



SEPTEMBER 2015 | BY LUKE REIDENBACH

How California's Workforce Is Changing and Why State Policy Has to Change With It

INTRODUCTION

California's workforce has undergone a number of large shifts over the last generation. The profile of who is working today differs in fundamental ways from more than three decades ago, and understanding these changes can inform how state policies could better promote the economic security of workers and their families. This "chartbook" highlights four key trends in how California's workforce has changed and discusses what they mean for state policy.

PART 1

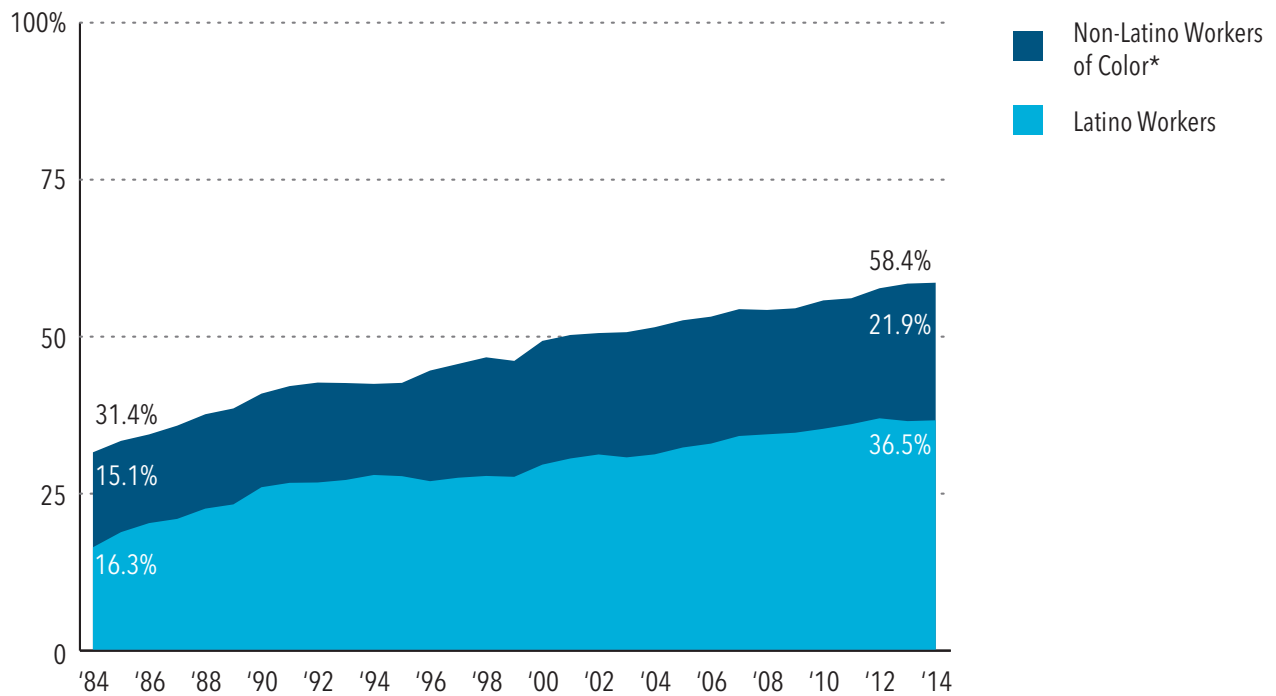
The Changing Face of California Workers

California Workers Are More Diverse Than Ever Before

The face of California's workforce is changing. Over time, the share of workers who are Latino or non-Latino workers of color has steadily climbed. Today more than one in three California workers are Latino, and another one in seven are Asian or Pacific Islander.

Workers of Color Are a Growing Share of the California Labor Force

Percentage of California Labor Force, by Race and Ethnicity, 1984 to 2014



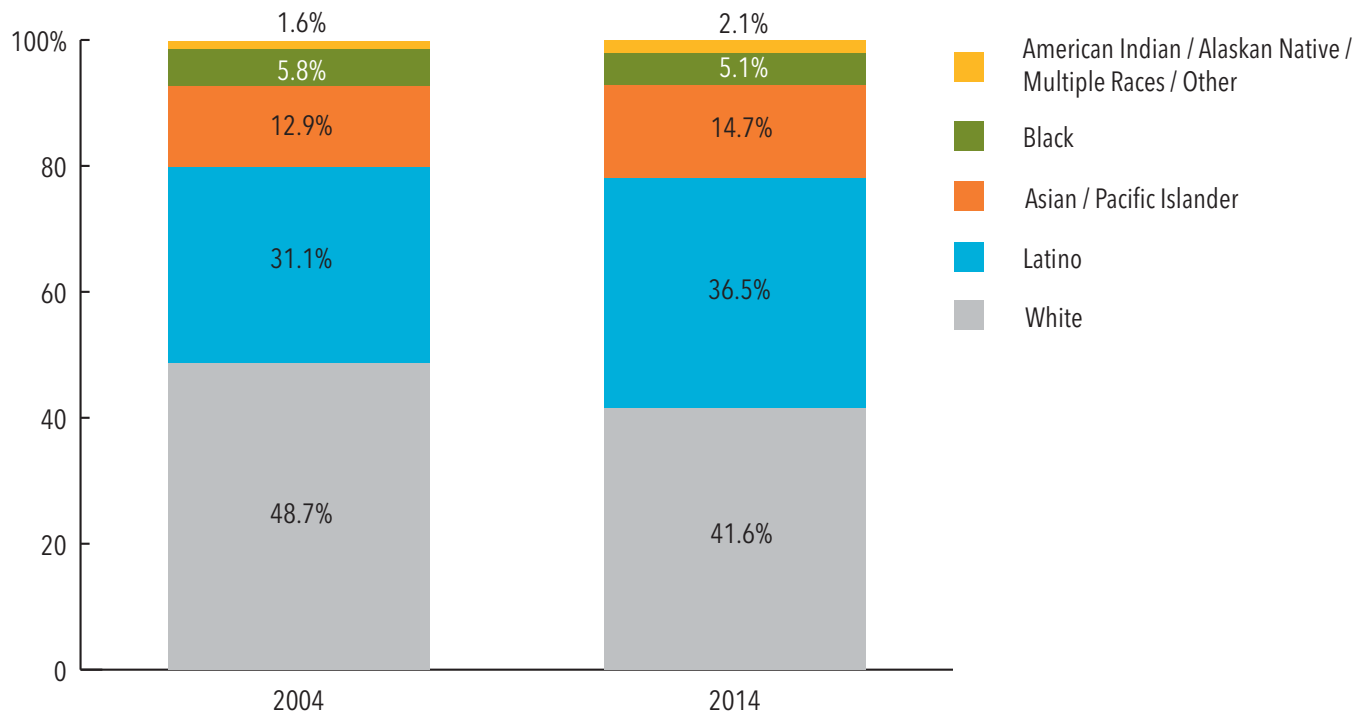
* Reflects the following categories: black, Asian, Pacific Islander, American Indian, Alaskan Native or other. Data prior to 2003 do not differentiate workers who identify as more than one race.
Source: Budget Center analysis of US Census Bureau data



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Asian and Latino Workers Have Increased as a Share of California's Labor Force Over the Last Decade

Percentage of California's Labor Force, by Race and Ethnicity, 2004 vs. 2014



Note: Races and ethnicities reflect mutually exclusive categories. For example, "white" refers to a non-Latino white worker.

Source: Budget Center analysis of US Census Bureau data



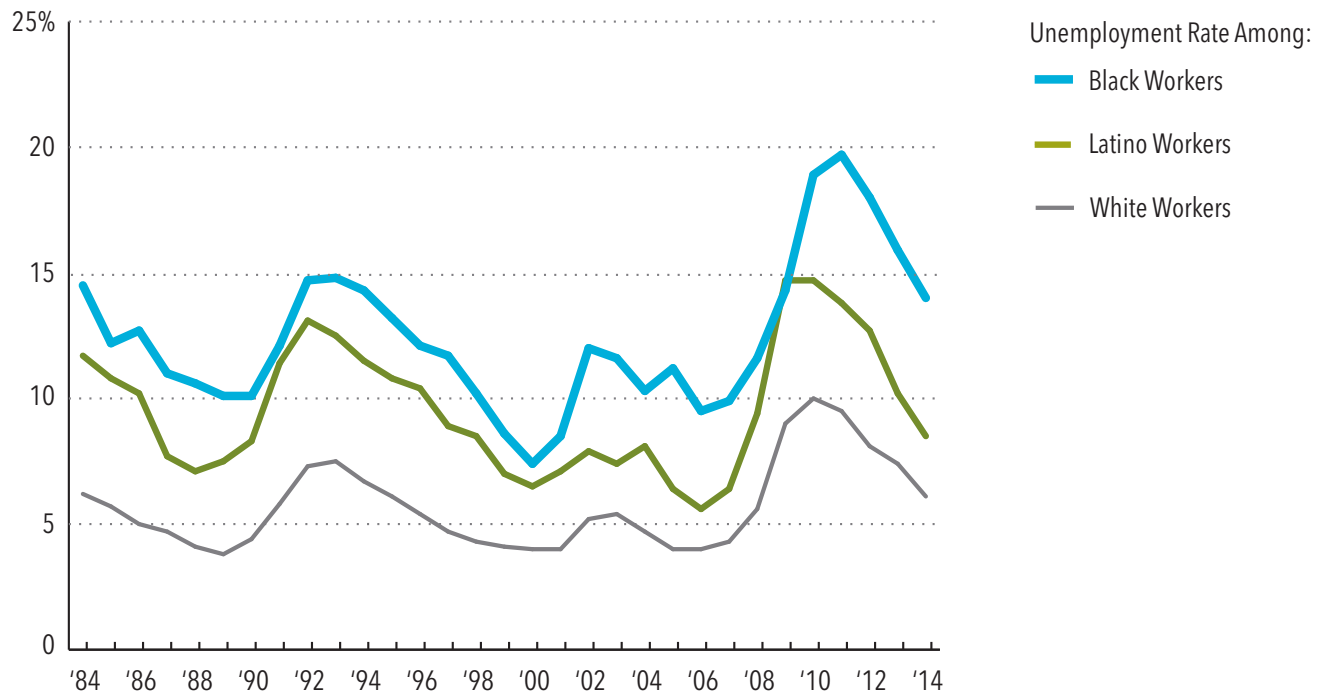
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Workers of Color Still Face Substantial Labor Market Challenges

While California's workforce has become more diverse, many workers of color still face substantial challenges in the labor market. Black and Latino workers face a persistently higher rate of unemployment than do white workers during periods of economic growth *and* during recessions. In addition, median wages for black and Latino workers have declined over the last 35 years, while the median wage for white workers has climbed. Improving employment and increasing earnings for workers of color will be key to making serious inroads in advancing the well-being of California's workforce as a whole.

Black and Latino Workers in California Are More Likely to Face Unemployment

Jobless Rate, by Race and Ethnicity, 1984 to 2014

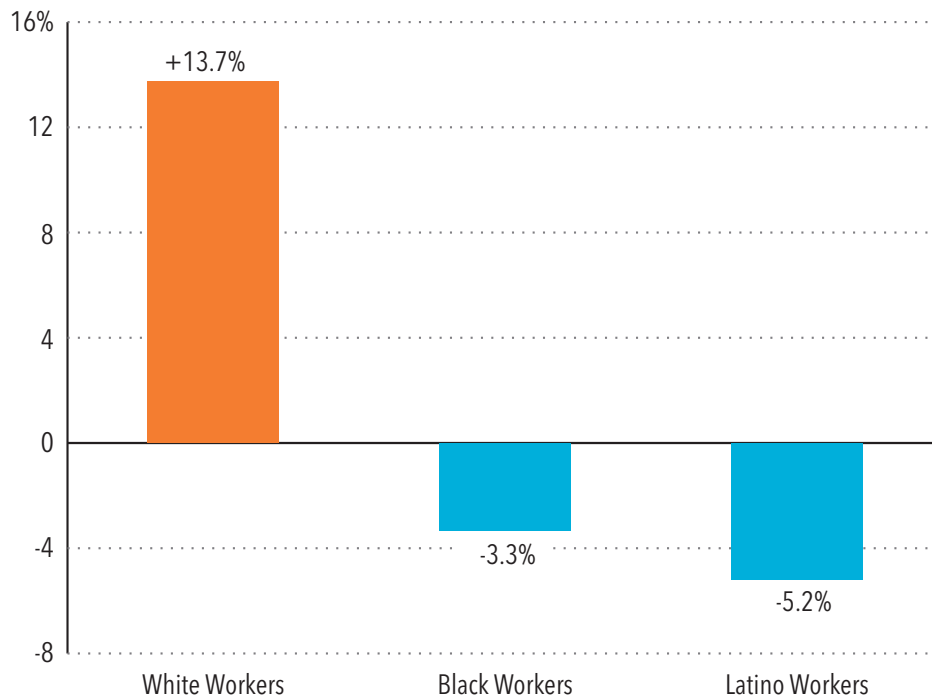


Note: Races and ethnicities reflect mutually exclusive categories. For example, "white" refers to a non-Latino white worker.
Source: Budget Center analysis of US Census Bureau data



The Median Wage for White Workers Is Up Since 1979, but Is Down for Black and Latino Workers

Percent Change in the Inflation-Adjusted Median Wage in California, 1979 to 2014



Note: Data are for workers ages 25 to 64. Data for Asian workers are not available for this timeframe. Races and ethnicities reflect mutually exclusive categories. For example, "white" refers to a non-Latino white worker.

Source: Budget Center analysis of US Census Bureau data



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ADDITIONAL READINGS

Hye Jin Rho et al., [*Diversity and Change: Asian American and Pacific Islander Workers*](#) (Center for Economic and Policy Research: July 2011).

Progress 2050, [*The Economic Benefits of Reducing Racial and Ethnic Inequality: California*](#) (Center for American Progress: March 2015).

Sarah Treuhaft, Justin Scoggins, and Jennifer Tran, [*The Equity Solution: Racial Inclusion Is Key to Growing a Strong New Economy*](#) (PolicyLink and USC Program for Environmental & Regional Equity: October 2014).

PART 2

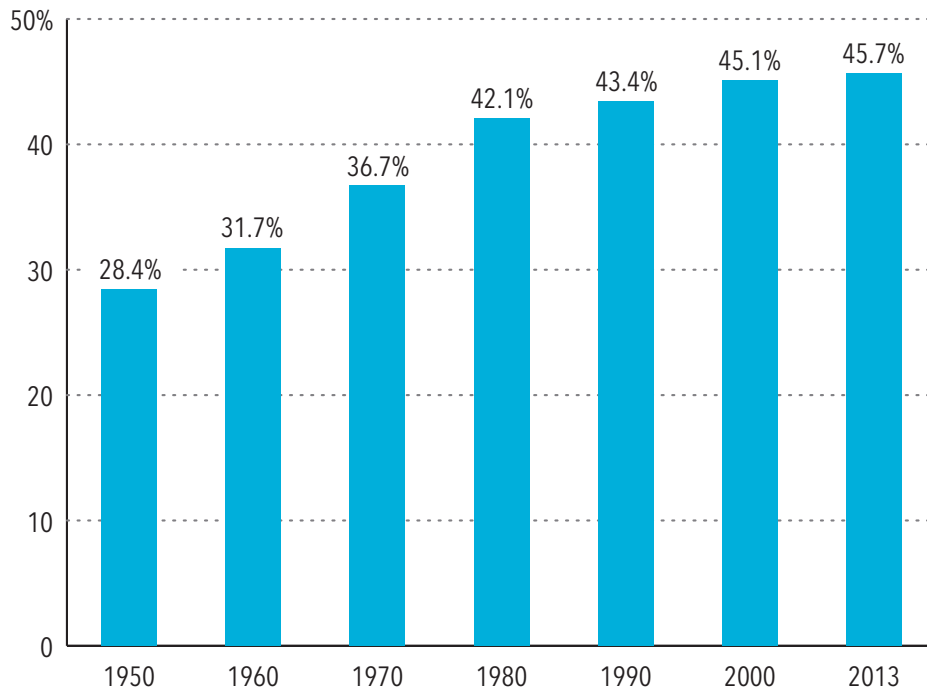
The Interaction Between Family and Work Is Changing

California Women Have Sustained Their Forward Progress in the Labor Market

Women's increased role in the workforce has been one of the most important drivers of economic well-being over the last 60 years. California's economy has seen a substantial increase in women's share of the workforce. Moreover, women are working more than they did a generation ago: the typical hours worked per year by women in California were substantially higher in the last two economic expansions than in the economic expansions that ended in 1979 and 1990. This growth in labor market participation has slowed in recent decades, but women continue to play a much more vital role in the California labor market than a generation ago.

Women's Share of the Labor Force Has Held Steady Following the Substantial Growth From 1950 to 1980

Women's Share of the California Labor Force, 1950 to 2013



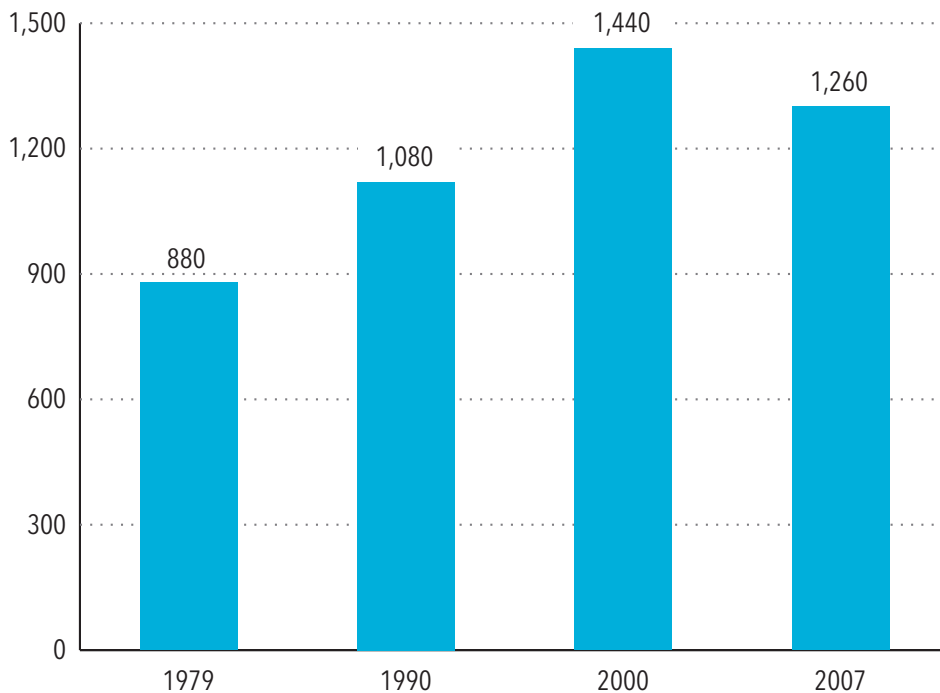
Source: Budget Center analysis of US Census Bureau data



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California Women Worked More in the Previous Two Economic Expansions Than They Did in Prior Expansions

The Median Number of Annual Hours Worked at the Height of Economic Expansions



Note: Data are for all women ages 16 to 64. Because hours can fluctuate across business cycles, the years displayed reflect the peaks of economic expansions in order allow for a comparison of similar periods.

Source: Budget Center analysis of US Census Bureau data



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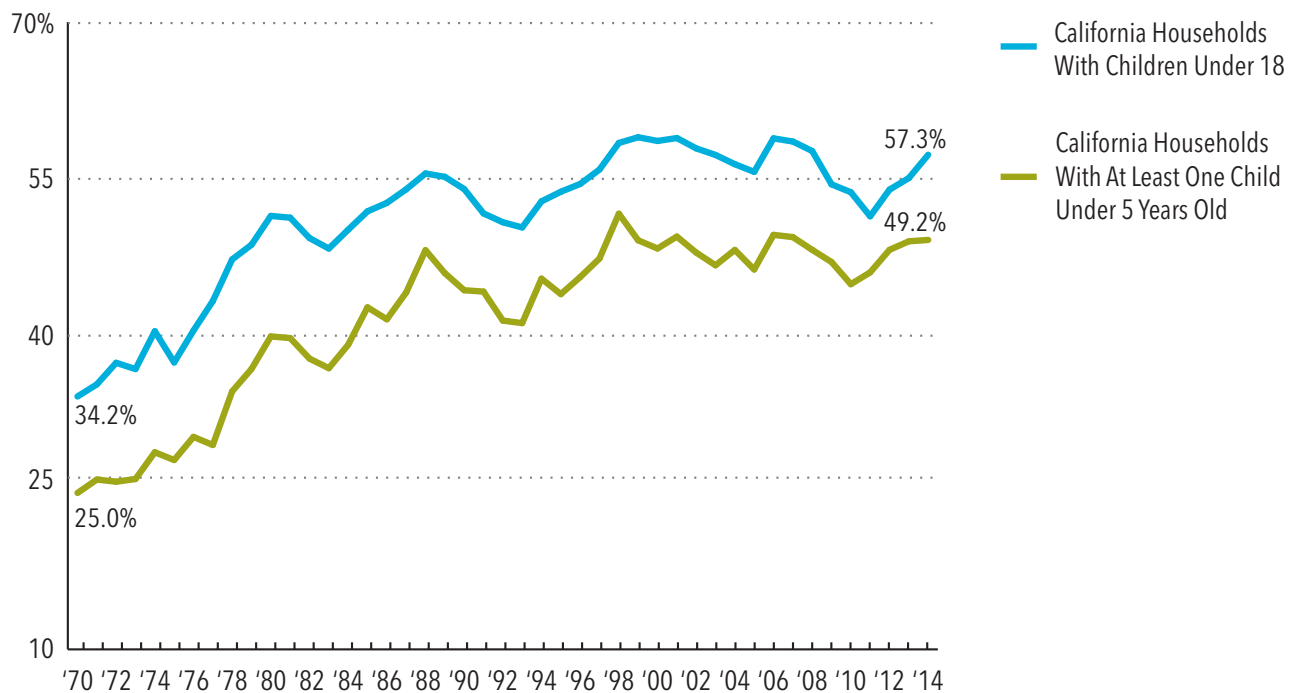
How California Families' Approach to Work Has Changed

State policy in California has not kept up with the transforming role of women in the workplace. While there has been an increase in the share of households where all parents work, this has not been met with policies that expand access to affordable child care. Such policies would allow more parents to enter the workplace and help families to balance the needs of work and home.

Unfortunately, child care costs remain prohibitively high for many working families, and the state's paid leave policies – while stronger than what many other states offer – do not go far enough in giving working parents the balance they need.

More California Households Have All Parents Working, Making Access to Child Care an Important Priority

Percentage of California Households Where All Parents Work, 1970 to 2014

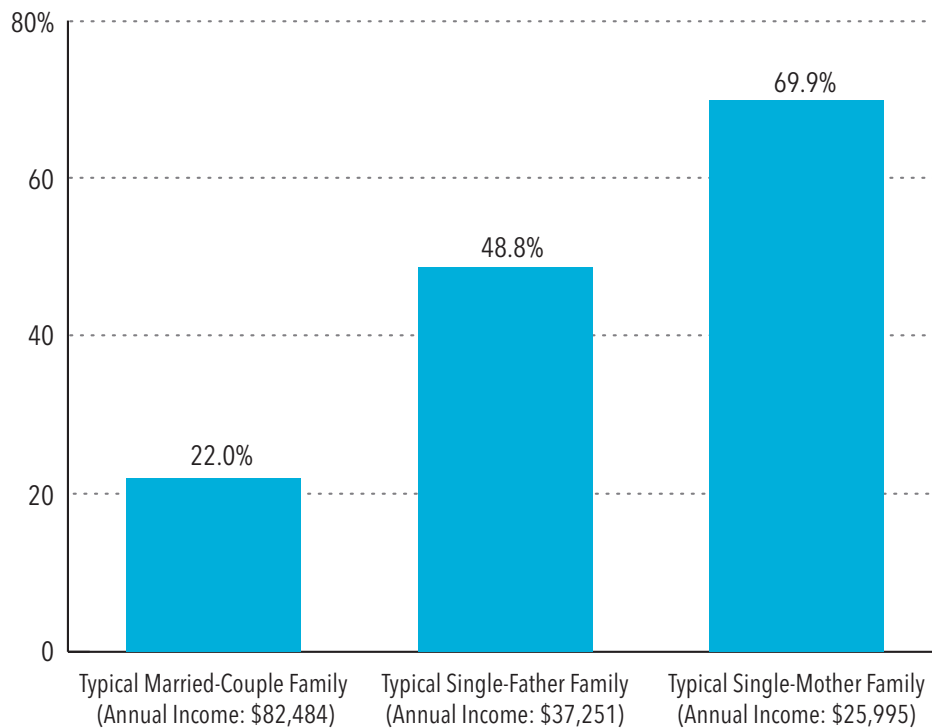


Note: A "household where all parents work" includes single-parent households and dual-earner households. Parents include stepparents and adoptive parents.
 Source: Budget Center analysis of US Census Bureau data



The Cost of Child Care Can Be Prohibitively High Across Family Types, But Especially for Single Parents

Child Care Costs for an Infant and a School-Age Child as a Percentage of Annual Family Income



Note: Cost of care is for California in 2014 and includes full-time care for an infant and part-time care for a school-age child. This cost is based on counties' median cost of care in licensed centers weighted to reflect each county's population of infants and school-age children.

Source: Budget Center analysis of data from the 2014 Regional Market Rate Survey and US Census Bureau



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ADDITIONAL READINGS

Eileen Appelbaum, Heather Boushey, and John Schmitt, [*The Economic Importance of Women's Rising Hours of Work*](#) (Center for American Progress and the Center on Economic and Policy Research: April 2014).

US Bureau of Labor Statistics, [*Women in the Labor Force: A Databook*](#) (December 2014).

Kristin Schumacher, [*Five Things You Need to Know About California's Child Care and Development System*](#) (California Budget & Policy Center: January 2015).

PART 3

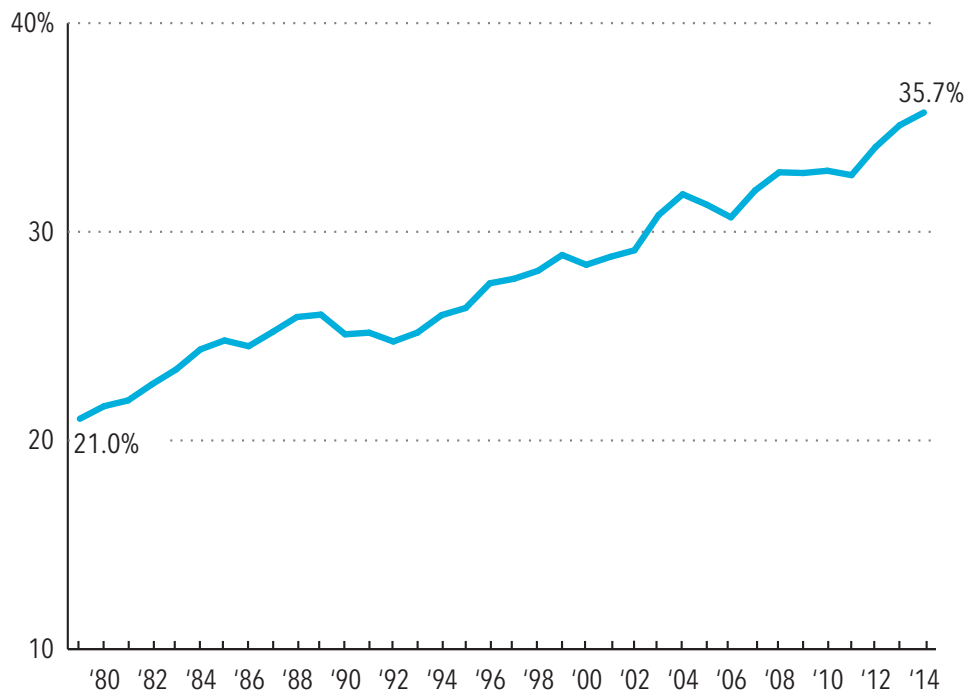
California Needs to Prioritize Access to Affordable Higher Education

California's Workforce Is Better Educated Than a Generation Ago, but Is Losing Ground to Other States

The share of California workers who have at least a bachelor's degree has steadily risen since 1979. Today, more than one in three workers have at least a college degree, compared to one in five in 1979. This uptick in the share of workers who are college-educated is a positive trend, but at the same time California has lost ground to several other states that have seen stronger growth in the educational attainment of their workers.

The Share of Workers With a Bachelor's Degree or Higher Has Steadily Climbed Since 1979

Share of California's Labor Force With a Bachelor's Degree or Higher, 1979 to 2014



Note: Data are for workers ages 25 to 64.
Source: Budget Center analysis of US Census Bureau data



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California Still Has a Comparatively Large Share of Workers With a Bachelor’s Degree or Higher, but It Has Fallen Behind Other States Since 1979

States With the Largest Shares of Workers With a Bachelor’s Degree or Higher, in Descending Order

1979		2014	
Colorado	24.2%	Massachusetts	45.6%
Connecticut	23.0%	Maryland	44.5%
Maryland	22.5%	Colorado	42.6%
Alaska	21.9%	New York	41.7%
Virginia	21.3%	Connecticut	41.0%
California	21.0%	Virginia	40.8%
Massachusetts	20.7%	New Jersey	40.8%
Arizona	20.1%	Vermont	38.2%
Vermont	20.1%	Rhode Island	37.8%
Delaware	20.1%	New Hampshire	37.5%
New Hampshire	19.9%	Illinois	37.5%
Utah	19.8%	Minnesota	36.5%
Washington	19.8%	Washington	36.3%
New York	19.7%	California	35.7%
Oregon	19.4%	Kansas	34.8%

Note: Data are for workers ages 25 to 64 and exclude the District of Columbia.
 Source: Budget Center analysis of US Census Bureau data



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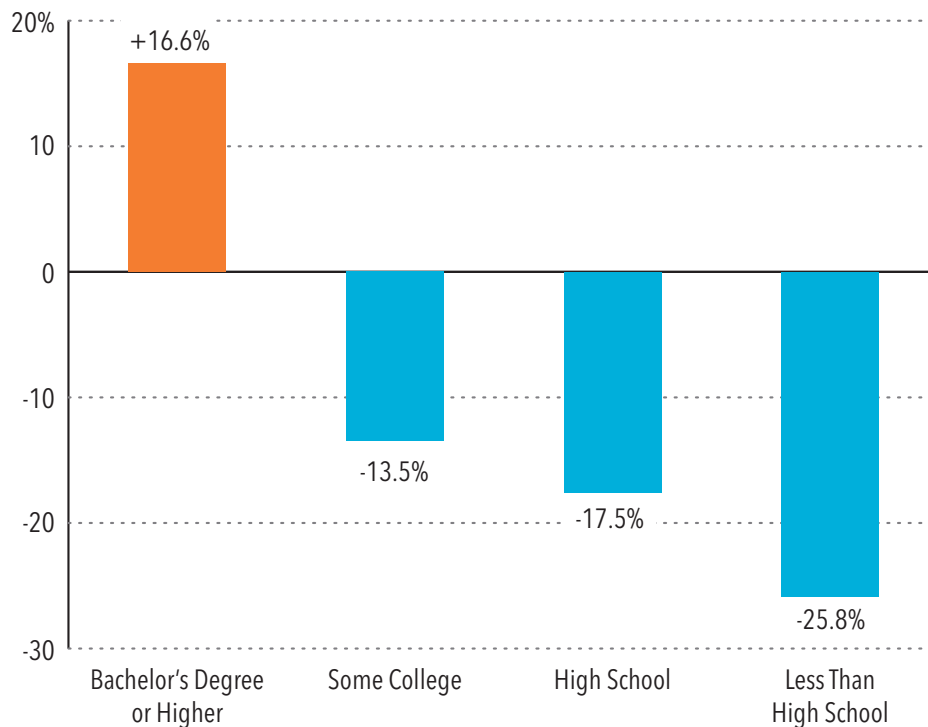
Education Remains a Key Ingredient for Economic Prosperity in California

An educated workforce is associated with higher wages, greater productivity, and a stronger economy. Since 1979, wage gains have gone primarily to those with a bachelor's degree or higher, and college-educated workers are generally paid more than workers with just a high school diploma, even after taking into account work experience and personal background. This college "wage premium" rose steadily between 1979 and 2000, and has since remained stable.

Ensuring access to an affordable higher education remains an important strategy for improving the economic well-being of workers. Unfortunately, fees and tuition for California's four-year public colleges and universities have risen steadily over the past three decades, limiting access to a crucial pathway to future economic security.

The Median Wage of California's College Graduates Is Up Since 1979, but Is Down for Less-Educated Workers

Percent Change in Inflation-Adjusted Median Wage, by Educational Attainment, 1979 to 2014



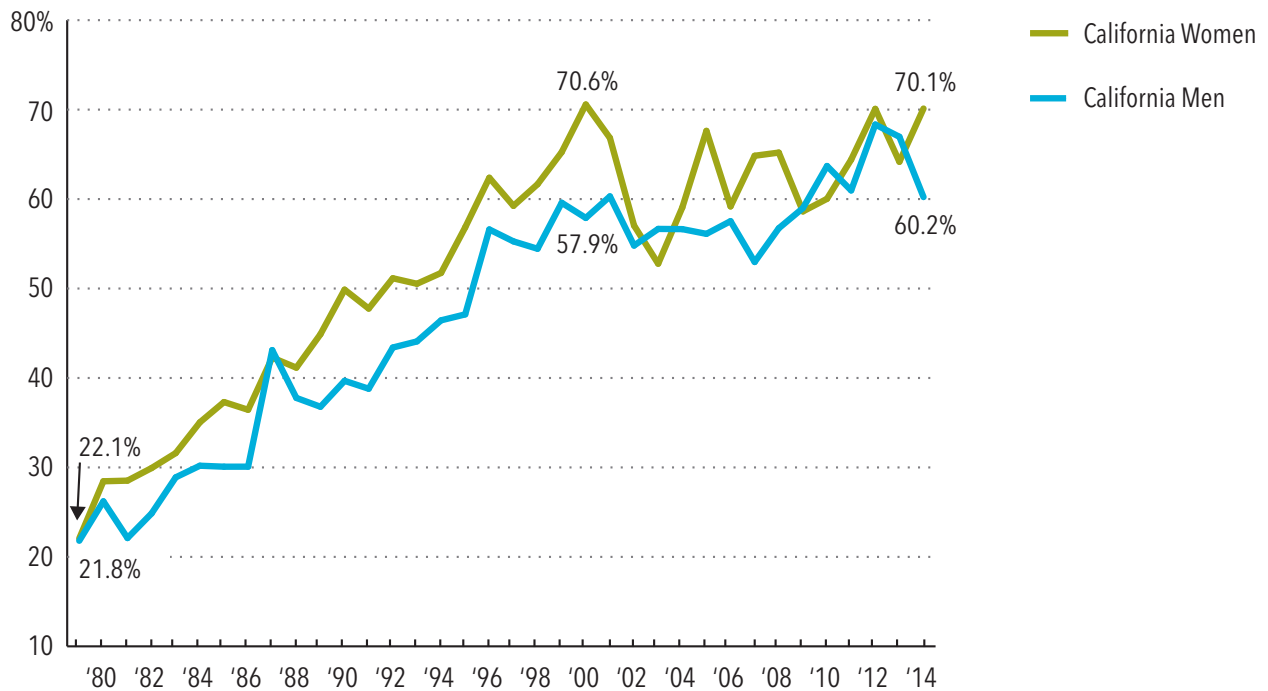
Note: Data are for workers ages 25 to 64.
Source: Budget Center analysis of US Census Bureau data



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College Wage Premiums for Both Men and Women Have Stabilized Since 2000, but Remain High

Percent Difference in Wages Between College and High School Graduates, 1979 to 2014



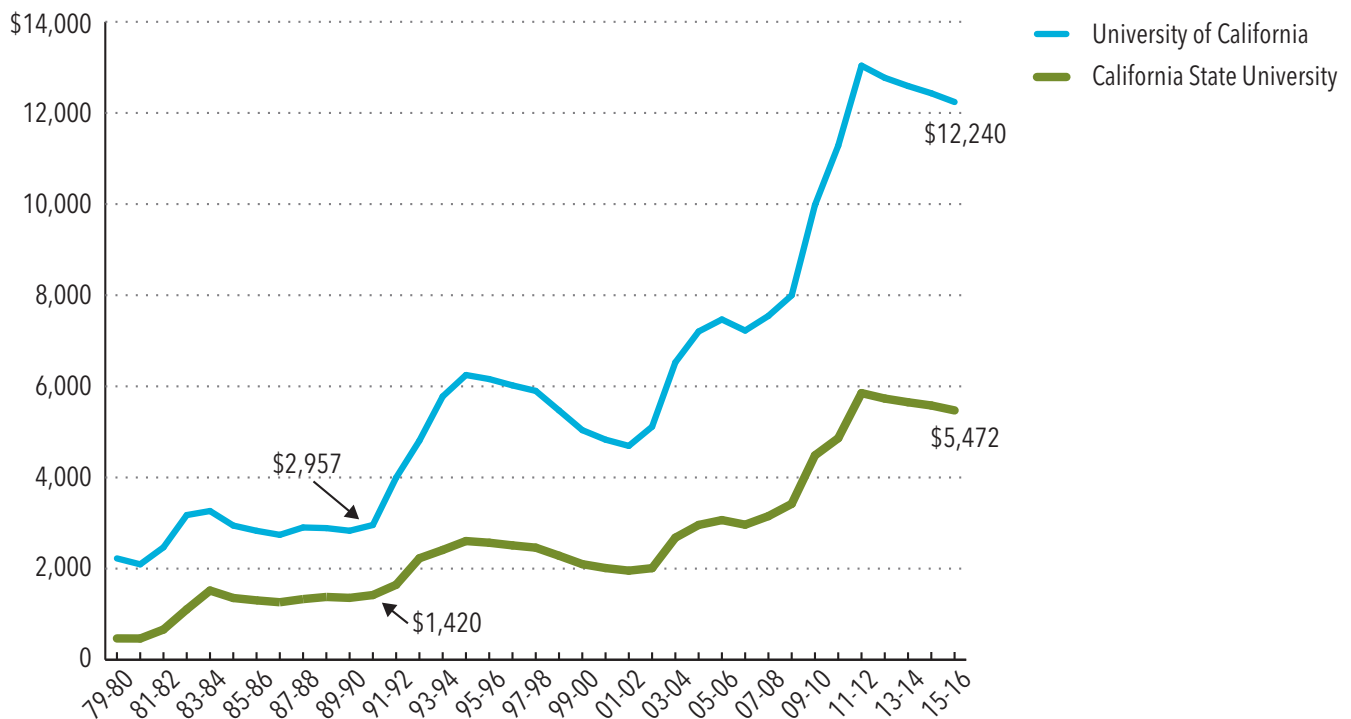
Note: The college wage premium reflects the percentage by which the wages of four-year college graduates exceed those of otherwise equivalent high school graduates. The wage differences are estimated with controls for experience, marital status, race/ethnicity, and education. Log of hourly wage is the dependent variable, and the college wage premium is calculated separately for male and female workers.
 Source: Economic Policy Institute analysis of US Census Bureau data



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Since 1990-91, Tuition and Fees Have More Than Tripled at CSU and More Than Quadrupled at UC

Systemwide Tuition and Fees for California Resident Undergraduates, Inflation-Adjusted



Note: Figures are in 2015-16 dollars. Without adjusting for inflation, systemwide tuition and fees at CSU have been frozen since 2011-12.
 Source: California State University and University of California



ADDITIONAL READINGS

California Budget & Policy Center, [*From State to Student: How State Disinvestment Has Shifted Higher Education Costs to Students and Families*](#) (May 2014).

Noah Berger and Peter Fisher, [*A Well-Educated Workforce Is Key to State Prosperity*](#) (Economic Analysis and Research Network: August 2013).

Sarah Bohn, [*California's Need for Skilled Workers*](#) (Public Policy Institute of California: September 2014).

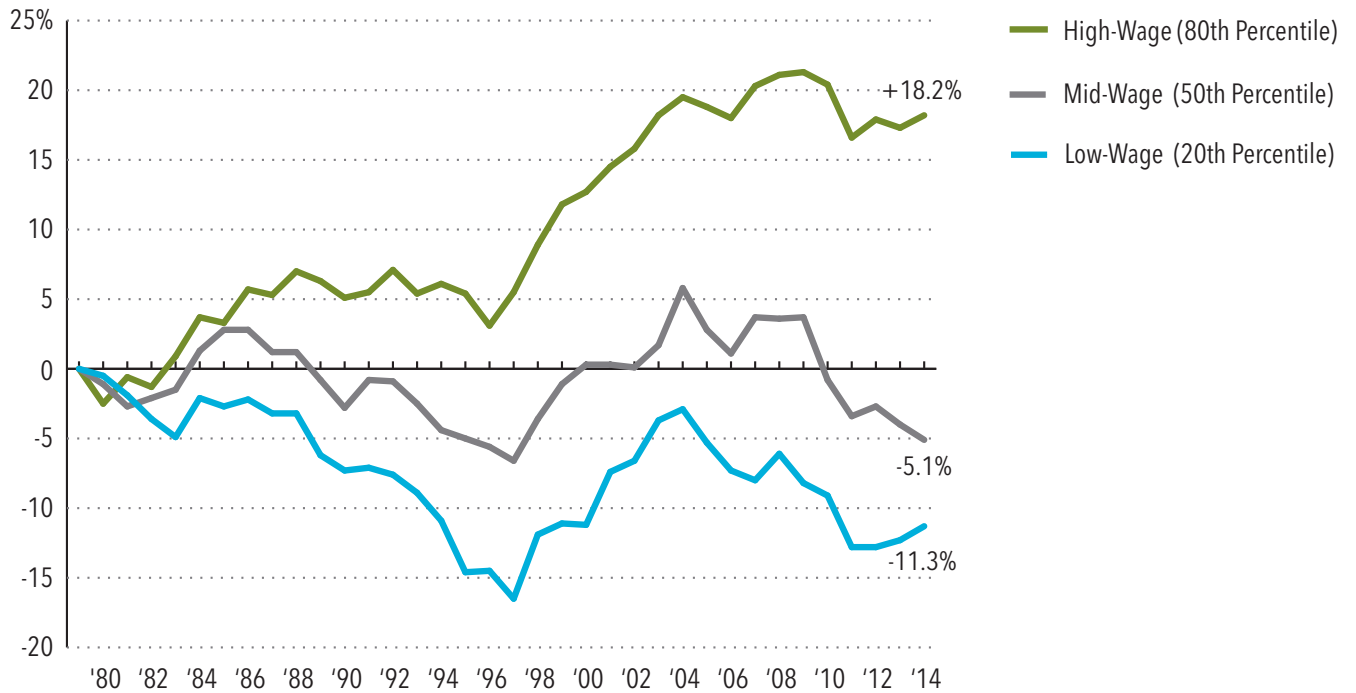
PART 4

A Growing Share of California Workers Earn Low Wages

Decades of weak wage growth, combined with a failure to maintain the purchasing power of the state's minimum wage over the last 50 years, have resulted in a growing share of California workers earning low wages. While low-wage workers are better educated than before, workers with a bachelor's degree or higher are still the least likely to earn low wages. Boosting wages for those at the bottom of the wage distribution must be a key part of any strategy to ensure that the state's labor market works for all.

Wages for California's Low- and Mid-Wage Workers Have Eroded Since 1979

Percent Change in Inflation-Adjusted Hourly Wage, 1979 to 2014

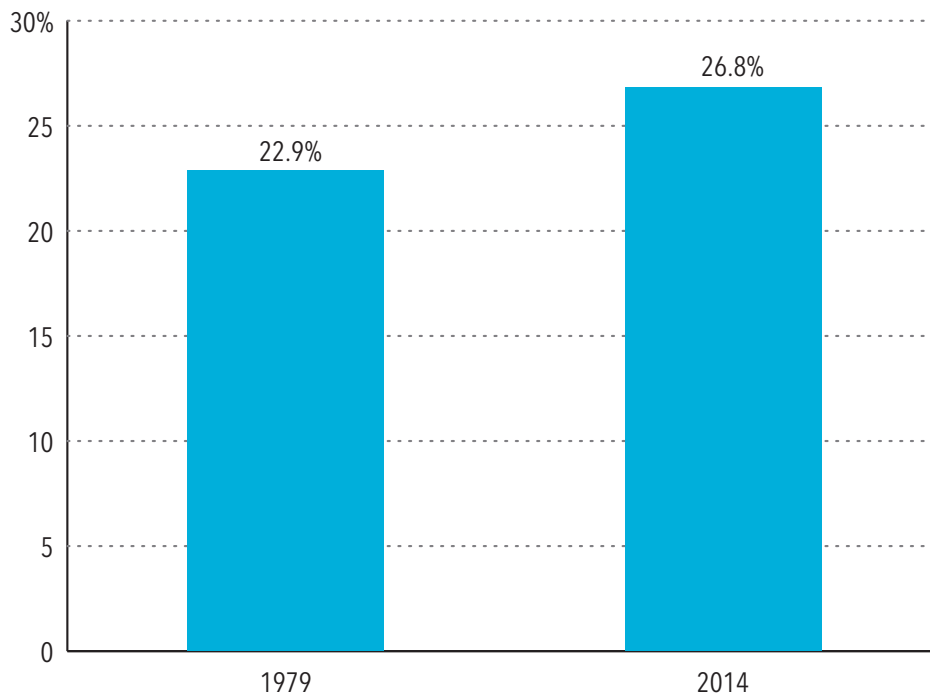


Note: Data are for workers ages 25 to 64.
 Source: Budget Center analysis of US Census Bureau data



The Share of Workers in California Who Earn Low Wages Has Increased

Percentage of Workers Who Are Low-Wage Workers, 1979 vs. 2014



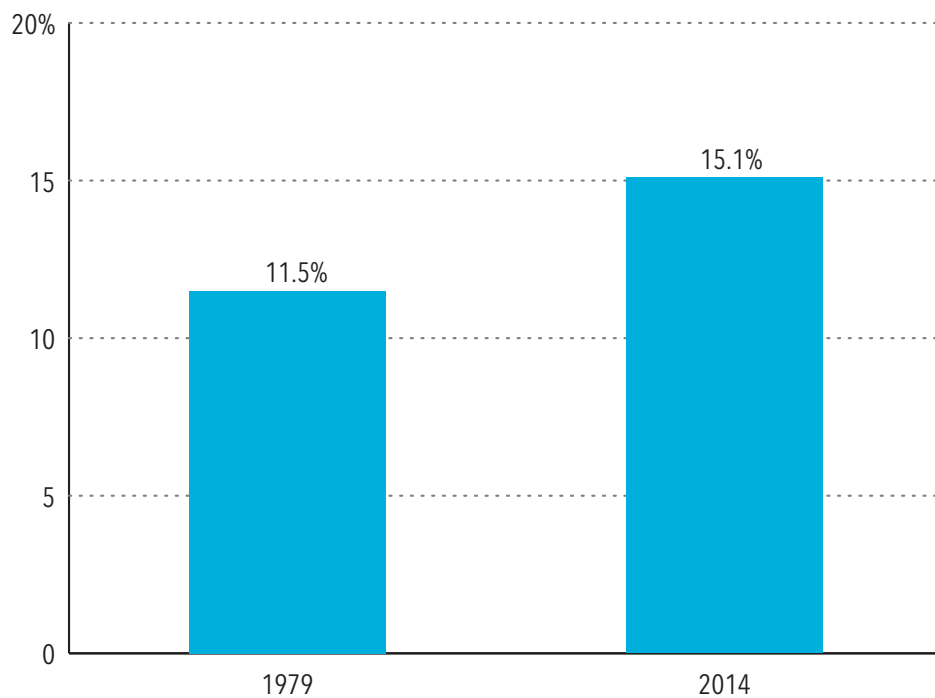
Note: Data are for workers ages 25 to 64. A low-wage worker is defined as someone who earns less than two-thirds of California's median wage.
Source: Budget Center analysis of US Census Bureau data



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College-Educated Workers Are a Growing Share of the Low-Wage Workforce, but That Share Remains Small

Percentage of Low-Wage Workers With a Bachelor's Degree or Higher, 1979 vs. 2014



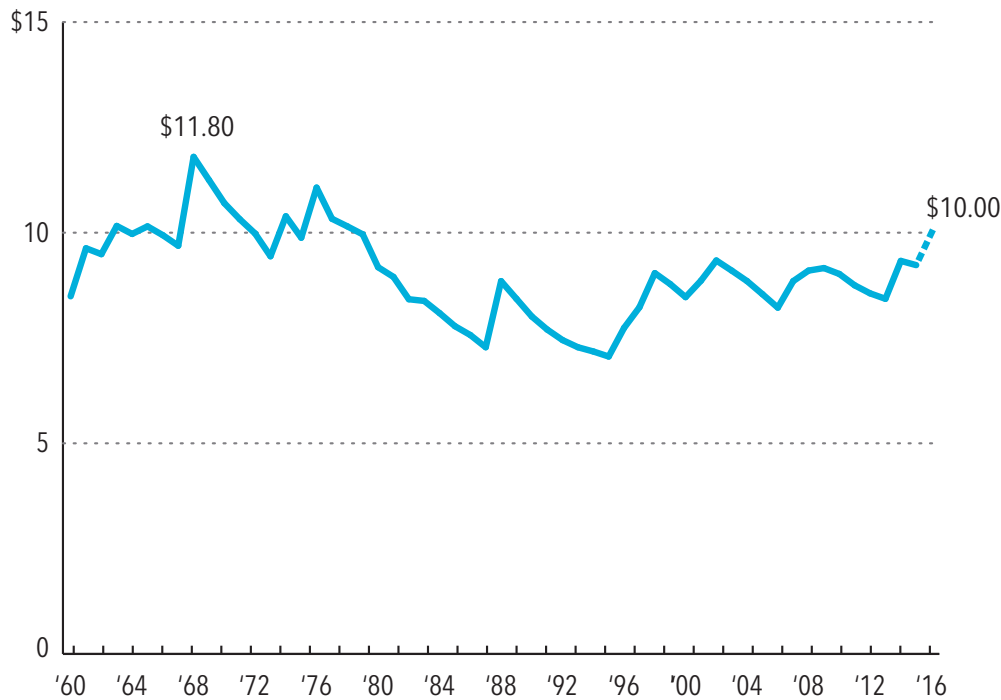
Note: Data are for workers ages 25 to 64. A low-wage worker is defined as someone who earns less than two-thirds of California's median wage.
Source: Budget Center analysis of US Census Bureau data



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Even With the Scheduled Increase in 2016, California's Minimum Wage Will Remain Below Its 1968 Value

California's Inflation-Adjusted Minimum Wage, 1960 to 2016 (2016 Dollars)



Note: California's minimum wage rose to \$9 an hour in 2014 and is scheduled to rise to \$10 an hour on January 1, 2016.

Source: Department of Industrial Relations and Department of Finance



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ADDITIONAL READINGS

Annette Bernhardt, [Low-Wage Work in California: 2014 Chartbook](#) (UC Berkeley Labor Center: 2015).

California Budget & Policy Center, [Beyond Recovery: Making the State's Economy Work Better for Low- and Mid-Wage Californians](#) (August 2014).

PART 5

How State Policy Can Better Protect and Invest in California Workers

The broad trends covered in this chartbook highlight gaps in California's approach to promoting the economic well-being of workers. State policy has not kept up with California's changing workforce and has not adequately addressed the challenges facing workers of color, women, working families, and low-wage workers.

State policymakers should pursue a mix of two general kinds of approaches: targeted policies that address problems specific to certain groups of workers and policies that broadly reach workers across the wage distribution and across demographic groups. Specifically, policymakers should:

- **Improve the well-being of low-wage workers by raising the minimum wage, expanding the state Earned Income Tax Credit (EITC), and passing stronger protections against wage theft.** Policymakers should expand on recent advances that give a financial boost to low-wage workers. The state's minimum wage, which will go up to \$10 an hour in 2016, can be further raised or pegged to inflation so that its value does not erode over time. Moreover, the newly created state EITC, which boosts the earnings of very low-wage workers through a refundable tax credit, is a positive step but could be strengthened so that it reaches more low-wage workers. Finally, efforts to combat wage theft, which disproportionately affects low-wage workers, will ensure that these workers are not denied wages or other benefits they have earned.

- **Address the inequities and challenges that workers of color disproportionately face in the labor market.** Given that workers of color are a rising share of California's workforce, efforts that help them advance are an investment in a healthier labor market in the future. Policies that combat wage theft, raise the minimum wage, and broadly improve outcomes for low-wage workers will be especially helpful for workers of color, but more targeted measures will build on this success. These targeted measures must address the systemic barriers to stable and fulfilling employment that workers of color face. People of color are overrepresented in the criminal justice system, and when they emerge from that system they face a number of hiring restrictions and impediments. Moreover, workers of color still face discrimination in hiring and immigration policies that in turn promotes participation in the underground economy.
- **Support parents in better balancing work and family.** Compared to other states, California has been assertive in expanding access to paid leave. However, more can be done. California's paid family leave program can be expanded to give workers more time for caregiving, and policymakers could help ensure that workers have greater control over their schedules. Finally, expanding access to affordable childcare is essential to helping working parents engage in the labor force to their full potential.
- **Make substantial investments in higher education and skills development.** California should reinvest in affordable higher education with an eye toward making it accessible and rewarding to students of all backgrounds and income levels. On top of this, connecting workers to skills training, apprenticeships, and adult education programs would help workers climb the economic ladder. Reprioritizing effective and affordable education and training will help strengthen

the state's economy and give workers more opportunity to climb the economic ladder.

State policymakers have a variety of options for lifting the economic prospects of California workers. They should directly address the deep challenges facing workers of color, women workers, and families struggling to balance the needs of home and the needs of work. Ultimately, this calls for putting in place a set of policies that better reflect California's 21st century workforce.