

CALIFORNIA CENTER FOR
JOBS & THE ECONOMY



Jobs, Poverty & Upward Mobility

Executive Summary

*Supported by a Grant from
The James Irvine Foundation*

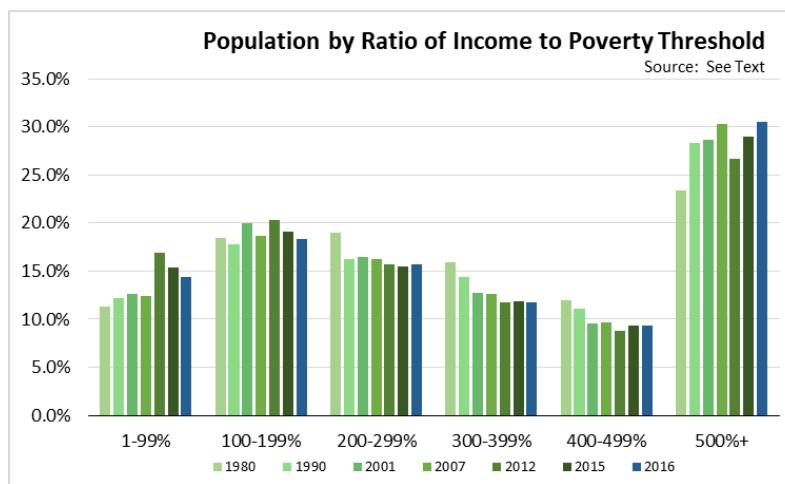


Introduction

There can be no debate that California is becoming an economically stratified state. As the economy has shifted away from traditional middle-class employment to a two-tiered pattern of jobs created primarily at the higher and lower wage levels, middle income has become increasingly a gap separating the extremes rather than the path for generational economic progress. And while lower- and moderate-income Californians have a high awareness of the different avenues available for upward mobility, the crippling rise in living costs has increased their concern over the consequences from making the wrong choice.

**THE GROWING COSTS OF LIVING—ESPECIALLY FOR HOUSING—ARE SWAMPING ANY PROGRESS
MANY LOWER INCOME CALIFORNIANS ARE NOW ABLE TO MAKE IN MOVING AHEAD
ECONOMICALLY . . . THEY HAVE COME TO VIEW THEIR SITUATION AS OVERWHELMING, WITH
COSTS ESCALATING BEYOND THEIR ABILITY TO KEEP UP.**

Many of the income assistance, job training, child care and related programs under California's safety net are increasingly being designed and implemented as income support to moderate the effects of poverty, rather than combating the underlying causes. These programs are now designed to make poverty more tolerable but are moving away from the fundamental focus of developing the personal resources and creating opportunities for upward mobility for the working poor and those living in poverty. Take, for example, the state's efforts to address the out-of-control housing crisis that remains one of the most significant barriers to wealth accumulation and upward mobility. In 2017, the Legislature's limited housing reforms focused on marginal changes, not the growing barriers faced by low- and middle-income households. As with many attempts to address poverty, instead of a comprehensive solution, what passed was a typical solution that tinkered at the edges.



The hollowing out of the middle class has diminished space and opportunities on the upward mobility rungs for both middle- and lower-income aspirations. Combined, the middle three income groups (200-499% of poverty income) went from 46.9% of the population in 1980 to 36.8% in 2016. Movement out of the middle incomes, however, has been in both directions: the lowest two

income groups grew from 29.7% in 1980 to 32.7% in 2016; the highest level—500% and more of poverty income—grew from 23.4% in 1980 to 30.5% in 2016.

For more than a year, the California Business Roundtable and its partner organization the Center for Jobs and the Economy, supported by a grant from the James Irvine Foundation, embarked on a comprehensive and unique study to identify key barriers to upward mobility for the state's working poor. This study, unlike many that seek to understand the needs of the working poor, includes quantitative and qualitative data from a series of focus groups and a statewide survey of the working poor from various regions and ethnicities, which is then placed against current state policies and practices. This approach allowed the research to focus on the barriers identified by the working poor themselves. What's more, the research also included a statewide survey of business leaders, who are also an important part of the solution. Employers are job creators; without a strong workforce pipeline, lower-income workers will not have access to the economic rungs that can help them move out of poverty and lower incomes and into the middle class.

Working with a diverse coalition of stakeholders, including high-profile civil rights leaders, economists, and those who have dedicated their careers to helping bring more Californians out of poverty, the Business Roundtable, in collaboration with this coalition, has developed a set of policy recommendations to removing barriers and creating opportunities for upward mobility.

In conducting this project, many of the issues are necessarily associated with the social safety net and efforts to reduce poverty. The focus of the overall research project, however, is not on poverty in California but rather the broader challenges, barriers, and effectiveness of existing efforts public and private to facilitate upward economic mobility in the state, in particular paths to pursue higher income employment. Moving Californians out of poverty is only a first step. The goal must be to continue their upward opportunities and remove the barriers now creating a two-tier economy and social structure in our state.

Hearing From The Working Poor

In determining the most effective and comprehensive approach to analyzing the status quo, this report took a different approach, including outreach to hear directly from the working poor and those who have made the transition from poverty to determine what works, what perceived barriers exist and to gauge reaction to potential policy solutions.

"YOU'RE PENALIZED FOR MAKING MONEY. A LOT OF THESE PROGRAMS, WHEN YOU FINALLY START TO GET ON YOUR FEET, THEY TELL YOU, 'YOU DON'T NEED THIS ANYMORE;' THEY PULL IT FROM UNDER YOU AND EXPECT YOU TO KEEP GOING. AND YOU'RE BACK ON THE PROGRAM IN SIX MONTHS."
—FRESNO MULTICULTURAL PARTICIPANT

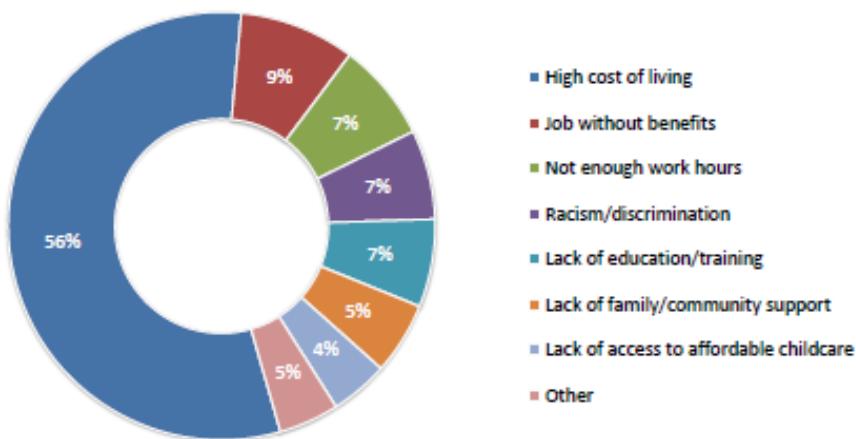
Qualitative Research. In order to establish a baseline analysis and provide a foundation for future research, the Business Roundtable and its partners conducted eight focus groups, two each in Oakland, Fresno, Los Angeles and San Diego. Participants included a mix of those living at 100-300

percent above the poverty level as well as those currently unemployed. Groups included a mix of men and women, ages 25-45, with one group in each market focused on multicultural participants. One focus group was conducted entirely in Spanish.

These sessions explored: (1) what barriers those in poverty and the working poor in California perceive as their greatest obstacles to upward mobility; (2) what these populations need in order to overcome those obstacles; and (3) measurable, objective and widely accepted concepts that can lead to viable public policy options to address the issues affecting poverty, jobs and upward mobility in California.

Beyond these eight focus groups, another was held with single mothers formerly clients of St. John's Women and Children's Shelter in Sacramento. This group was drawn from program graduates from 2008 to 2016, all who are currently working.

Quantitative Research. With the foundation created by the focus groups, a statewide digital (online or mobile) survey of more than 900 respondents was conducted, with an oversample of African American and Asian respondents, for data analysis purposes. Respondents were either the working poor or those living in poverty. Consistent with the earlier qualitative research, survey respondents indicated the high cost of living is the single greatest economic challenge facing working Californians.



QEB: Of all the issues mentioned in the previous question, what is the single biggest challenge you personally face in trying to keep up or get ahead?
Base: Total (N=800)

This phase of research not only reinforced what was stated in the focus groups but also gave researchers the opportunity to test concepts that might address the barriers to upward mobility identified by both the focus groups and survey respondents and gauge what might best help lower income Californians move up the economic ladder.

Hearing From Job Creators

Surveying the working poor and those living in poverty only addresses half of the poverty equation. The California business community has a vested interest in working toward solutions. Employers

provide the training, jobs, wages and benefits identified by research participants as important tools in upward economic mobility. In order to determine how employers feel about both barriers and solutions to upward mobility, more than 500 California employers were surveyed.

Which of the following statements are true or false as it pertains to your company over the past year?
(true; excludes does not apply)



Employers recognize that costs are going up for employees even though wages and benefits are increasing. These cost drivers significantly affect the workplace. For example, because the high cost of housing has forced many to live farther from their work, many employers see their employee commute times increasing.

The business community both recognizes its role and wants to be part of the solutions. Nearly 70 percent of employers said businesses should play a larger role in meeting community needs.

Policy Recommendations

Convening Stakeholders. After hearing from the working poor, those living in poverty and employers, a broad-based coalition of social justice, poverty and business advocates came together to analyze existing programs and barriers in order to create a set of policy recommendations. The foundations of these recommendations came from the focus groups and statewide surveys, which were fully developed based on advice from these key stakeholders during a series of discussions:

Stakeholder Roundtable Group

- Nathan Ahle, Fresno Chamber of Commerce
- Robert Apodaca, Greenlining Institute
- Herman Gallegos, Civil Rights Advocate
- John Gamboa, California Community Builders
- Paul Granillo, Inland Empire Economic Partnership
- Nicholas Ortiz, Bakersfield Chamber of Commerce
- Dave Puglia, Western Growers Association
- Nolan V. Rollins, Los Angeles Urban League (formerly)
- Dorothy Rothrock, California Manufacturers & Technology Association
- Jessie Ryan, The Campaign for College Opportunity
- Shawn Lewis, National Federation of Independent Businesses, California
- Michele Steeb, Saint John's Program for Real Change
- Gary Toebben, Los Angeles Chamber of Commerce
- Ronald Vera, Vera & Barbosa

Research Advisory Group

- Andrew Chang, Andrew Chang & Company LLC
- David A. Flaks, Los Angeles County Economic Development Corporation
- Michael Shires, Ph.D., Pepperdine University

HOUSING

California's ongoing housing crisis is at the foundation of the state's poverty crisis. The overwhelming scale of the housing shortfall not only denies the working poor access to housing they can afford, this crisis has affected nearly all income groups.

THERE IS NO POSSIBLE PROGRESS THAT CAN BE MADE ON ECONOMIC MOBILITY WITHOUT INCREASING THE SUPPLY OF HOUSING AND REDUCING THE COST OF HOUSING IN THE STATE.

A housing solution cannot solely focus on increasing affordable housing options; housing costs will still be a barrier as families attempt to move from affordable housing to market-rate, moderate-income housing. This will create a bottleneck in affordable housing and stagnate upward mobility for the working poor attempting to move to the middle class.

Homebuyers' assistance, including providing greater down payment assistance for first-time homebuyers, was identified by 70 percent survey respondents as the most helpful in removing barriers to upward mobility. Additional housing programs, such as building affordable housing (66 percent) and expanding programs to deal with homelessness (66 percent) also ranked high among respondents. Among businesses that believe the cost of living in California has increased for their employees, 62 percent cite housing as the greatest contributor.

KEY POLICY RECOMMENDATIONS

1. Increase the housing supply to improve housing affordability. The study identifies key regulations and policies that have contributed to the state's inability to build new affordable and market-rate housing and recommends solutions to overcome those obstacles.
2. Rebuild lower-income home ownership as a pathway to wealth accumulation. This particularly means that the state and policymakers must stop looking at lower-income Californians as just renters. Homeownership is one of the most important pathways to upward mobility and, if policies remain focused only on construction of affordable rental units, lower income groups will continue to be shut out from accessing this important tool. The study includes a variety of recommendations to bring down the cost of entering the housing market, including creating 50-year mortgages for affordable units.
3. Expand cost-of-living considerations in future state actions to improve the lives of working Californians. State laws and regulations have had a profound impact on the cost of living and now serve as a primary barrier to upward mobility. The study recommends a series of solutions that will encourage the state to take these costs into account when creating new laws and regulations.

PUBLIC ASSISTANCE

Study participants had many concerns about the state's existing public assistance programs, including the uncertainty of assistance and the time-consuming bureaucratic maneuvering required to receive certain benefits. Additionally, the rapid loss of benefits as families transition and move up the economic ladder creates great uncertainty, especially for the working poor, who are particularly risk averse as the consequences can be much more dire if they do not succeed. Barriers from accessibility, eligibility, and caseload capacity mean in practice these programs are too little, too intermittent, and not directed on the primary barriers lower income Californians face.

KEY POLICY RECOMMENDATIONS

1. Restructure the state's existing programs into an Expanded State EITC by reallocating resources to the extent practical and using them to expand the current federal EITC by another two to four times using current federal, state and local sources. This approach would eliminate excessive administrative and transactions costs from the extensive bureaucratic oversight in current programs.
2. As is done in other states, the state EITC should be restructured as a percentage add-on to the federal EITC to simplify calculations and make it easier for beneficiaries to make their budget plans accordingly.
3. The significant administrative cost savings that can be achieved through this restructuring should be redirected into the education recommendations contained in this report.

EDUCATION

California's economy is changing, but the state's public education system has failed to change with it and is now failing in its fundamental function—preparing students with the skills required for the current and future workforce. This skills gap is significantly larger for Latinos, African-Americans and low-income students. The state must also significantly reshape public education from K-12 to K-14 to better develop skills for future workforce demands—not just add two years of free college but integrate the Community College system with the K-12 system in a way to ensure all students are being prepared for the future workforce.

KEY POLICY RECOMMENDATIONS

1. Provide universal community college for students enrolled in a certificate program or an AA/AS for Transfer program. This is not simply to expand free college, but rather to extend existing K-12 core to equip students with the higher level of skills required in the state's 21st Century economy.
2. Allow dual enrollment for students beginning their junior year. Funding for career technical education, which provides an alternative pathway to higher-wage jobs, still remains well below previous levels. Dual enrollment would immediately provide students currently within the K-12 schools with greater options as well as contribute to degree completion rates by giving students options beyond those that now exist only through Advanced Placement courses.
3. Expand the creation of online community colleges as a tool for working Californians to acquire needed workforce skills. Governor Jerry Brown's 2018-2019 budget included the creation of the state's first online community college. This approach is fully consistent with

the skills training needs and means to overcome some of the barriers to those skills identified in this report but needs to be a conduit for a broad range of programs rather than just a supplement to on-campus offerings.

ENTERING THE WORKFORCE

California does have an active apprenticeship program for the building trades, along with smaller scale efforts in areas such as automotive, barbers, information technology, health services and hospitality. In the most recent report, California in 2019 had 74,000 active apprentices and 9,000 total completions.

KEY POLICY RECOMMENDATIONS

1. Convene a working group of state business associations, including those in Silicon Valley, to identify occupations amenable to apprenticeships and develop recommendations for changes to state law required to produce a broader effort tied more closely to the state's education systems.
2. As a second step, broaden this group to include Community Colleges and other interests such as labor, education and community groups to develop specific programs.
3. Incorporate apprenticeships into the Community College certificate program.

IN THE WORKFORCE

Occupational licensing has become an increasing barrier to entry—especially for occupations paying at levels sufficient to carry households beyond poverty—both from the cost of licenses and increasing requirements to qualify.

KEY POLICY RECOMMENDATIONS

1. Building upon previous efforts in this arena, convene an outside commission or joint committee to expedite elimination of the morass of bureaucracy currently within occupational licensing and refocus on essential functions like protection of public health and safety.
2. Set costs of licensing at an appropriate level to promote entrepreneurship for lower-income Californians.
3. Replace current licensing boards and agencies with a Community College certificate for any remaining licensing for occupations below a BA level.

Obtaining benefits through their employment was one of the highest ranked tools desired by lower income workers to cope with the rising costs they face. As an employment option, providing these benefits through a transportable package is a means to ensure this coverage between jobs, reduce potential disruption between vesting periods, and tailor the benefits to the circumstances of each household.

KEY POLICY RECOMMENDATIONS

1. Develop a menu of Transportable Benefit Accounts, which at a minimum should include healthcare, retirement, childcare and education.

How This Report Is Structured

“Jobs, Poverty and Upward Mobility” is a comprehensive report divided into three parts. Part I includes the overall policy recommendations formulated by stakeholders. Part II is an in-depth analysis of California’s existing public assistance programs and the impact they have on economic mobility. Part III is the Data Report, delves into the demographic data of those living in poverty and the working poor, the changing job and economic structure causing the two-tiered economy, employment data and cost-of-living data. Parts IV and V are the quantitative and qualitative research, used in conjunction with the analyses in Part II and Part III, from which the policy recommendations in Part I were derived.