economic impact that should be evaluated before they’re enacted. For example, the City of San Francisco provides a cost/benefit analysis of the impacts of proposed legislation on the overall city economy as well as on specific industries.

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

Maintaining the dynamic system that supports entrepreneurship in the Bay Area is essential for the region’s long-term economic health. Supporting the formation of new businesses will help some lower-wage workers create their own companies and thereby move up into higher-wage work. Self-employment, ownership and profit sharing are also key strategies to help lower-wage workers access middle-wage levels. Since there are not enough middle-wage opportunities for all to move up, helping these new companies thrive provides an alternative pathway for workers to rise to the middle. This is particularly true in lower-wage fields like janitorial, housecleaning and food service.

The strategy must focus on helping lower-wage workers leverage skills and experience gained at work (e.g., by working for a landscaping company) to break out and start their own business. These workers will need business education and financial literacy training, as well as help with strategic planning, accessing capital and understanding the regulatory environment.

While there are always significant risks when anyone starts his or her own firm, one way to mitigate against such risks is to encourage heavy participation in entrepreneurship training programs. Some key actions include the following:

- Tailor existing small business or entrepreneur programs to lower-wage workers looking to form their own companies or become self-employed.

- Expand the range of ownership and entrepreneurship paths taught in training programs to include profit sharing, employee stock ownership programs (ESOPs) and worker-owned cooperatives.

- Provide information on existing resources. WIBs and other workforce development programs require connections with small business entrepreneurship programs so that they can inform area workers about potential opportunities.

- Consider waiving or reducing the city’s business license fee if the business owner has taken an entrepreneurship training course or workshop. Entrepreneurs who take such courses are more fully informed of the risks and the necessary steps (from permits to taxes to overall business management) and are more likely to survive.

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

The importance of aligning and coordinating local permits and regulations at the subregional or regional level is a consistent theme across numerous economic development reports—and was also raised as a significant concern in the outreach workshops and interviews for this project. Coordination among economic development providers and cities on local tax policy and/or
A viable strategy for some companies is to shift to employee ownership. Harmonization makes the most sense for a business like solar installation, which happens everywhere, with little or no significant differences in how it is done from place to place. As a result, there was a successful push to harmonize basic rules for solar interconnection for residential solar power. But sometimes there are cost-of-living differences between cities, and people 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 created a Memorandum of Understanding among some cities to ensure that they do not attempt to lure companies away from each other. The economic development departments in Silicon Valley belong to the Silicon Valley Economic Development Alliance (SVEDA) and adopted a similar non-compete clause in 2006. Their “Recruiting Across Jurisdictions: A Statement of Principles” states that member cities will not “actively recruit a business from another SVEDA member jurisdiction.” It also stipulates how cities should respond when approached by a company in a nearby city.

Share information among cities about the most effective tools to promote and grow businesses. Over that redvelopment agencies have been eliminated and the state’s Enterprise Zone program has ended, many cities lack a strong set of tools to support local businesses, as well as sufficient information on what other programs could be developed. Sharing information about economic development tools and incentives is more important than ever. Judicious use of local incentives (such as expedited permitting, workforce development assistance or very targeted tax rebates) can assist firms in expanding where they are. Yet such tools should not be used to lure a company from one Bay Area city to another because that is a zero sum game regionally.

Consider regional differences and industry dynamics when harmonizing permits. Harmonization makes the most sense for a business like solar installation, which happens everywhere, with little or no significant differences in how it is done from place to place. As a result, there was a successful push to harmonize basic rules for solar interconnection for residential solar power. But sometimes there are cost-of-living differences between cities, and policies that acknowledge these differences (such as prevailing wage laws) are worthwhile to maintain.

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The following are some of the key steps for this strategy:

• 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-Valley streamlines approval and permitting processes among the various jurisdictions in the Tri-Valley area. The organization has also created a business-facing portal that consolidates information on all the jurisdictions’ permitting processes and incentives. Along these lines, the Silicon Valley Economic Development Alliance is working to create a “one-stop shop” for businesses navigating permitting processes in San Mateo, Santa Clara, Santa Cruz, and southern Alameda counties.

Permitting makes it easier and potentially less costly for companies to locate in the region and grow. The following are some of the key steps for this strategy:

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Challenges

It is difficult to target economic development efforts to produce a dramatic growth of middle-wage jobs in particular. There are few differences between policies that support industries with a large share of middle-wage jobs and those that bolster industries with a small share of middle-wage jobs. But local and regional economic development officials should 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.

Structural and political barriers enforce parochialism in economic development. Currently, cities only gain fiscally if economic development occurs within their own jurisdiction, and elected officials do not win votes by touting job growth in a neighboring town. In this context, it’s difficult to motivate city leaders to prioritize projects in other parts of the region.

The large size of the region makes it difficult to coordinate permits and regulations across jurisdictions.

The absence of redevelopment limits the tools available for cities, particularly financing and investment tools.

Property taxes are limited to only 1 percent of assessed valuation, and cities generally receive a smaller share of the proceeds than school districts 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 enter these industries. Often these workers do not have the resources necessary to undertake a new business and face a devastating financial impact if their business fails.

In the Bay Area, such a mechanism could allow the region or even just a county to share sales taxes or property taxes. But it’s likely that any sharing would only include the increment of growth and would not be a redistribution of the current tax receipts.

The current local tax revenue is winner-takes-all. That is, when a shopping center locates in one jurisdiction, that community typically receives all the tax benefits from the increased shopping. Additionally, if one community accepts much of the housing while their neighbors restrict housing yet promote job growth, the housing-rich community will often have lower tax receipts relative to their population and higher tax demands (since residents command more in local services than workers do). This mismatch explains why there are sometimes calls for implementing tax sharing at a regional or subregional level.

Tax sharing can be an effective way to reduce competition between jurisdictions and can lead to joint economic development efforts by allowing communities to share in tax-base growth even when job growth is concentrated in 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 large-scale example of this tax base sharing is in the Minneapolis-St. Paul region. In this scheme, each city pays a percentage of the growth of their combined tax base into a regional pool. This money is then distributed to cities based on population and property tax values.

In the Bay Area, such a mechanism could allow the region or even just a county to share sales taxes or property taxes. But it’s likely that any sharing would only include the increment of growth and would not be a redistribution of the current tax receipts.
STRATEGY 5: DEVELOP LAND USE PLANS THAT SUPPORT TRANSIT-ORIENTED JOBS, INDUSTRIAL USES, AND HOUSING.

In a region with strong demand for space in many places, different land uses often compete with each other. Housing developers and advocates want to convert industrial lands for new housing or commercial offices. Those who believe in locating jobs near transit may push to restrict housing around some regional rail stations in order to make room for commercial development. Supporters of industrial businesses may push for zoning that restricts any form of non-industrial use in industrial areas. And it is not possible for an individual city to determine the region’s overall need for industrial land.

Middle-wage job growth suffers because it costs more to build facilities and offices in the Bay Area than in virtually any other metropolitan area in the country. The high cost of housing here makes it increasingly difficult to sustain a local middle-wage workforce. While the Bay Area cannot completely escape the pressures on the cost of land (which include geographic constraints and steady demand), the region can take action to create more opportunity for growth within existing communities.

Plan Bay Area is an important step toward planning for the region’s collective needs. But nothing in Plan Bay Area compels any jurisdiction to approve development in line with the plan’s goals, and there are still too few tools to tie transportation funding to growth. Further, it doesn’t sufficiently address many crucial issues discussed in this report—such as middle-wage jobs, local taxes and fiscal incentives, and the limited availability of land adjacent to regional transit.

This strategy seeks to ensure that the Bay Area keeps attracting industries that produce middle-wage jobs—for example, by producing enough housing near jobs, encouraging facilities to locate in transit-accessible places and preserving sufficient industrial land. To accomplish these goals, land use planners and local jurisdictions must recognize how their zoning policies impact job creation.

In short, maintaining and growing middle-wage industries requires a regional approach to land use planning, with a clear regional policy and planning framework. Coordinated planning at a regional or subregional level creates conditions for broad-based economic growth, which will boost many industries that have significant shares of middle-wage employment.

This strategy will be successful if it achieves the following goals:

- Affordable housing for workers at all income levels
- Transit-accessible job facilities (such as major office complexes or hospitals), education and training opportunities, and open space, among other industrial uses in industrial areas.
- Services like retail and child care
- Increased security for industries of opportunity, particularly land-intensive industries, such as production, distribution and repair businesses

Implementation of this strategy relies on coordination among the following actors:

- Regional planning agencies (primarily MTC and ABAG)
- Local plans
- Local community-based organizations, civic groups and business organizations

The Bay Area model, in which land use decisions are made at the local level and then aggregated at the regional level, creates conditions for broad-based economic growth, which will boost many industries that have significant shares of middle-wage employment. While the Bay Area cannot completely escape the pressures on the cost of land (which include geographic constraints and steady demand), the region can take action to create more opportunity for growth within existing communities.

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areas include San Francisco’s Neighborhood Post-Processing Programs.108 San Jose’s Urban Village planning process is another example of local planning at a comprehensive scale to accommodate a significant amount of both jobs and housing.

• Establish additional sources of funding for subsidized affordable housing. An example of an initial regional investment in affordable housing, the $50 million Bay Area Transit- Oriented Affordable Housing (TOAH) fund was seeded with a $10 million investment from the MTC.109 But because there are simply too few units of housing that are affordable for workers who make less than the median wage, additional funding will be needed. For example, San Francisco has fewer than 40 rental units available for each 100 renters earning 30 percent or less of the metropolitan area’s median income, that number dips below 30 units per 100 renters in Santa Clara and Alameda counties.110

• Advocate for local policies that lead to the production of permanently affordable housing (such as inclusionary zoning policies and impact fees). Inclusionary zoning policies that mandate a certain percent of affordable housing to be located within a new market rate development 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.111 Local entities should pressure state lawmakers to keep considering inclusionary zoning. In the meantime, local impact fees are one option that can provide funding to produce affordable housing. Impact fees are charged to developers of market-rate based on the projected demand for affordable housing based on spending patterns of residents in the market-rate housing. But if set too high, such impact fees can inadvertently reduce the overall construction of housing. A better long-term option is for cities to seek new funding sources that don’t tie affordable housing to new development alone but distribute the cost more broadly, to many property owners or taxpayers. Local General Obligation bonds or parcel taxes are two options that distribute costs more broadly.

• Remove local policy impediments that increase the cost of housing.112 This eliminates parking minimums and other parking requirements and ending the prohibition on secondary units.113 Parking is a major cost factor in construction, and many states require a minimum number of parking spaces per unit, which can 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.114 These are units that have less space than market-rate units but are priced at a value such as middle-income housing. While these models will not work in every city, there are certainly places that can experiment with, for example, small, typically well-designed, housing units. For example, some developers in San Francisco are proposing floorplans in which individual units (with small kitchens) are grouped into “suites” clustered around a co-living space with kitchen, dining room, living room, and a balcony.115

• Expand tenant protections to more communities throughout the region. While some communities have strong protections for renters, many do not. Protections could include relocation payments for no-fault evictions and tighter requirements to prove cause in just-cause evictions.116 Local jurisdictions could explore more comprehensive rent stabilization ordinances that include, among other things, some control over the percentage increase in annual rents.

• Reinvest in the public housing stock.117 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 the federal government provides most of the funding for public housing, local communities are making efforts to create more affordable housing. The City of San Francisco’s HOPE SF program to fund the rebuilding of public housing.

• Ensure that land is available and attractive for housing development. Regional and local investment in infrastructure and public amenities (such as schools, parks, neighborhoods centers and pedestrian-friendly streetscapes) can make areas more appealing to potential residents— and therefore to those in the business of building housing.

5.2: Encourage major employers and institutions to locate jobs in transit-accessible centers.

Major employers and institutions should collaborate with local and regional planners to identify transit-accessible places where they can expand. In particular, employers in industries of opportunity such as health care (e.g., hospitals), educational services (particularly higher education) and government (at all levels) should locate new or expanded facilities in areas around BART and Caltrain stations. Transit agencies should also be involved in the planning process, to make sure transit service aligns with hours of work at the facilities. A regional approach would make it easier to identify where different industries of opportunity are clustered and to make investments in improving the accessibility of transit in those areas. The Bay Area already has several different types of transit-accessible job and activity centers. Downtown business districts in San Francisco, Oakland, San Jose, Berkeley and Palo Alto are the largest and most transit-oriented of these areas. Contra Costa Centre is a newer example of a small transit-oriented job center built around BART in the East Bay. The approved plan for Fremont’s Warm Springs BART station demonstrates how to incorporate jobs and housing into a Priority Development Area around transit.118 The neighborhood around the West Oakland BART station could greatly benefit from commercial development that provide high-quality jobs for local residents and to take advantage of the area’s proximity to downtown San Francisco and downtown Oakland (and their respective BART stations). Innovative and flexible office and updated and
new manufacturing space could provide new opportunities for West Oakland. The Grand Boulevard Initiative, designed to revitalize the El Camino Real corridor in San Mateo and Santa Clara counties, involves subregional coordination around land use (jobs, housing, retail) and transportation.122 This process could be expanded to address the location of education and workforce development services along the corridor and could be applied to other corridors, such as San Pablo Avenue in the East Bay. Yet to be most effective, corridor strategies may need to move toward tangible outcomes beyond collaboration; jurisdictions could work together to arrive at common approvals of development projects and to provide consistent support for transit projects (such as bus rapid transit, or BRT).123

Other subregional strategies could also spur the development of job centers in existing transit hubs. For those hubs with strong job markets (such as Walnut Creek, San Francisco and Palo Alto), zoning that encourages dense employment will allow for additional job growth. For hubs with weaker job markets (such as downtown Oakland, downtown San Jose and Fremont), promoting growth may involve additional regional investment and tax incentives.

5.3: Develop a regional strategy to preserve and invest in industrial land.

In many cities in the Bay Area, land that’s devoted to industrial use supports successful manufacturing, warehousing, repair and distribution businesses that employ middle-wage workers. But these jobs are at risk because jobs tied to the production and movement of goods or to equipment repair 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 generally have lower population densities, they often become the focus of rezoning efforts, when developers eye them for housing, office or other non-industrial uses. This pattern hampers middle-wage job growth in production, distribution and repair-related industries. It also hurts other businesses that rely on these goods and services, which will become more costly if the providers must move out of the Bay Area and transport their goods (or offer their services) from farther away. The increased expense for other industries will then pose another threat to job growth.124

Distribution and warehousing require a significant amount of land—often in large contiguous parcels—and good access to the region’s transportation network.125 These sectors also play an important role for the Bay Area’s export economy, driving growth along ancillary supply chains.126 Since they are “typically lower-density uses that cannot pay to compete with higher-density, more intensive residential and commercial uses,”127 these industries and their middle-wage jobs will be lost, and the export economy slowed down, if housing and office space continue to supplant industrial uses in many parts of the urban core.128

While many industrial businesses can mix well with newer uses, some require buffer zones or greater protection from new uses. This is particularly true for heavy industry, which often involves noise, large vehicle traffic and discharges into the air or water. For example, a company like Schnitzer Steel, a major metal recycling and salvage facility with hundreds of jobs, is located adjacent to the Port of Oakland and the Oakland inner harbor, but also near to Jack London Square, where housing, restaurants and recreational facilities have been built. Additional entertainment-orientated development in the area closest to the Schnitzer Steel site such as a ballpark could threaten the company’s survival.

Preserving key industrial lands and improving the infrastructure within them is a strategy to retain middle-wage jobs in accessible parts of the region. But planning for industrial lands takes place at the local level, not the regional level. Individual cities should not be expected to determine the region’s overall need for industrial land when making local zoning decisions. In places with strong industrial legacies and existing infrastructure, such as Contra Costa County’s northern waterfront and the I-880 corridor in Alameda County, cities have enacted different zoning rules and protections for industrial businesses. In the case of the I-880 corridor, there

[123] During the planning for the Valley Transportation Authority’s El Camino BRT project in Santa Clara County, some cities supported dedicated lanes for transit and others did not. See: Wilson, Alia. “Sunnyvale City Council Does Not Recommend Bus Rapid Transit on El Camino Real.” Sunnyvale Mercury News. May 23, 2012. Available at: www.mercurynews.com/sunnyvale/12860246.shtml. This same situation took place when AC Transit planned BRT on International Boulevard. See: Cahalanham, Michael. “Why Bus Rapid Transit Has Stalled in the Bay Area.” SF Gate. May 9, 2014. Available at: www.sfgate.com/bayarea/news/article/Why-bus-rapid-transit-has-stalled-4621061.php. Since these BRT routes connect through several cities, the differing support for dedicated lanes means the fully built project will not be as successful (and fast) as it would have been had there been uniform support along the corridor.
are half a dozen cities between the Port of Oakland and Fremont. Planning for industrial lands in this area and other such corridors is best done at a subregional level.

Developing and preserving industrial land in the most effective way might include the following steps:

- Adopt 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 developed zoning language for its eastern neighborhoods that simultaneously allowed some areas to shift toward housing, other areas to become increasingly mixed-use and other areas to entirely prevent housing and focus on production, distribution and repair uses.125 From 2002 to 2005, the City of Oakland developed several new industrial zoning districts with differing regulatory requirements. These include Commercial Light Industrial (which allows office and retail as well as industrial uses but no housing), General Industrial (which prohibits stand-alone office and retail development) and Office Industrial Business Park. The City of San Jose is exploring an ordinance to protect “manufacturing rights of existing industrial land uses from encroaching incompatible uses.”126

- Share consistent zoning language among the region’s cities. While larger cities may have sufficient staff to develop policies protecting industrial zoning, they can save some resources by sharing their best practices with each other. A common zoning language would clarify which types of industries could locate in certain areas, thereby reducing confusion for businesses. While cities could collaborate to develop such zoning language, coordinating this effort might be an appropriate role for ABBAG or subregional economic development organizations and partnerships like the East Bay Economic Development Alliance (EDA) and Silicon Valley Economic Development Alliance.

- Establish a stronger role for regional actors in setting industrial land policy. MTC would be the appropriate regional entity to manage an ongoing analysis of the quality and availability of industrial land in the region.128 This analysis would show which locations have abundant square footage and the capacity to support additional job growth, as well as which places would best suit different types of industries. Subregional groups, like the East Bay EDA, could play a more robust role cataloging and monitoring industrial lands in subregions and facilitating planning processes across jurisdictions.

- Explore a “Priority Industrial Areas” program that’s modeled on the region’s Priority Development Area program. This subregional effort could be led by the local Congestion Management Agency in coordination with local jurisdictions and MTC to focus on the integration of economic development, transportation investments and land use planning along a corridor. By working collaboratively across multiple jurisdictions, the process could support regional goals such as goods movement and protection of industrial land while also preparing the various stakeholders to apply for regional funding in a subsequent iteration of Plan Bay Area.

- Catalog available land for industrial development. The East Bay Green Corridor is cataloging specific parcels that are suitable for clean technologies such as solar panel assembly and other industrial uses.129

Initiatives like this can help convince local jurisdictions to preserve industrial lands that are at risk of rezoning.130

- Target public and private investment in areas with a potential for industrial development. Contra Costa County has strong local support for industrial land preservation but wants to attract greater economic development opportunities with its Northern Waterfront Initiative, which focuses on the 50-mile area from Hercules to Oakley.131 The area includes a deep ship channel, marine terminals and two railroad lines (Pacific Railroad and Burlington Northern Santa Fe Railroad).

As important as it may be to preserve land for industry, this must be done in tandem with planning that identifies sufficient land for housing and other jobs. Chicago’s southern suburban areas have been involved in a planning process that successfully focuses on both industrial development and housing (see sidebar).

5.4 Establish new regional programs with a focus on employment in the Priority Development Areas planning processes.

The regional framework for growth is Plan Bay Area, approved in 2013. The Priority Development Area (PDA) is the main local tool for implementing the regional plan’s land use vision. Plan Bay Area calls for over 75 percent of future housing and two-thirds of jobs to be located in PDAs. Achieving significant growth in the PDAs is core to the success of Plan Bay Area. To establish a PDA, a local community must elect to designate an area for PDA status if it meets minimum criteria, such as:

- The local community is willing to support growth, namely housing.
- The area contains some form of public transit that runs at least every 20 minutes during peak periods.

While not explicitly limiting job growth, the PDA framework has long emphasized job-housing balance. In the interviews and outreach for this project, some jurisdictions noted their concerns about the emphasis on housing. They claimed that, because local planning for jobs in PDAs did not match any regional criteria, there was no incentive to promote jobs in PDAs.

The following are several key steps to strengthen the importance of job growth in PDA planning processes:

- Make job growth a more explicit focus in the PDA planning process. In addition to the requirements and incentives for housing, the PDA plans should set requirements to zone for Chicago’s south-central suburbs share characteristics with the East Bay’s I-880 corridor: a concentration of industrial lands and brownfields, rail connections to a major intermodal port, and commuter rail. Like the I-880 corridor, Chicago’s south-central suburbs are a collection of cities with differing zoning codes. As manufacturing, fabrication, assembly, wholesale, logistics and related uses have died down, these suburbs have often competed with each other for new big-box retail and other quick jolts to municipal 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 sprawled ever further into the interior.

Starting in 2004, cities in the southern suburbs collaborated to create what is now the Green TIME (Transit, Intermodal, Manufacturing and Environment) Zone. The 42 cities in the subregion recognized their assets and are now working together to attract “cargo-oriented development” to infill sites in the subregion. The coordination has helped these communities shun up infrastructure that cuts across many jurisdictions. Through their unified effort, this group has made the remediation of brownfield sites viable for development that creates subsidies for such remediation.132 It has also better cataloged existing industrial lands and thus made it easier for prospective employers to assemble parcels.

The TIME initiative is helping to reestablish a jobs/housing balance in an area that has suffered unemployment and disinvestment for decades. It has created a model for reusing 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 development, focusing housing growth along existing commuter rail corridors that serve the subregion.134


130 MTC. “Regional Goods Movement Study for the San Francisco Bay Area.” Available at: www.mtc.ca.gov/planning/rgm/final/Final_Summary_Report.pdf.

131 East Bay Green Corridor. “Opportunity Sites.” Available at: www.ebgencorridor.org/opportunity_sites.php

132 An analysis of 2006-2007 General Plan updates in legacy industrial areas (I-80 between Emeryville and Richmond, I-880 between Oakland and San Jose, and the northern Peninsular) showed that 41 percent of industrial airspace is at risk of being rezoned, even as demand for industrial lands—particularly for businesses related to goods movement—is projected to grow. See: Haushitl Economics Group. “Importance of Industrial Land in the Central Bay Area—MTC Goods Movement/Land Use Project.” September 2011 Available at: www. mtc.ca.gov/planning/final/Plan_Final_Summary_Report.pdf


135 Center for Neighborhood Technology. “ECONOMIC PROSPERITY STRATEGY OCTOBER 2014 66” 67
goals, especially for those industries of opportunity that are best able to locate in denser settings (such as health care, professional services, government and education). Cities should also provide evidence of concerted plans for middle-wage jobs within the PDAs.

- **Establish a new Priority Transit-Oriented Employment Area for PDAs that are immediately adjacent to regional transit.** These new areas would include transit-oriented development sites that are important for job growth (such as downtown Oakland). In particular, communities with PDAs around regional transit (such as BART or Caltrain stations) should encourage employment uses in the area immediately adjacent to regional transit, as long as those jobs are in a relatively dense setting that is oriented toward transit. Many studies have demonstrated that employment uses within a quarter mile around regional transit play a more important role in encouraging commuters to take transit to work than housing.

- **Require analysis of job impacts from growth plans for PDAs.** The PDA planning framework and funding for local planning often come from MTC and county-based Congestion Management Agencies (such as Santa Clara County’s Valley Transportation Authority or the Alameda County Transportation Commission). As a result, these agencies can adopt specific language about jobs in PDA plans. When counties and cities apply for funds for PDA planning, MTC is now requesting that their plans include an analysis of the current and future jobs and industries to be located in their PDAs. MTC could start to require these analyses and ensure that plans 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, as well as the likely share of occupations that would be middle-wage.

- **Maintain local support for growth in PDAs.** To make the PDA framework successful, local cities must support overall growth within the PDAs. Cities should rezone PDAs in their jurisdictions to encourage job growth, particularly in industries with significant middle-wage jobs. Cities should also strive to streamline regulations and procedures in order to reduce the cost burden to businesses.

**Challenges**

- **There are over 100 municipalities across the Bay Area.** While many of them may recognize the need for greater regional coordination, it is difficult to provide strong enough incentives for local jurisdictions to adopt zoning and other planning that best meet the region’s needs. The first iteration of Plan Bay Area—adopted in 2011—has made significant progress toward greater buy-in for a regional vision.

- **Many local residents do not support new development and see changes to their local communities as wholly negative.** Proposition 13’s relative freezing of property tax upon the sale of a home has complicated the problem, disconnecting residents from the fiscal impact (and benefit) of development.

- **Making planning regulations clearer and more consistent across the region would reduce opportunities for developers and local jurisdictions to rewrite the rules on a case-by-case basis.** For some communities, this would be a significant change in how they make land use decisions.

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138 It is important to note that this focus on jobs should be informed by market analysis and tempered by the existing jobs/housing balance in local communities. As Section 5.1 points out, housing may be the single biggest factor limiting overall regional job growth, and every community should contribute to adding to the region’s housing supply. Having a larger share of the Bay Area’s employment base on or adjacent to transit will result in higher transit ridership and also provide improved regional accessibility.

STRAATEGY 6: REBUILD AND EXPAND INFRASTRUCTURE IN A WAY THAT SUPPORTS ECONOMIC DEVELOPMENT AND JOB GROWTH.

The Bay Area’s infrastructure needs include transportation, broadband, energy, waste and water systems, seismic safety and more. Investments in these systems are crucial not only to drive job growth, but also to return the infrastructure to a “state of good repair.” 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.

This strategy addresses a key barrier to economic growth: aging and overburdened infrastructure, which constrains firms’ abilities to grow. Much of the Bay Area’s 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. Plan Bay Area estimates that the unmet capital needs for transportation top $30 billion.

Poor infrastructure impacts worker mobility as well. Most lower-wage workers depend on cars to access jobs and other services, so congestion on roads increases the money and time costs for these workers and can prevent them from accessing training programs, better jobs or other services. Additionally, the region faces a critical need to shore up infrastructure to maintain mobility in the event of an earthquake. Soil liquefaction poses serious risks to roads and highways, and resulting power outages would cripple transit like BART and Muni. As it is, the daily crowding that plagues these transit operators entails major capital costs—namely new vehicle purchases—to fix in order to provide service for more riders.

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 threats posed by climate change and earthquakes also require solutions if the Bay Area 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.

Partners

Implementing this strategy relies on coordination among the following actors:
- Regional planning agencies (primarily MTC and ABAG)
- Congestion Management Agencies
- Transit operators

- Local cities and county government agencies, including elected officials
- Private sector investors
- Employers

Actions

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. These plans should highlight the job creation impacts (both the direct jobs and the multiplier effect jobs) of the proposed investments as well. 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 a capital plan every March. The plan prioritizes the city’s infrastructure needs, and it requires that items in the mayor’s annual capital budget be linked to an element of the capital plan. Putting all the long-term infrastructure needs into a long-range capital plan means that the planning staff can produce the plan independent of a city budget process. In addition, this system avoids pitting long-range obligations against day-to-day needs and infrastructure spending creates good jobs and supports overall economic growth through improving the efficiency and reliability of existing systems (like transportation).

140 While not explored in this report, it will also be increasingly important for cities to invest in infrastructure that prepares them for the impacts of climate change, such as sea level rise and increased heat.


142 For further discussion of lower-wage workers’ auto-dependence, see: The Urban Institute. Driving to Opportunity. 2014. Available at: www.urban.org/UploadedPDF/413078-Driving-to-Opportunity.pdf


144 OneSF—FY 2014-23 Ten-Year Capital Plan.” Available at: http:// onesanfrancisco.org/category/capital/capital-plan
These jobs are often middle-wage jobs with low education requirements, and they are some of the last remaining opportunities exist. In fact, a Treasury Department analysis found that 80 percent of jobs created by investing in infrastructure would likely be in construction, manufacturing and retail. The multiplier effect of these jobs is at least two—for every dollar invested the overall economy will grow by two dollars creating the climate for job growth in the local area.

Second, infrastructure projects employ many people and save taxpayers money, ultimately making them more competitive. In the 2014 CEO survey by the Silicon Valley Leadership Group, the top recommendation to local governments was to “ease local street and road congestion,” which will require investment in infrastructure. The most cost-effective approach is to consider pricing infrastructure. Unlike the local tax and GO bond strategies, revenue raised this way would not face the same high voter threshold. This idea has been in some Southern California communities—would raise money to pay for highway maintenance and upgrades while also generating revenue to support other infrastructure projects. The trend is growing: Road pricing and other auto-related fees are being done in some Southern California communities—would raise money to pay for highway maintenance and upgrades while also generating revenue to support other infrastructure projects.

Key tactics include expanding the use of existing financing tools:

- **Increase the use of General Obligation (GO) bonds for local and regional infrastructure 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.
- **Increase the use of the ballot for street improvements.** This strategy, for example, allowed Bay Area residents to vote for Proposition 13, passed in 1978, imposed these requirements. Proposition 13 imposed these requirements. Before that, local jurisdictions did not need voter approval for tax increases. Proposition 13 gained support as Californians grew frustrated with unpredictable, and sometimes rapid, increases in tax rates in some jurisdictions.
- **Use existing user fees such as road pricing to finance infrastructure.** Road pricing and other auto-related fees raise funds directly from the users of highways and roads to cover the cost of maintaining an extensive auto-oriented infrastructure. Unlike the local tax and GO bond strategies, revenue raised this way would not face the same high voter threshold. Road pricing also prompts motorists to think about the cost and impacts of driving, which nudge drivers toward using carpools or transit, especially when the user fees raise funds to improve non-auto systems. In this way, road pricing can lighten the load of cars on the road and improve mobility. Establishing tolls on the Bay Area’s main highways—as being done in some Southern California communities—would raise money to pay for highway maintenance and upgrades while also generating revenue to support other infrastructure projects. The trend is growing.

California requires very high voter thresholds for raising the funds needed to build complex infrastructure projects. Any property tax increase to finance infrastructure would be the tax they pay to fund transportation and other projects. San Francisco has estimated that an increase of 0.5 percent in the sales tax rate could generate $69 million per year between 2016 and 2030.

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 benefit from the infrastructure investment—the users. This approach could increase overall support for infrastructure funding. For example, road pricing and other auto-related fees would raise funds directly from the users of highways and roads to cover the cost of maintaining an extensive auto-oriented infrastructure. Unlike the local tax and GO bond strategies, revenue raised this way would not face the same high voter threshold. Road pricing also prompts motorists to think about the cost and impacts of driving, which nudge drivers toward using carpools or transit, especially when the user fees raise funds to improve non-auto systems. In this way, road pricing can lighten the load of cars on the road and improve mobility. Establishing tolls on the Bay Area’s main highways—as being done in some Southern California communities—would raise money to pay for highway maintenance and upgrades while also generating revenue to support other infrastructure projects. The trend is growing.

6.4: Leverage private capital for public infrastructure projects that create jobs. The Bay Area has significant private capital that could be invested in the region’s infrastructure. Public-private partnerships (PPRs) allow local governments to leverage complex infrastructure projects by leveraging expertise and off revenue bonds (currently the more common approach). For example, the Richmond Bridge project has been a success in San Francisco, an agreement with freeway use 140 over between the Bay Bridge and the Carquinez Bridge. That congested corridor is well-served by BART, ARC Transit and Capitol Corridor rail, so drivers have alternatives for traveling within that corridor, as well as through to the Bay Bridge and the North Bay. There are other user fees tied to auto use that MTC could raise. The tolls on Bay Area bridges are lower than tolls in other metropolitan areas, 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 transit and carpool use by raising the cost of driving. An increase to the vehicle license fee, 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 for services such as water, sewer, gas and electricity.

STATE VOTER-APPROVAL REQUIREMENTS MAKE IT HARD FOR LOCAL JURISDICTIONS TO FINANCE NEEDED INFRASTRUCTURE

The infrastructure that brings water, power, people, energy and more to the region is also in critical need of upgrades. A lowered voter threshold for successful specific types of infrastructure improvements could allow for crucial improvements to ensure the growth of the economy over the decades to come.
resources from the private sector. When public financing is inadequate to maintain infrastructure, regional entities can 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 savings to the public. This approach limits some of the risk associated with infrastructure financing away from the government onto private sector partners.

The West Coast Infrastructure Exchange (WCX) is a multi-state cooperative created to attract infrastructure projects in California, Oregon, Washington State and British Columbia. By centralizing the data, the WCX hopes to bundle together similar infrastructure projects in order to attract private partnerships. This initiative opens new possibilities for local jurisdictions whose infrastructure projects cannot be completely implemented with federal or state funds.162

The Bay area is also well-positioned to leverage private investment from overseas. The region makes a desirable investment for Asian and European investors (e.g., Chinese investors helped finance the Brooklyn Basin development in Oakland), thanks to its location and infrastructure, air connections and the presence of consulates and economic development offices from France, the Netherlands and other countries.

Challenges

• Some of these strategies, such as using GO 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, relying on local and regional financing could put the region at a slight competitive disadvantage. For example, many communities already have high sales taxes when compared to national averages.
• Private sector involvement in public sector infrastructure or services, if carried out with inadequate fiscal and administrative oversight, may result in excessive costs, poor performance and/or unexpected burdens. For example, after the City of Chicago privatized its 36,000 parking meters, the city’s inspector general concluded that “the city was paid, conservatively, $194 million for this 75-year lease because the city would have received from 75 years of parking-meter revenue.” And it gets worse: A non-compete clause prohibits the city from building any parking lots or other developments near the parking meters. Any such partnerships should be carefully reviewed and should only be entered into if they help the public and private partners achieve mutual long-term goals; in other words, they must be more than just a means to raise short-term cash.
• P3s are new enough that there is no common approach to P3 implementation (especially when they’ve been implemented through infrastructure banks). A number of legal gray areas could dissolve risk-averse cities and private entities from entering these partnerships.
• Road pricing and other user fees raise concerns about fairness. 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 the time they’re saving more than the money they’re spending on the toll. One way to address this inequity would be to offer qualifying drivers a certain number of free trips per year on the highways. FastTrack could manage this program.164
• Many of these measures would require a two-thirds approval by the local electorate. It may be difficult to draw support for tax increases on a regional basis, because some communities will inevitably feel that they’ll derive less benefit from the proposed project.

Public-Private Partnerships for Infrastructure Funding in Chicago

Chicago is pioneering public-private partnerships (P3s) at the regional level that can benefit not only the City of Chicago, but many communities already have high sales taxes when compared to national averages.

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Planning for Infrastructure Across Multiple Jurisdictions: The Northern Western Initiative

Contra Costa County’s Northern Waterfront Initiative, which stretches from Hercules to Oakley, is a multi-jurisdictional effort to secure infrastructure investments for a area with a strong industrial legacy where outdated infrastructure underlines job growth.165

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 industries that produce middle-wage jobs, such as advanced manufacturing, logistics/exports and clean energy. Nearly half of the manufacturing firms in the area plan on growing their business in the coming three to five years.166

For that growth to occur within the region (as opposed to outside the region, where the cost of new construction is often lower than the expense of remediating old sites167), there must be major upgrades to infrastructure. The roads and rails are too congested, too shabby to handle the increased use and does not adequately reach many industrial parcels. And the area lacks fiber optic cables, which enable the Internet access that in turn enables manufacturing processes.

For more general information on infrastructure banks, see: Congressional Budget Office. Infrastructure Banks and Surface Transportation. July 2012. Available at: www.cbo.gov/sites/default/files/attachments/07-12-infrastructureBanks.pdf


STRAIGHT 7: MANAGE THE REGION’S TRANSPORTATION AS AN INTEGRATED SYSTEM THAT IS EASY TO NAVIGATE.

To grow the economy, particularly middle-wage jobs, the region’s transportation system should enable workers to access their workplaces and other essential services as quickly and efficiently as possible. The Bay Area’s transportation system includes 27 public transit operators, as well as dozens of shuttles, vanpools, carpools, ride-sharing systems and other arrangements. While most travel in the region takes place in a single-occupant car, this strategy focuses on making transit and other shared transportation options more viable for more workers. This aligns with Plan Bay Area’s goal to reduce greenhouse gas emissions by making the transportation system more economically sustainable. Making more efficient use of existing systems (like roads) by encouraging a shift toward more carpools, vanpools, shuttles and transit allows the same asset to be used by many more people. Having better alternatives to automobile driving will make the Bay Area more economically competitive as it enters an era in which the government plans to reduce highway spending.

The overall goal of this strategy is to move in the direction of increased spatial mobility—so 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 ride sharing, shuttles and carpooling are also necessary.

This strategy emphasizes three key changes to the region’s transportation system:

1. Make the experience of transit in the Bay Area look and feel like a more unified system.
2. Provide more and better first- and last-mile transportation options.
3. Align the region’s land use policies with its transportation system to encourage development.

Actions

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

Clipper is a step toward a unified experience. This payment method (the Clipper card) is currently accepted on major transit operators and is being adopted by smaller operators. But Clipper is confined to public transit (and some parking garages). Expanding Clipper so that it can pay for additional parking facilities, vanpools, shuttles, carpools, ride sharing, and bike sharing will help create a unified brand for transportation. In Helsinki, Finland, for example, a “mobility on demand” system combines a wide variety of transportation options (from bus to train to taxi to car sharing) onto a single mobile platform. The approach enables “point to point” travel that may become so seamless that it replicates the advantages of car ownership.122 Clipper allows riders to use a variety of transit operators relatively easily, but the system has few discounts for riders whose total trip requires multiple operators (such as taking a local bus to BART). Many of those operators do not have integrated schedules or common fares, and the gaps make the travel experience less seamless.

Over a million commuters cross a county boundary every day to get to work. Many of the area’s 27 transit operators primarily operate within one county. Regional services like BART, Caltrain, Golden Gate Transit and AC Transit’s Transbay bus service handle most of the transit trips across county boundaries. As noted earlier in this report, workers who leave their 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 reducing the cost of transferring between transit operators supports economic mobility by making it easier for many workers to access greater opportunities.

In addition to expanding Clipper, other steps to integrate the region’s transportation system include:

- Set uniform fares for travel on all Bay Area transit operators. For example, the cost of a local trip would be the same across transit operators, as would the age cutoff and fare for a youth or senior. There are currently many disparate fare policies across the region’s transit systems.123
- Establish a common approach to fares that is either zone-based or distance-based. As noted above, someone who has to take a bus to reach BART or Caltrain should not pay extra. Establishing uniform fares for travel across any or all transit operators within a zone is one solution. A related solution, distance-based fares would eliminate any transfer penalty and would price the transit trip based on how long the trip is, not on how many transit operators are used.
- Create shared schedules. Transfers between systems only work when the bus or train is there. Unified schedules would be a step toward ensuring seamless transfers.
- Produce a common regional transit map. Individual transit operators have their own unique transit maps, which do not always show other operators, making it difficult for those who are unfamiliar with the transit system to use adjoining transit systems.
- Clipper, or a future smartphone-based payment system, could be the consumer-facing system that implements coordinated fares and transfers (once Clipper is ubiquitous throughout the region). An integrated payment system could build in discounts for using different transportation options and could save users money.
- Internationally, Transport for London (TfL) shows 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, subways, riverboats and even national rail services within the Greater London region. Note that various private companies provide transportation services in London, but the TfL and Oyster card system provides 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- and last-mile programs, such as shuttles.

Throughout the Bay Area, only about a quarter of all jobs are located within a mile of a regional transit stop. Hundreds of thousands of additional jobs are located 1 to 3 miles away, too far for most commuters to walk, but too close to be cost-effective to provide. As a result, these jobs are difficult to reach by transit. The AVL has partnered with companies to provide local bus service to BART. Work locations near neighborhood 27130

Partners

Implementation of this strategy will require coordination between transit operators, regional planning agencies (primarily MTC), Congestion Management Agencies, employers and employer associations. Local cities and county governments are also essential to maintain support for land use plans and local street design and transportation planning that reinforce transit.

One example that demonstrates the potential—and potential challenges—of a regional fare system is the monthly pass arrangement between SF Muni and BART. Those who hold Muni monthly passes can also ride BART within San Francisco, which allows for seamless use of BART and Muni. However, the system only works within San Francisco and requires monthly pass holders to pay a premium to use BART (despite the fact that during off-peak hours it is cheaper for BART to carry the passenger than Muni). Nonetheless, a similar arrangement between AC Transit and BART in the East Bay could lower transit costs for workers while allowing them to use local buses to access regional rail.

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To make traditional fixed-route transit service faster, workforce development and new housing.

• Consider adding new transit service outside existing employer shuttles.

• Give low-, moderate- and middle-wage workers (particularly contractors) access to existing employer shuttles. Employers and office park managers can run shuttles to and from communities with larger shares of contractors and can 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, transit agencies should focus their resources and add service frequency in high-ridership corridors. But decisions about adding new routes and making service on some routes more frequent should add service frequency in high-ridership corridors.

• The region has more than two-dozen separate transit operators, each with unique brands, fares and schedules. The update to Clipper is an opportunity to establish a unified transit experience throughout the region.

• Encourage employers to subsidize transit passes. When employers provide transit passes, it reduces the cost of transit for workers and may allow some workers to live without a car. Implementing the Regional Commute Benefit law (SB 1339) can help accomplish this, although this bill only requires employers to provide access to pre-tax commuter benefits, not to provide any direct funding for commuting.

Challenges

• Most workers in the region will continue to use single-occupancy vehicles because current land use patterns make driving faster than transit for most commuters.

• Integrating Clipper with other transportation options and implementing a regional fare policy will not necessarily increase the number of transit riders substantially. Transit cost is not the biggest or only barrier to using transit to get to work. Service quality and reliability are also significant factors.

• The cost to integrate Clipper with other transportation services might be prohibitive. Coordination among multiple agencies, vendors, transportation providers and stakeholders will be difficult.

• Locating the funding and determining how to deploy shuttles, vanpools and first- and last-mile transportation options will take a lot of effort.

• Focusing transit resources on high-ridership corridors could shift funding from lesser-used services like first- and last-mile transit and late-night services that cater to lower-wage workers. Reducing the zero-sum game in transit funding means forging better connections between traditional public transit and other, more flexible services, such as ride sharing.

The region has more than two-dozen separate transit operators, each with unique brands, fares and schedules. The update to Clipper is an opportunity to establish a unified transit experience throughout the region.

On the policy side, the following are some key regulations that make a big impact on economic growth and middle-wage job creation.

Federal role

• Immigration: Policy action or inaction on immigration reform affects both the flow of workers to Bay Area companies and the daily lives of tens of thousands of residents who seek citizenship or legal status.

State role

• Redevelopment: The elimination of the redevelopment system has had a major impact on funding for affordable housing, as well as on cities’ abilities to finance the revitalization of their downtowns or other areas.

• Revenue: State policies on taxes affect the extent to which local governments or regions are able to secure their own funding sources. For example, state rules dictate that two-thirds of voters must approve local sales taxes or GO bonds for transportation. Similarly, the state controls the process for changing the gas tax or imposing tolls on highways.

• Environmental policies: The California Environmental Quality Act (CEQA) plays a major role in the process for approving development projects, especially projects within existing urbanized areas (like many parts of the Bay Area). Local areas and regions have very limited discretion to make changes to the law.

• Land use planning: While local governments retain the power to determine land uses, their power flows from the state. Attempts to more closely tie transportation spending with land use planning (such as SB 375’s requirement that each metropolitan planning organization must complete a Sustainable Communities Strategy) are products of state law. Policy action and policy action could further encourage local plans to be in accordance with regional plans and/or state priorities.

A key finding of this overall report is that regions are extremely limited in their ability to pursue strategies that directly result in a dramatic increase in middle-wage employment. Instead, federal and state policies and investments heavily shape the extent to which the economy grows and whether or not it produces middle-wage jobs. In short, investments equal jobs, and policies shape markets.

In these areas, both federal and state investments have a major impact on job growth and job quality:

• Education: The majority of funding for K-12 and higher education comes from the state government. An important, though smaller, share of funding for education comes from the federal government.

• Workforce development: The bulk of funds for training comes from the federal government, but the state plays a major role as well.

• Health care: Funding for health care affects access to care for large numbers of people (from veterans to seniors to those with lower incomes).

• Transportation: All major transportation projects, such as the Bay Bridge rebuild and the BART extension to San Jose, require significant investment from the federal or state government. Since the real value of the gas tax is declining, the federal government provides significantly less funding for transportation investments (even though the needs for those funds are increasing).

• Other infrastructure (such as energy and broadband): Federal and state investments are also important for the energy grid, and the telecommunications network.

• Housing: Federal and state investment in housing ranges from tax expenditures like the mortgage interest deduction to funding for programs such as public housing vouchers (like Section 8), tax credits for affordable housing developers and more.

On the policy side, the following are some key regulations that make a big impact on economic growth and middle-wage job creation.

• Trade: The specifics of trade agreements impact the availability of export markets for Bay Area companies, as well as the extent to which Bay Area companies compete with lower-priced imports in the domestic market.

• Taxes: Decisions about overall government revenues from all sources of taxes shape federal investment. Policies about specific taxes such as the gas tax or tax credits (for renewable energy or clean vehicles, for example) have a direct impact on markets that may benefit specific industries within the Bay Area.

• Currency: The value of the dollar relative to other currencies directly affects foreign investment, as well as the competitiveness of domestic goods and services in export markets.
Increasing 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 lower-wage jobs. The strategies in Goal C focus on changes to hiring, employment and compensation practices in the lower-wage segment of the labor market. Strategy 8 focuses on improving conditions (such as a minimum wage increase) for all lower-wage workers within a geographic area. Strategy 9 focuses on professionalizing and improving conditions for all workers in a specific industry (such as janitors or security guards). Strategy 10 focuses on raising wages or achieving specific public benefits for workers who are directly connected to public investments or to a major policy action.

Background and context

Goal C speaks to building basic economic security, which some have argued is a necessary precursor to economic self-sufficiency. Quite simply, low wages limit one’s ability to make investments that support upward mobility. When workers’ wages are low, most income goes toward basic living expenses. This leaves little left over to finance education or training, to serve as a reserve for periods of unemployment or underemployment, to invest in an entrepreneurship opportunity or to pay for other opportunities, such as purchasing a car or paying more in transportation costs to access a better job farther away. In addition, many lower-wage workers must cope with unpredictable work schedules and unstable annual earnings. This also limits their upward mobility by making it hard for them to get a second job, search for higher-paying work or attend training or school and by diminishing their physical and mental health.

Achieving basic economic security through work is an essential part of improving economic and career mobility. Quite simply, before workers can pursue higher goals, they must fulfill their basic needs for food, shelter and security. If workers have two full-time jobs just to pay for basics, then they are unlikely to have either the time or the energy to enroll in training. If they can’t 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 their own business as a pathway to the middle.

In addition to the challenges to economic mobility posed by low wages, many workers are also challenged by the instability created by unpredictable or precarious employment relationships. Many industries are participating in a long-term trend away from traditional employment relationships toward contingent workforces, with an increased use of contract, leased, seasonal or part-time employees, temporary agencies, independent consultants and even day laborers. This approach offers flexibility for the employer but rarely provides stable employment or workplace protections. Even some workers with secure jobs with benefits do not have consistent schedules as employers use automated scheduling software that adjusts each employees work hours weekly. Many contingent workers do not earn middle-income wages.

The strategies in Goal C will both improve productivity for employers and improve wages and working conditions for employees.
The following key findings reinforce the need for strategies that support economic security:

- There will be a substantial number of lower-wage job openings in the coming years. Projections through 2020 show an anticipated 50,000 lower-wage job openings annually, but only 30,000 annual middle-wage job openings. Many of these positions pay lower wages (such as child-care providers, janitors, groundkeepers and restaurant employees) are likely to grow over time.

- There are not enough job openings in the middle to benefit substantial numbers of current lower-wage workers. With the current workforce consisting of more than 11 million low- to moderate-wage workers, even the most effective ways to promote upward mobility 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.

- Many workers remain in lower-wage jobs throughout their entire careers. Close to half of lower-wage workers are over 35.

- Lower-wage workers tend to lack stability in both assets and income. Many lower-wage workers have jobs that don’t allow them to acquire sufficient hours or a consistent schedule. Inconsistent hours equate to unstable income. Workers in such a situation are less likely to secure certain work hours to take a training course, invest time and resources in seeking a new occupation or even take out a loan to start a new business.

- 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 employs blanket criteria to exclude large pools of applicants, even if the applicants possess all of the skills, experience and qualifications needed. 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 those with a recent spell of unemployment, those without a generic bachelor’s degree (even if the position does not require a college degree), and, in some states (but not California), those with a low credit score.

- Firms in industries or sub-sectors 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 depends on using a high-turnover workforce with a majority of low-skilled, low-wage workers. When this model predominates, it makes it difficult for them to change their cost structure.

- There is a substantial barrier to any employer that wants to invest more in their workforce through higher wages or benefits. Even if investment in the workforce would lead to improved productivity over the long term, in the short term the additional expense would place that employer at a competitive disadvantage compared to other firms in the industry.

Proposed strategies

The following are three key strategies to upgrade conditions for workers at the bottom of the wage scale:

- **Strategy 8: Raise the floor by increasing minimum standards for equal opportunity, working conditions and compensation in lower-wage occupations.** This strategy focuses on setting uniform labor standards across an entire geographic area, such as a city or county.

- **Strategy 9: Organize and professionalize industries to improve wages, benefits and career ladders.** This strategy focuses on improving the conditions across an entire industry.

- **Strategy 10: Establish standards to ensure that the investment of public dollars is aligned with the goal of economic opportunity.** This strategy focuses on the direct role played by public sector entities as market actors by setting baseline measures for investments that are directed to public sector funding or equity decisions. While each strategy helps improve conditions for lower-wage workers, not all of the approaches described in Goal C are appropriate in every community, and not all possible approaches are listed. The approaches discussed here were selected because they offered the following benefits: (1) the ability to set uniform standards across an entire sector or area, (2) the potential to invest more in their workforce through higher wages or benefits and (3) demonstrated feasibility (that is, approaches that have already been successfully implemented in one or more areas).188

188 For example, a City University of New York (CUNY) survey of employees at a retail establishment in New York City found that 83 percent of workers surveyed did not have a set schedule at the place of work. See: http://nelactactionproject.org/wp-content/uploads/2012/03/D7_75_RAP_cover_years.pdf and www.nelac.org/site/default/files/pdf/rew_scheduling_fact_sheet.pdf

189 Numerous other approaches exist, ranging from food assistance to matched savings accounts and many more. This section does not attempt to enumerate every such strategy. Rather, the approaches profiled are limited to those with a direct link to work, reflecting the mandate of the Economic Prosperity Strategy to focus on employment. In addition, approaches to inadequate wages may focus on the cost side of the equation by attempting to reduce costs for necessities like housing and transportation, which typically make up large proportions of low-wage workers’ budgets. Access to and the affordability of housing and transportation are addressed under Goal 8.


192 In New Mexico, the City of Albuquerque, the City of Santa Fe and the County of Bernalillo all have local minimum wages. 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 hour. On the East Coast, Montgomery County and Prince George’s County, Maryland, and Washington, DC have local minimum wages. In November 2013, voters in Santa Clara, California narrowly approved the nation’s then-highest minimum wage of $15 per hour. The measure faced a legal challenge about whether or not it applied to workers at the SeaTac airport. SeaTac’s international airport is located in the City of SeaTac. The City of SeaTac is in the process of enacting a local minimum wage, which would reach $15 per hour over several years of phased increases.

193 The Richmond City Council voted to enact a local minimum wage in March 2014. Florida, Berkeley, Sunnyvale, Mountain View and unincorporated Santa Clara County are all at various stages of implementing or considering local minimum wages.
There is currently no federal policy requiring paid sick days (or even time off of any kind). In the absence of federal action, U.S. cities and states have moved to establish policies on earned sick days. Cities that have passed ordinances requiring some type of paid sick days in the private sector 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. An earned sick days 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 paid time off. 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 work in jobs that provide paid sick days than are higher-wage workers. An analysis of the 2010 BLS National Compensation Survey found that the incidence of paid sick days rose steadily with wages; 86 percent of workers in the highest-wage quartile had access to paid sick days, compared to just 32 percent of workers in the lowest-wage quartile.186

Not only does the lack of paid sick days raise public health issues (because employees may continue to report to work when they’re impaired and/or contagious), but it also damages low-wage workers’ income stability. A worker who is too sick to work for just two days in a month loses two days’ pay—that’s 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 determine their ability to take the financial risk needed to leap to a higher-paying career.

In 2006, San Francisco voters adopted a paid sick day ordinance. It requires 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 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.187

Best practices in existing sick time laws include:
• Flexibility for employers in implementing the policy. Many businesses have established systems for the accrual of paid time off; for example, rather than providing vacation days and sick days separately, they may combine the two into a flexible “time bank” known as Paid Time Off. A flexibility provision can allow businesses to use PTO or other existing policies to comply with the new law, so long as the accrued time off can be used for the purposes enumerated in the ordinance.
• A tiered requirement for smaller businesses, which recognizes the particular burden on businesses with fewer employees by requiring fewer sick leave hours for smaller firms.
• A collective bargaining waiver provision, which would exempt existing collective bargaining contracts that have a different provision regarding sick time, 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 time and permitting them to use their earned sick days to care for a sick child, family member or senior care provider.
• Safe leave, which allows accrued sick time to be used as “safe” days for victims of domestic violence, sexual harassment, assault or stalking (for instance, if a victim needs to leave his or her home and seek shelter).

Localities that have established earned sick leave statutes include San Francisco,188 Jersey City, Newark, New York City, Portland, Oregon; Seattle; and three cities in New Jersey; and Portland, Oregon. The Portland Protected Sick Time Ordinance was passed in March 2013 to take effect Jan. 1, 2014. The Portland ordinance covers all employees who work within the city boundaries for at least 240 hours per year. It allows them to accrue one hour of sick time 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 days. Those with 5 or fewer employees may offer unpaid sick days.

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 long as the time off accrued may be taken without notice if it is needed for the purpose of sick leave. Earned sick days 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.189

There are generally two main models for implementing an earned sick days ordinance:
• The Seattle model, where the mandate is expressed as a specific number of hours of earned sick leave per year, e.g., 40 hours in Seattle.
• The San Francisco model, which allows businesses to set aside unused sick leave, e.g., 30 hours in San Francisco.

In San Francisco, employers are only required to provide earned sick days to workers who work within the city boundaries for at least 240 hours per year. The requirement is expressed in terms of hours earned each year: every 30 hours worked results in one hour of earned sick days. Workers can use earned sick days to care for themselves, a family member, or other designated person for illness, serious health, sexual assault, domestic violence, sexual harassment, or other emergencies. Workers also receive earned sick days for the birth of a child or adoption, and for the serious illness of a dependent relative. While the ordinance mandates earned sick days, it also allows employers to establish company policies that allow employees to use this earned time for purposes other than illness or personal care; for example, the use of earned sick days can be part of a broader safe leave policy.190

The Portland ordinance, which went into effect March 1, 2014, requires additional paid time off for another paid leave policy; that is, the days of earned sick leave in Portland cannot be used for the purposes outlined in the Portland ordinance.191

186 San Francisco’s updated local minimum wage (Proposition J on the November 2014 ballot) includes exemptions only for 16 and 17 year olds in after-school or summer youth programs where the parent is paying the youth for a short duration (such as the Mayor’s Youth Employment Program, or MYEP) or for workers over the age of 55 working at nonprofits who are also providing services to seniors.
187 The idea of a higher statewide minimum wage that established different indexed minimum wages for different areas was one of the policy concepts discussed at the Leap Forward conference in Los Angeles in February 2014. See: http://leapforwardproject.org/conference/
190 The Portland Protected Sick Time Ordinance was passed in March 2013 to take effect Jan. 1, 2014. Employers who offer paid sick leave must post a notice describing employees’ 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/
191 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
193 http://www.njbiz.com/article/20140128/NJBIZ01/140129732/
194 Newark passes mandatory paid sick leave policy

• Clearly specify how the ordinance is to be applied to employees who perform work both within and outside of the city.
• Coordinate with surrounding jurisdictions to enact the same minimum wage across a county or subregion.
• Limit exemptions (such as after school or summer youth programs for 16 and 17 year olds) so eligibility and enforcement are clear.188

A few public policy researchers have floated the idea of a state minimum wage policy that expressly protects higher minimum wages in certain regions or areas of the state whose economies could support those wages. For example, higher-wage economies such as Marin, San Francisco and San Mateo counties might be assigned a higher minimum wage, while areas like Solano County might remain at a lower minimum wage, likely at the same level as the broader State’s minimum wage.189

8.2: Enact earned sick days ordinances or other paid time off.

Earned sick days provide employees with the right to accrue paid time off that can be used when they fall ill or must care for a child or family member who is ill. Nationally, an estimated 40 million American workers, nearly 40 percent of the private sector workforce, have jobs that provide no paid sick days.190

Raise the floor strategies like local minimum wages and earned sick days provide tremendous benefits to many lower-wage workers. While these measures increase direct costs to employers, they can result in reduced turnover which increases productivity. A

PAID SICK DAYS IN PORTLAND, OR
GOAL C: UPGRADE CONDITIONS IN LOWER-WAGE JOBS.

The “ban the box” approach, also known as “fair chance hiring,” is legislation that would prevent employers from asking job applicants about their criminal history. Alternet. April 18, 2014. Available at: http://www.alternet.org/labor/nebraska-joins-states-banning-employers-asking-job-applicants-about-criminal-history.

In 2013, the State of California passed AB 218, a basic “ban the box” bill that prohibits state and local government employers from asking job applicants for information regarding their criminal history. This bill passed despite the agency’s determination of “potential hires” minimum qualifications. Minnesota, Illinois, Maryland and Rhode Island all passed similar laws in 2013. In total, 11 states have enacted some variety of “ban the box” policy, most recently Nebraska: five of those states have extended the policy to private employers. In addition, 56 U.S. municipalities have removed questions about arrest and conviction records from their initial applications for public employment.

Some private employers have voluntarily implemented their own “ban the box” policies. For example, in 2012 the Oakland City Base Redvelopment project that included a “ban the box” policy, which applies to all construction and permanent jobs to be created by the project.

The City and County of San Francisco eliminated the criminal background question on initial applications for most city jobs in 2006. In 2014 it adopted a “Fair Chance Ordinance” that establishes a similar policy for most private employers. The ordinance, which took effect on August 13, 2014, will apply to businesses with 20 or more employees. The legislation requires employers to reserve questions about criminal records 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.

A diverse range of organizations supported the San Francisco ordinance, from the Community Organizing Partnership to the San Francisco Chamber of Commerce.

8.4: Strengthen local enforcement of wage and hour laws.

Low- to moderate-wage workers are proportionately subject to violations of wage and hour laws. These wage and hour laws are typically state and federal (and sometimes local) requirements for employers to pay workers for time worked. 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 the law. However, in practice these violations are increasingly common because employers frequently adjust their practices in order to make wage theft a widespread and persistent problem throughout California and the United States. First, enforcement is largely complaint-based, driven by workers’ individual claims. 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 violations goes unreported.

Second, even when an employer is found guilty of a wage law violation and a penalty is 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 even when employers agree to a settlement. The National Employment Law Project (NELP) has compiled proactively seeking to resolve a claim and is not to engage in wage theft, by creating additional local penalties which have more direct contact with both employers and workers, the opportunity to play a role in community education, employer outreach, legal support and assistance with enforcement of the new law.

To address wage and hour violations, local governments across the country have begun to pass “wage theft ordinances.” In the Bay Area, several cities have passed a wage theft ordinance in 2011, and Santa Clara County is in the process of developing a similar policy. An April 2014 staff report recommended “adapting local tools to enforce existing state and federal wage theft laws at the local level, including promoting the company’s permitting and contracting processes to incentivize employers not to engage in wage theft, by creating additional local penalties in addition to impacting the economic stability of the affected workers.”

In California, three recently passed laws (AB 263, AB 524 and SB 666) provide additional tools for enforcement of wage and hour statutes.

These bills give local government agencies, which have more direct contact with both employers and workers, the opportunity to play a role in community education, employer outreach, legal support and assistance with enforcement of the new laws.

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A 2013 review of the most recent decade of economic research on minimum wages found that the weight of the evidence points to little or no employment response to modest increases in the minimum wage.213 Some studies have found relatively minor decreases in job quality for affected workers. 214 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.”215

Earned sick days policies, although common in other wealthy countries, are a more recent innovation in the United States than minimum wages; the first local policy was enacted in San Francisco in 2007. The evidence to date (in those jurisdictions that implemented earned sick days policies between 2007 and 2012) suggests that providing earned sick days has improved productivity and has had no negative impact on job growth, on profitability or on where businesses decide to locate.216 In Seattle, the city auditor released a report on the implementation and initial outcomes of that city’s earned days ordinance in April 2014. The report found that almost all Seattle employers (96%) now offer some paid time off to their full-time employees. Among employers with part-time employees, 62% cover their part-timers. Employers in the food and accommodation sector posted the greatest increase, with 78% of employers now providing paid time off, up from 14% a year prior.217 These early studies have relied primarily on employer surveys, with some analysis of labor market data.

The City and County of San Francisco presents a unique opportunity for a case study, because it has passed an extensive set of local employment standards since the 1990s, including a city minimum wage, a requirement to offer earned sick days, an employer health-care mandate and an ordinance establishing employees’ right to request a flexible work schedule. In 2014, economists at the University of California, Berkeley studied the cumulative impacts of San Francisco’s standards. They found that the labor standards had no effect on overall employment in San Francisco compared to surrounding counties.218 Overall, there are three key benefits of “raise the floor” strategies:

- **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 up. “Raise the floor” standards, on the other hand, are designed to apply to all or nearly all employers in a region. These strategies touch a broad swath of low-wage workers; besides benefiting individuals, they have the potential to shift the structure of the local labor market. For example, in February 2014, the Congressional Budget Office estimated that an increase in the federal minimum wage from $7.25 to $10.10 would directly raise the wages of 16.5 million workers, with another 8 million workers receiving indirect increases.219

- **Minimal cost to taxpayers.** Because “raise the floor” strategies typically apply to all employers within the city, county or other jurisdiction, this uniformity simplifies compliance for businesses. For example, if you’re a business owner, verifying that you’re paying the minimum wage to all of your workers is far simpler than understanding and complying with programs that may target only a particular company, take effect within only a targeted zone of the city or apply only for a particular category of workers. It is important to note that “raise the floor strategies” can be adapted and adjusted based on the size of an employer.


27) In addition, workers centers’ (described in Strategy 9) can provide resources and support to educate workers on wage and hour laws and can collaborate with federal, state and local agencies to collect data on violations of workplace standards.

Challenges

- Raising employer costs affects industries and employers in different ways and may have a disproportionate impact on certain industries and types of businesses. For example, an increase in the minimum wage is more difficult to absorb for a bookstore owner, who cannot raise prices past a given point (because prices are listed on the backs of the book). And who faces competition from online retailers in other locations.

- Residents, workers, businesses and economic activity in the Bay Area all cross city boundaries constantly. For this reason, inequities can arise when workers are treated differently on one side of the street (the other way two cities with different standards border each other). Varying standards can also result in disputes and legal challenges, which can cost businesses in terms of compliance and efficiency. Depending on how the policies are adapted and adjusted based on the size of an employer.

For many lower-wage workers, securing higher hourly pay is only part of what would improve employment conditions. Also important are finding jobs with benefits like paid sick leave as well as predictable and consistent schedules.186

For violations of state and federal law, and by supporting workers in their pursuit of recovery of unpaid wages.”218

For additional challenges, benefits, and strategies, visit Working Partnerships USA Available at: http://sccgov.iqm2.com/Citizens/Detail_LegiFile.aspx?Frame=&MeetingID=5477&MediaPosition=&ID=71327&CssClass=

- 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 backgrounds. These policies may need adjustments to ensure that employers have policies that meet the needs of their businesses and employees.

- For additional challenges, benefits, and strategies, visit Working Partnerships USA.
Lower-wage workers make their biggest gains when entire industries become professionalized and organized. For example, starting in the 1990s, several organizing campaigns for janitors across California’s major cities successfully increased wages for most janitors from close to minimum wage to more than $35 per hour plus full benefits. The professionalization of industries also increases the quality and reliability of services or goods for the consumer; a licensed electrician, for example, is more likely to have received all the requisite training standards.

The professionalization of an industry often means that companies want to be more competitive, so they aim to cultivate a productive workforce that can offer the highest-quality goods and services. Professionalization policies, like training and licensing programs, when combined with labor and employment law, can significantly upgrade the skills and wages in a low-wage industry.

These strategies generally work best across an entire industry or occupation, so individual employers may wish to pay their workers more but may be at a competitive disadvantage given the margins in their industry. Strategies that organize or professionalize workers across the entire industry reduce these competitive issues and can lead to improved productivity in the industry overall.

Nonetheless, individual employers can be quite successful by pursuing these strategies. For example, Costco is 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 had direct costs to taxpayers.229 Wal-Mart’s employee turnover is approximately 44 percent, while Costco’s is only 17 percent.230 Costco seeks to maintain positive relations with employees and is able to pay higher wages in a highly competitive retail environment through cost savings from reduced employee turnover.

Worker centers and joint labor-management partnerships for workforce training, and organizing unions all serve to upgrade the low-wage jobs and provide employers who compete in the Bay Area economy with higher-skilled and more productive employees.234 These actions and tools are explained below.

**Strategy 9: Organize and Professionalize Industries to Improve Wages, Benefits and Career Ladders.**

**Partners**

The key actors to implement this strategy include employers, labor unions, and community organizations.

**Actions**

9.1: Support worker centers and industry guilds that help establish minimum wage rates and job standards for industries.

Two key approaches for raising standards for contingent workers are worker centers (sometimes known as day laborer hiring halls) and industry guilds (new types of labor organizations).

Worker centers have become more common over the past 20 years; estimates suggest that today there are more than 200 nationwide.235 These centers provide the following essential services:

- They establish a minimum wage.
- They create a rational system for distribution of work through a hiring hall.
- They enforce wage rates and working conditions by providing legal and advocacy support to workers with pay disputes or employer complaints.
- They provide training and social supports to contingent workers. Worker centers generally deploy workers for construction, gardening, agricultural 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 Central Legal, 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 2015.236

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

Local jurisdictions can encourage worker centers by offering in-kind support such as meeting space and offices or by giving financial support to the nonprofit, labor or faith-based groups that generally operate these centers. For local jurisdictions, worker centers provide a rational alternative to criminalizing day labor (which happens when local communities enforce laws against loitering or fine employers who use day laborers).

Industry guilds give workers a network 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 offers 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 research about potential career pathways
- Job training and career development opportunities, including the annual Social Justice 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 industry.

Over the past 10 years, taking a sector-based approach to workforce development has become a best practice for employers in the California building trades, previously unorganized industries.

One way to implement a sector-based approach is through joint labor-management training partnerships. Utilizing this
electricity and so forth) can join joint labor-management funds that sponsor apprenticeships, training programs that provide lifelong learning so that journey-level workers can upgrade their skills to meet employers’ latest needs. But joint labor-management training partnerships are also used in a number of industries, among them health care, janitorial and building services, culinary arts, hospitality, transportation and manufacturing.

Encouraging more employers to enter into partnerships with labor unions can have the following benefits:

- Workers may place more trust in joint labor-management training partnerships than in other workforce development strategies because they take into account both the industry’s priorities and workers’ needs. The labor-management relationship also provides organizational stability for the training program, and it offers the ability to modify the training and the design of work as industry needs evolve.229
- Joint labor-management training partnerships are directly accountable to employers. Involving several employers at once helps ensure that employment opportunities will be available for training graduates. Funding the training through automatic deductions from employers creates a sustainable, dependable funding stream. It also ensures that employers are invested in the partnership’s success and has a strong incentive to engage.

3.5: Reduce barriers to unionization.

Unionizing significantly improves wages and benefits for workers, particularly younger workers, women and minorities in low-wage industries.230 But there can be significant losses for both employers and employees during union organizing campaigns whose goal is to hold an election supervised by the National Labor Relations Board (NLRB).231 Strikes or other work stoppages can thwart productivity, erode employee morale and create large legal bills.

Card check and neutrality agreements (also known 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 workforce submits authorization forms (“cards”) expressing their desire for representation. Employers agree not to campaign against the union and to remain neutral during the organizing period. In exchange for these agreements, the union agrees not to strike or create a work stoppage.

Most card check and neutrality agreements are voluntary agreements between employers and unions. For example, PG&E had a neutrality agreement with Engineers and Scientists Local 20. During this agreement, hundreds of highly skilled engineers at the company elected to join a union.

Further professionalizing security guards, such as through transforming the occupation into more highly skilled “security officers” is one strategy to increase overall wages. This strategy could take place independent of collective bargaining agreements that have also improved in treated conditions (some as the unionized guard pictured).

9.3: Remove barriers to unionization.

Unionizing significantly improves wages and benefits for workers, particularly younger workers, women and minorities in low-wage industries.230 But there can be significant losses for both employers and employees during union organizing campaigns whose goal is to hold an election supervised by the National Labor Relations Board (NLRB).231 Strikes or other work stoppages can thwart productivity, erode employee morale and create large legal bills.

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STRAATEGY 10: ESTABLISH STANDARDS TO ENSURE THAT THE INVESTMENT OF PUBLIC DOLLARS IS ALIGNED WITH THE GOAL OF ECONOMIC OPPORTUNITY.

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. Local governments, regional bodies and 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.

Strategy 10 focuses on establishing higher standards for investments made by the public sector. This approach allows the public sector to take a leadership role in helping find viable solutions to the challenges of improving the quality of jobs for lower-wage workers.

Policies that attach job standards to public expenditures have proven to be successful in improving the quality of jobs for government contractors and in raising the floor of wages and benefits for other companies in an industry sector or other employees of the same company. 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.

Strategy 10 describes a range of policy tools available at the local and regional scale. Examples of local ordinances that set minimum standards 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 (PLAs)
- Community benefits agreements (CBAs)
- Self-sufficiency standards for Workforce Investment Act (WIA) job placements

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) is 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 apply to all firms in a particular geographic area.

There are a number of policies that governments can adopt to help address the challenges in the lower-wage workforce.

**Partners**

The key actors to implement this strategy include city and county governments, community-based organizations, business organizations, employers and labor unions.

**Actions**

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. Bear in mind, though, that living wage ordinances are a misnomer because they rarely provide a wage floor high enough to support a family in the Bay Area. These ordinances can apply to firms with the following relationships to a local government:

- Direct government contractors
- Suppliers of materials and equipment over a certain size
- 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)
- Businesses that are part of a land use or permitting process for large retail or other businesses seeking to locate in a particular jurisdiction

A subset of living wage ordinances, “business assistance” wage standards set minimum wage standards or prevailing wage standards for those businesses that are receiving government subsidies, loans or other assistance (for example, real estate developers that buy or lease government property for less than market rate).

**Challenges**

- The professionalization of a workforce may increase employers’ expectations of workers’ skills and inadvertently make it harder for many lower-skilled workers to access the newly professionalized jobs.
- Unionized jobs make up a small share of the private sector workforce, and many unionization efforts in the private sector 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.
- Many of the activities that day laborer hiring halls work on would be more effectively solved through comprehensive immigration reform, not through establishing individual worker centers.

**238** Solidarity Center. “Domestic Worker Rights.” Available at: www.solidaritycenter.org/content.asp?contentid=988

**239** Solidarity Center. “Domestic Worker Rights.” Available at: www.solidaritycenter.org/content.asp?contentid=988

**240** Neumark, David; Matthew Thompson, and Leslie Kupfer. “The Effects of Living Wage Laws on Low-Wage Workers and Low-Income Families.” IZA Journal of Labor Policy. Available at: www.iza-jljp.com/content/1/1/1


In the spring of 2010, the City of Pittsburgh enacted the Service Worker Service 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 requirements for contractors that provide building services and food services to Pittsburgh. These contractors must pay prevailing wages to workers employed under such contracts and must also pay prevailing wages to any building service, food service, grocery and hotel employees working on projects that receive city subsidies. Covered projects include:

- Those receiving at least $100,000 in public subsidies
- Commercial office buildings of at least 100,000 square feet, or a commercial office complex totaling at least 100,000 square feet
- Residential buildings with at least 50 units
- Hotels or motels of at least 100,000 square feet

Wage determinations are based on standard wage conditions and three data sources of rate information.

The goal of this strategy is to make the process of establishing CBAs more streamlined and transparent in order to avoid wastage time and money in a perpetually negotiating process. Increasing certainty about what the menu of options is for a standard component of a CBA will speed up the delivery of those community benefits.

A first source hiring agreement is a type of CBA that sets a protocol for the hiring of local construction workers on a development project through a job training program or hiring hall. These agreements create on-ramps to training or construction job opportunities for workers from undererved communities. The first source hiring agreement is generally linked to union apprenticeship programs so that workers have an opportunity to build a career ladder with training and wage increases as they become more proficient.

Notable CBAs include:

- The CBA for the Hunters Point Shipyard Development, a project that allows 10,500 housing units, 625,000 square feet of retail, 2,656 square miles of office and retail space plus art studios and open space. Under the agreement, the project will offer nearly 8 percent of all housing below market-rate (at specific income levels), will rebuild public housing development, will invest over $27 million in a housing fund for the community, will contribute $8.5 million to a workforce development fund to be matched by the mayor’s office, will follow a simplified process for union recognition, will pay a living wage and will adhere to first source hiring agreements.

- The CBAs negotiated as part of San Francisco’s Mid-Market Yards project, which set $15 and a living wage for workers in multiple crafts and are generally signed by both the general contractor and local construction workers.

- The CBA for the Oakland Army Base, which provides for local hiring and job training for new hires and limits the use of temporary agencies. 

- The CBA for the Valley Labor Alliance, which was negotiated when the state’s Workforce Investment Act (WIA) program was first used in the 1990s. The agreement uniformly sets pay standards for all construction projects. 

- The CBA for the Oakland Army Base, which provides for local hiring and job training for new hires and limits the use of temporary agencies.

- The CBA for Charleston, which sets pay above $10 per hour for all workers. 

- The CBA for Valley Labor Alliance, which provides for local hiring and job training for new hires and limits the use of temporary agencies.

- The first source hiring agreement between the City of San Francisco and Recurrent Energy.

Prevailing wages law requires contractors to pay the construction wages that are “prevailing” in the industry in their location. 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. Recently, some local jurisdictions have extended prevailing wage obligations to other contractors that are recipients of government funding either for the services provided or as subsidies or grants to support a specific project with some public benefits. An example of this type of prevailing wage policy was enacted in Pittsburgh, Pennsylvania, in 2010 (see sidebar).

1.4: 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, they are typically collective bargaining agreements signed before the project is started and workers are hired. A local jurisdiction can require PLAs for projects with public subsidies or public funds or simply for projects that require local permits. But most major private sector construction projects also have PLAs. In 2001, the California State Library’s study of PLAs found that 72 percent of them were for “private” projects. Only 28 percent of PLAs covered projects paid for with public dollars.

Local jurisdictions like to require PLAs because agreeing to what are called “linewage” in advance fixes the costs of the project and eliminates the possibility of work stoppages by unions and lockouts by contractors. PLAs also establish standards for local or regional hiring for the project. The agreements usually cover workers in multiple crafts and are generally signed by the local building trades council and/or all local unions involved, as well as by the prime contractors on the project.

California requires have uniformly upheld PLAs since they were first used in the 1930s. Independent research has demonstrated that PLAs generally lower costs and shorten timelines for projects while ensuring that the wages on the job don’t undercut local wage standards.

1.5: Encourage self-sufficiency standards (SLS) for workforce job placements. Local Workforce Investment Boards (WIBs) in California are looking for ways to improve the outcomes for lower-wage workers in training programs funded by the Workforce Investment Act (WIA). Currently, some WIBs have adopted 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 to workers further to personal income levels (such as those earning 75 percent of the standard and below), as well as to determine the success of job placements based on the wages and benefits of the job.

In California, the Insight Center for Community Economic Development calculates the self-sufficiency standard of a county-by-county basis using the basic costs required for working parents to support their families. \(^{247}\) It is calculated for 70 different family types, ranging from a single person with no children to single-parent families to two-parent families with one, two and three children of varying ages. The self-sufficiency standard is a more accurate measure of need than the federal poverty line, which is calculated by multiplying the cost of food, clothing, rent, health care, and transportation. The self-sufficiency standard includes the costs not only of food but also of housing, child care, health care, transportation, taxes and tax credits—all of the basic expenses required for a family to enter and remain in the workforce.

The Sacramento Employment and Training Agency (SETA) is using the self-sufficiency standard, which may be a good model for WIBs in the Bay Area. SETA has found that “the standard is more reflective of the minimum requirements under the Workforce Investment Act, poverty guidelines and LLSIL [Lower Living Standard Income Level guidelines].” \(^{248}\)
10.6: Explore using social and economic impact assessments as part of major planning and policy-making.

Now well established in Canada, Europe and Australia, a social impact assessment allows policy-makers to consider social impacts alongside environmental impacts when making policy decisions related to public investments. In many instances, a single integrated report includes environmental impacts along with an analysis of:

- The employment and labor market
- Standards and rights related to job quality
- The social inclusion and protection of particular groups
- Whether there is equal treatment and opportunities for all (i.e., non-discrimination)
- Access to, and effects on, social protection, health and educational systems
- Public health and safety

As noted earlier in this report, the City of San Francisco conducts economic impact assessments of major legislative decisions. These reports assess the impact of tax policies, major zoning changes or other decisions that make a material difference to the city’s economy. Such reports help shape local policy decisions.

This strategy broadens the standard economic impact assessment to consider how major policies impact job quality and access to jobs. On the regional level, the type of analysis used for the Bay Area could be expanded to include assessments about the quality of jobs by location. These assessments could be integrated into (or offered alongside) the required environmental impact report and its alternatives.

Similarly, the MTC could encourage local jurisdictions that receive planning grants (through the One Bay Area Grant program, for example) to include additional economic and social impact analysis as part of a Specific Plan or a station area plan.

The Environmental Protection Agency and other federal agencies have developed clear methodologies for conducting social impact assessments. The Berger Inquiry included a social impact assessment analyzing the job impacts of the Mackenzie Valley Pipeline Project on the local community; it’s cited as a key strategy in the Berger Inquiry that received planning grants (through the One Bay Area Grant program, for example) to include additional economic and social impact analysis as part of a Specific Plan or a station area plan. The Horizontal Social Clause and Social, Cultural, Economic Impact Assessments: A Literature Review Prepared for the EPA. October 2002. Available at: www.epa.gov/superfund/policy/pdfs/SLIRefFinal.pdf

Challenges

- Inconsistent policies among neighboring cities cause confusion and create inefficiencies for employers that do business across several jurisdictions. For example, a restaurant chain with multiple locations could face with a living wage requirement for workers at an airport location but not in a different location, even though the same employee might work in both settings. If these strategies are to have a significant impact, they should be coordinated among jurisdictions so that multiple Bay Area cities or counties adopt the same wage and benefit floors. Model ordinances should be considered best practices to avoid tremendous variation across local jurisdictions.

- Strategies that require a process—such as a community benefits agreement or project labor agreement—could increase uncertainty for investors and therefore reduce the potential investment in a community. One way to avoid this is to establish more uniform standards and agreements across jurisdictions.

- Securing a CBA does not automatically result in job opportunities. Once the CBA is in place and the development is occurring, it is also necessary to identify the individual workers who could benefit and to connect them to the job program in order to realize the hiring targets that were negotiated in the CBA.

- Some of these strategies increase direct costs to the public sector. This means that pursuing them could mean there’s 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, in a city that has mandated a living wage for businesses that work with the city, then a vendor, such as a coffee cart, that’s awarded an exclusive franchise to operate on city-owned property would have to pay a living wage, even though the same vendor could open a store on the next block and not pay it. This policy could result in higher costs for businesses and make it more difficult for some cities to activate their publicly owned land and property.

- The social impact assessment as a policy tool is still new to the Bay Area, and consultants may not have the training and expertise necessary to conduct these reports for regional agencies or local jurisdictions.

GOAL C: UPGRADE CONDITIONS IN LOWER-WAGE JOBS.

FEDERAL AND STATE 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:

- 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, they usually don’t control the rules and funding. Federal and/or state governments set policies for unemployment insurance benefits, for Medicaid eligibility and benefits and for food and housing assistance, as well as a broad range of workplace rules. Federal legislation such as the Affordable Care Act can affect the health-care coverage and costs for low- and moderate-wage workers.

- 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. In addition to the federal credit, currently 26 states plus New York City and Montgomery County, Maryland, offer some form of an earned income tax credit. California does not.

- Workplace hiring restrictions: Like the “ban the box” strategy, legalizing work and education for unauthorized immigrants is an attempt to exclude hiring restrictions that are not based on skills. Approximately 1.5 million unauthorized immigrants work in California. Even if the Bay Area were only home to 20 percent of these workers (a conservative estimate) 300,000 people would be affected by the federal and state governments’ actions around hiring restrictions.

- 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 can’t use their full skills because they have no legal right to work. And they can’t pursue the highest levels of education and training for the same reason. Offering legal status to these residents would increase their incomes and help meet business needs for trained workers.

- Minimum wages: The state and federal governments play a role in establishing minimum wages. Statewide or nationwide minimum wages equal the playing field on a large scale and ensure that wage standards do not lead to competitive disadvantages between jurisdictions. Yet, while setting higher minimum wages at the federal or state level offers advantages, it 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 also critical components. For example, all things being equal, a job paying $16 per hour with fully paid family health coverage and a pension plan provides higher compensation and greater economic security than a job paying $18 per hour with no benefits. Significant innovations by Bay Area jurisdictions have helped ensure access to benefits (e.g., Healthy SF and SFO’s Quality Standards Program), but most policies that determine employee benefits are set at the state and federal levels. County governments also play a major role in both health coverage and health-care delivery. However, a detailed analysis of health-care policy is beyond the scope of this report.

- Hazardous waste: State regulations have determined what types of hazardous waste may be accepted at a particular facility and the right of each entity to accept hazardous waste. California’s regulations require that if a hazardous waste facility accepts hazardous waste, it is subject to the rules and standards of California. However, the U.S. Environmental Protection Agency has issued a series of proposed rules that may change the way that hazardous waste facilities operate. These rules have been the subject of extensive public comment and may change the way that hazardous waste facilities operate in the future.

- 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 to provide income support but to incentivize lower-income residents to file and claim the federal EITC. See “States and Local Governments with Earned Income Tax Credit.” Available at: http://www.taxfoundation.org/states-and-local-governments-with-earned-income-tax-credit
CHAPTER 7
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 workers; effective programs and policies 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.

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.
APPENDIX A

Matrix of strategies and actions

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Potential partners and implementers</th>
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<tr>
<td><strong>GOAL A: PATHWAYS TO THE MIDDLE</strong></td>
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<tr>
<td><strong>Strengthen career pathways to middle-wage jobs.</strong></td>
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<tr>
<td><strong>Strategy 1: Expand job-focused basic skills training.</strong></td>
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</tr>
<tr>
<td>1.1: Increase English language acquisition</td>
<td>WIBs, NGOs, adult education, community colleges</td>
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<tr>
<td>1.2: Expand digital literacy training</td>
<td>NGOs, WIBs, educational institutions</td>
</tr>
<tr>
<td>1.3: Improve programs focused on soft skills and work readiness</td>
<td>NGOs, WIBs, K-12</td>
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<tr>
<td><strong>Strategy 2: Establish industry-driven, sector-based regional training partnerships.</strong></td>
<td></td>
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<tr>
<td>2.1: Identify an industry partner to develop curriculum and provide financial support</td>
<td>Employers, WIBs, community colleges, unions</td>
</tr>
<tr>
<td>2.2: Coordinate training regionally</td>
<td>WIBs, educational institutions (including community colleges)</td>
</tr>
<tr>
<td>2.3: Include additional career pathways tools</td>
<td>Employers, WIBs, community colleges, unions</td>
</tr>
<tr>
<td><strong>Strategy 3: Improve career navigation systems and support pathways, at the K-12 level and beyond.</strong></td>
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<tr>
<td>3.1: Implement Linked Learning programs</td>
<td>WIBs, NGOs</td>
</tr>
<tr>
<td>3.2: Help workers navigate the new world of online job searches and applications</td>
<td>WIBs, NGOs, one-stop centers</td>
</tr>
<tr>
<td>3.3: Create networking opportunities for low- and moderate-wage workers</td>
<td>WIBs, NGOs</td>
</tr>
<tr>
<td>3.4: Encourage apprenticeship programs and paid internships</td>
<td>Employers, WIBs, NGOs</td>
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</tbody>
</table>

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

<table>
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<th>Strategy 4: Focus economic development resources on industries of opportunity, business formation and expansion and policy coordination among jurisdictions.</th>
<th>Potential partners and implementers</th>
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</thead>
<tbody>
<tr>
<td>4.1: Analyze and support the local and regional industries and clusters of opportunity</td>
<td>NGOs, local governments, business organizations, regional agencies</td>
</tr>
<tr>
<td>4.2: Strengthen evidence-based business retention and expansion programs</td>
<td>Local/regional governments/agencies, business support organizations</td>
</tr>
<tr>
<td>4.3: Expand entrepreneurship and ownership opportunities</td>
<td>NGOs, local governments</td>
</tr>
<tr>
<td>4.4: Develop consistent permitting and regulatory processes among jurisdictions in the region</td>
<td>Local and regional governments, business support organizations</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Strategy 6: Rebuild and expand infrastructure in a way that supports economic development and job growth.</th>
<th>Potential partners and implementers</th>
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<tr>
<td>6.1: Encourage communities to produce long-range capital plans</td>
<td>Local/regional agencies</td>
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<tr>
<td>6.2: Pursue a range of funding sources and taxes to pay for infrastructure</td>
<td>Local/regional agencies</td>
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<tr>
<td>6.3: Expand user fees such as road pricing to finance both infrastructure and related operations</td>
<td>MTC and CMAs</td>
</tr>
<tr>
<td>6.4: Leverage private capital for public infrastructure projects that create jobs</td>
<td>Local/regional agencies</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Strategy 8: Manage the region’s transportation as an integrated system that is easy to navigate.</th>
<th>Potential partners and implementers</th>
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</thead>
<tbody>
<tr>
<td>7.1: Make the experience of transit in the Bay Area look and feel like a more unified system</td>
<td>MTC, transit operators</td>
</tr>
<tr>
<td>7.2: Expand first- and last-mile programs, such as shuttles</td>
<td>MTC, transit operators, private employers, ride-sharing companies</td>
</tr>
<tr>
<td>7.3: Invest in additional transit where and when it’s most needed</td>
<td>MTC, transit operators, CMAs</td>
</tr>
</tbody>
</table>

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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 non-profit 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.
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<thead>
<tr>
<th>Strategy</th>
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<tbody>
<tr>
<td><strong>GOAL C: ECONOMIC SECURITY</strong>&lt;br&gt;Upgrade conditions in lower-wage jobs</td>
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<tr>
<td><strong>Strategy 8:</strong> Raise the floor by increasing minimum standards for equal opportunity, working conditions and compensation.</td>
<td></td>
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<tr>
<td>8.1: Adopt local and/or subregional minimum wage ordinances</td>
<td>Local governments, NGOs, business organizations</td>
</tr>
<tr>
<td>8.2: Enact earned sick days ordinances or other paid time off</td>
<td>Local governments, NGOs, business organizations</td>
</tr>
<tr>
<td>8.3: Establish “ban the box”/Fair chance hiring policies</td>
<td>Local governments, NGOs, business organizations</td>
</tr>
<tr>
<td>8.4: Strengthen local enforcement of wage and hours laws</td>
<td>Local governments, NGOs, business organizations</td>
</tr>
<tr>
<td><strong>Strategy 9:</strong> Organize and professionalize industries to improve wages, benefits and career ladders.</td>
<td></td>
</tr>
<tr>
<td>9.1: Support worker centers and industry guilds that help establish minimum wage rates and job standards for industries</td>
<td>NGOs, employers</td>
</tr>
<tr>
<td>9.2: Establish multi-employer joint labor-management training partnerships to raise skills in an industry</td>
<td>NGOs, employers, unions</td>
</tr>
<tr>
<td>9.3: Remove barriers to unionization</td>
<td>Local governments, labor unions</td>
</tr>
<tr>
<td>9.4: Create licensing requirements and enforce labor and employment laws to professionalize workers across an entire industry</td>
<td>Local and regional governments</td>
</tr>
<tr>
<td><strong>Strategy 10:</strong> Establish standards to ensure that the investment of public dollars is aligned with the goal of economic opportunity.</td>
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<tr>
<td>10.1: Enact living wage ordinances</td>
<td>Local governments, NGOs</td>
</tr>
<tr>
<td>10.2: Pursue common community benefits agreements</td>
<td>Local governments, employers, developers, NGOs</td>
</tr>
<tr>
<td>10.3: Pass prevailing wage ordinances</td>
<td>Local governments, labor unions</td>
</tr>
<tr>
<td>10.4: Establish project labor agreements (PLAs)</td>
<td>NGOs, local governments, labor unions, developers</td>
</tr>
<tr>
<td>10.5: Encourage self-sufficiency standards for workforce job placements</td>
<td>WIBs, NGOs</td>
</tr>
<tr>
<td>10.6: Explore using social and economic impact assessments as part of major planning and policy-making</td>
<td>Local governments, NGOs</td>
</tr>
</tbody>
</table>