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California's Workers Are Increasingly Locked Out of the State's Prosperity: An Overview of Recent Labor Market Trends

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MEETING ON THE GIG ECONOMY

FRANCHISE TAX BOARD

October 1, 2019

Presentation Overview

Recent labor market trends point to challenges for California workers:

- Wage growth
- Pay disparities by race/ethnicity and gender
- Workers' share of state income
- Access to employer-sponsored benefits
- Union representation
- Independent contracting or "gig work"
- These trends provide broader context for understanding the gig economy.



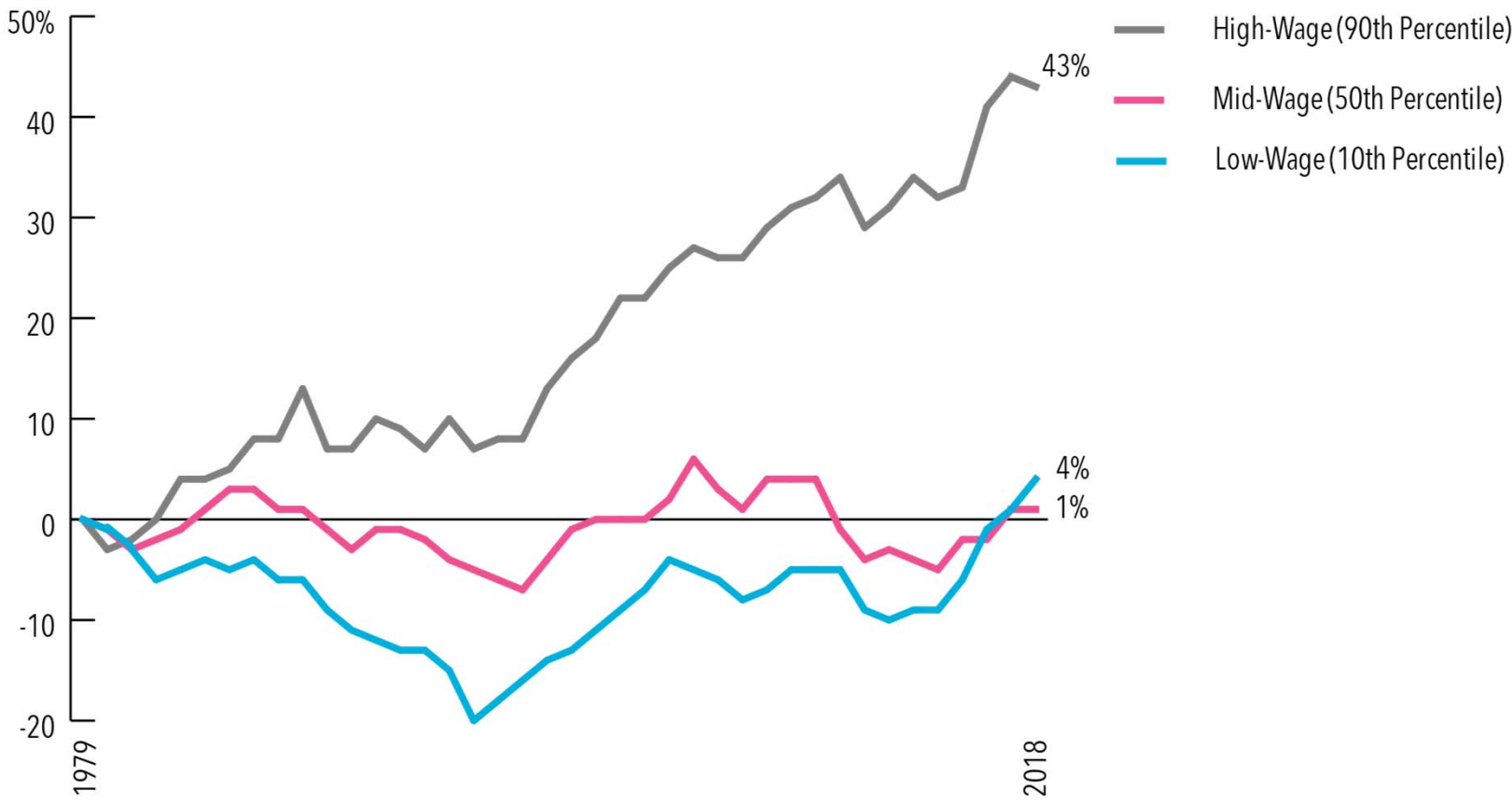
Wages Have Stagnated for Low- and Mid-wage Workers

At the same time, the cost of living has increased.



Modest Gains for California's Low- and Mid-Wage Workers

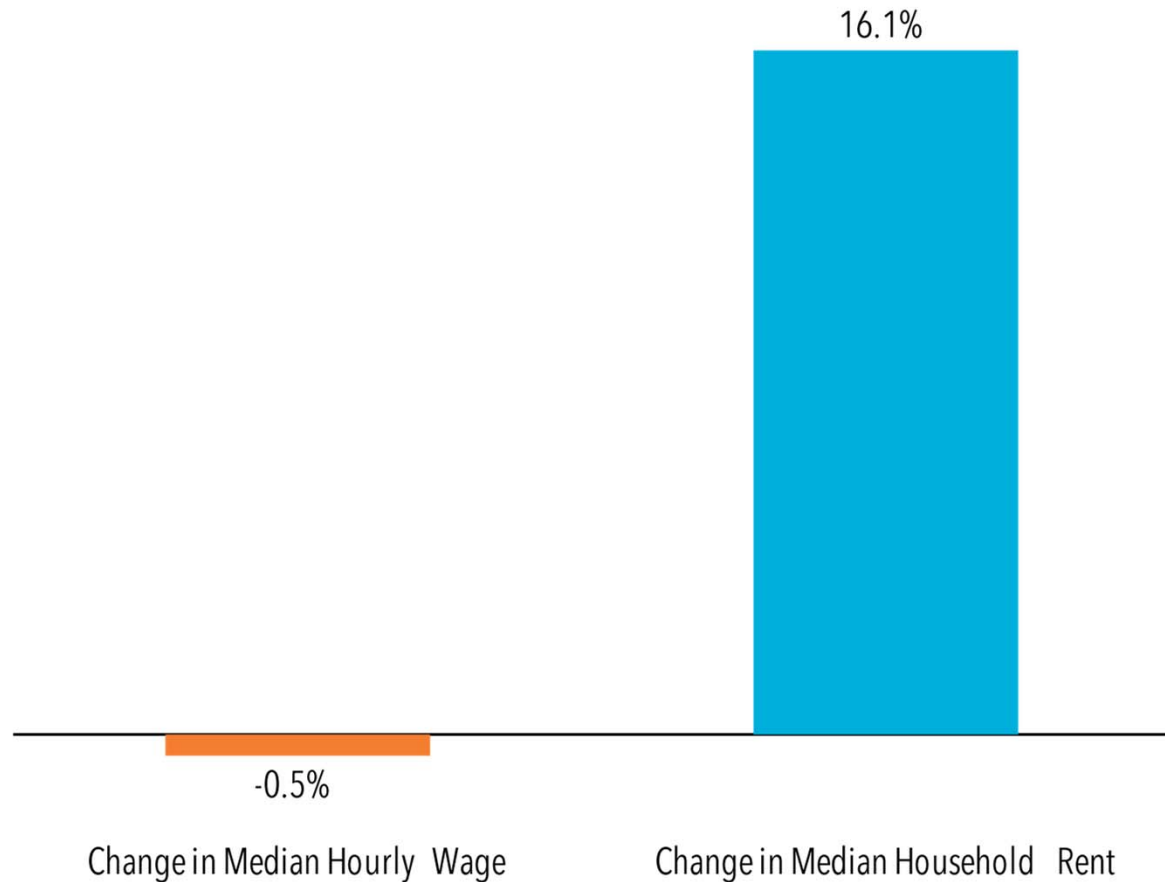
Percent Change in Inflation-Adjusted Hourly Wages Since 1979



Note: Data reflect earnings for workers ages 25 to 64.
Source: Budget Center analysis of Economic Policy Institute's Current Population Survey extracts

Rents in California Have Grown Far Faster Than Hourly Wages for Typical Workers

Percent Change in Inflation-Adjusted Median Rent and Median Hourly Wage, 2006 to 2017



Note: Wage data reflect earnings for workers ages 25 to 64.
Source: Budget Center analysis of Economic Policy Institute's Current Population Survey extracts and US Census Bureau, American Community Survey data



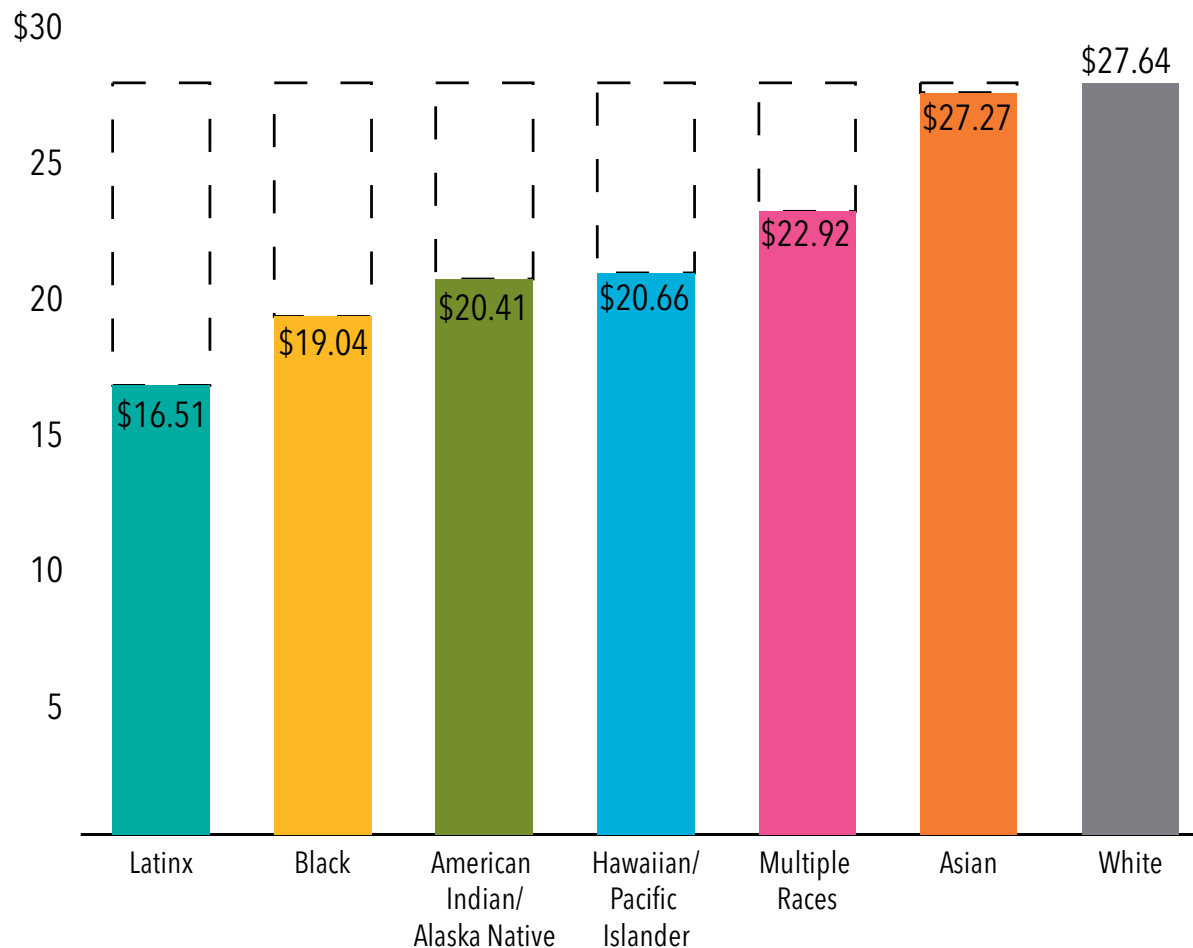
Pay Disparities by Race, Ethnicity, and Gender Persist

Workers of color tend to be paid less per hour than white workers, and women are paid less than men across the earnings distribution.



Workers of Color Are Typically Paid Less Than White Workers

Median Hourly Wages for California Workers Ages 25 to 64, 2016-2018



Note: Racial and ethnic groups are mutually exclusive. These figures provide an incomplete understanding of disparities by race and ethnicity, as the data are not available or cannot be reported for all racial and ethnic groups.

Source: Budget Center analysis of Economic Policy Institute's Current Population Survey extracts



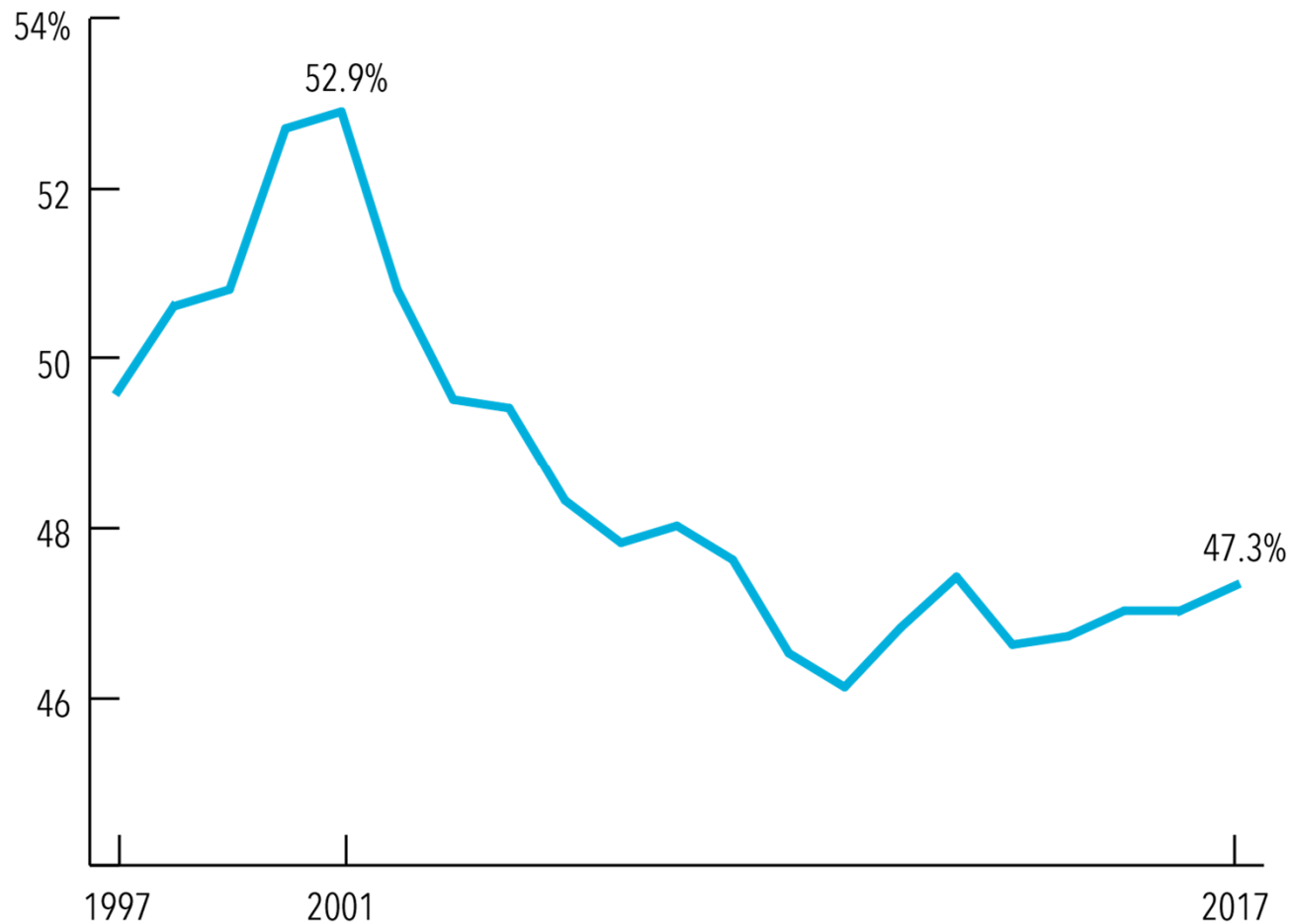
A Declining Share of the State's Income Has Been Going to Workers

Less income paid to workers contributes to rising income inequality.



Workers' Share of California's Income Has Fallen in the Past Two Decades

Ratio of Employee Compensation to State Gross Domestic Product (GDP), Private Industries



Note: Employee compensation includes wages, salaries, and employer contributions for pension and insurance funds and government social insurance. GDP for private industries includes all economic activity in the state that is not attributable to government and government enterprises. Source: Budget Center analysis of Bureau of Economic Analysis data



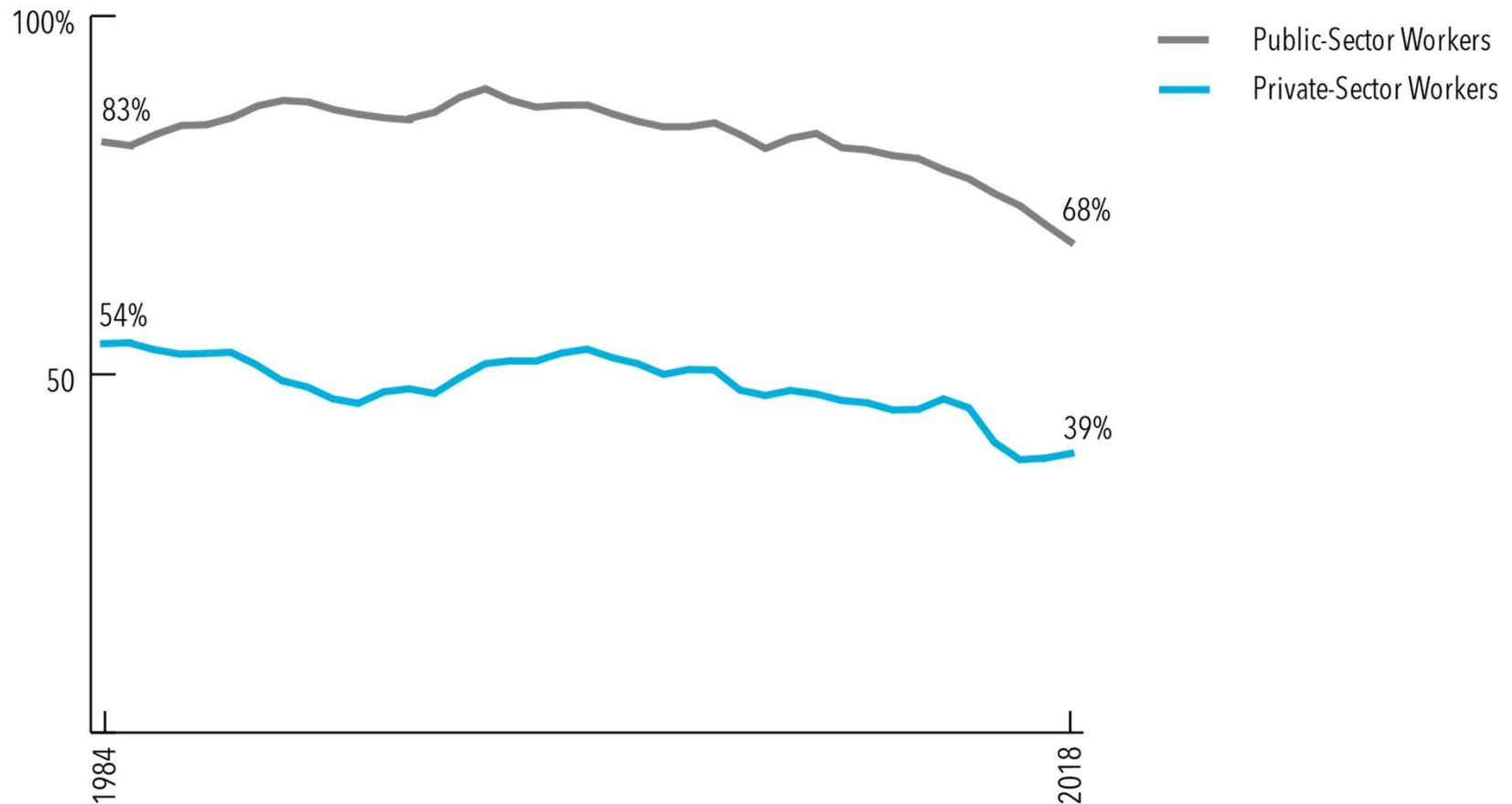
California Workers' Access to Employer-Sponsored Retirement Plans Has Declined

Workers without access often struggle to secure adequate resources for retirement.



A Declining Share of California Workers Has Access to Employer-Sponsored Retirement Plans

Percentage of Workers Ages 25 to 64 With Access to Employer-Sponsored Retirement Plans



Note: Figures reflect a two-year moving average. For example, 2018 reflects data for 2017 and 2018 combined. Two years of data were combined to increase the reliability of the results. "Access" refers to access to employer-sponsored retirement plans through one's own employer. Source: Budget Center analysis of US Census Current Population Survey data



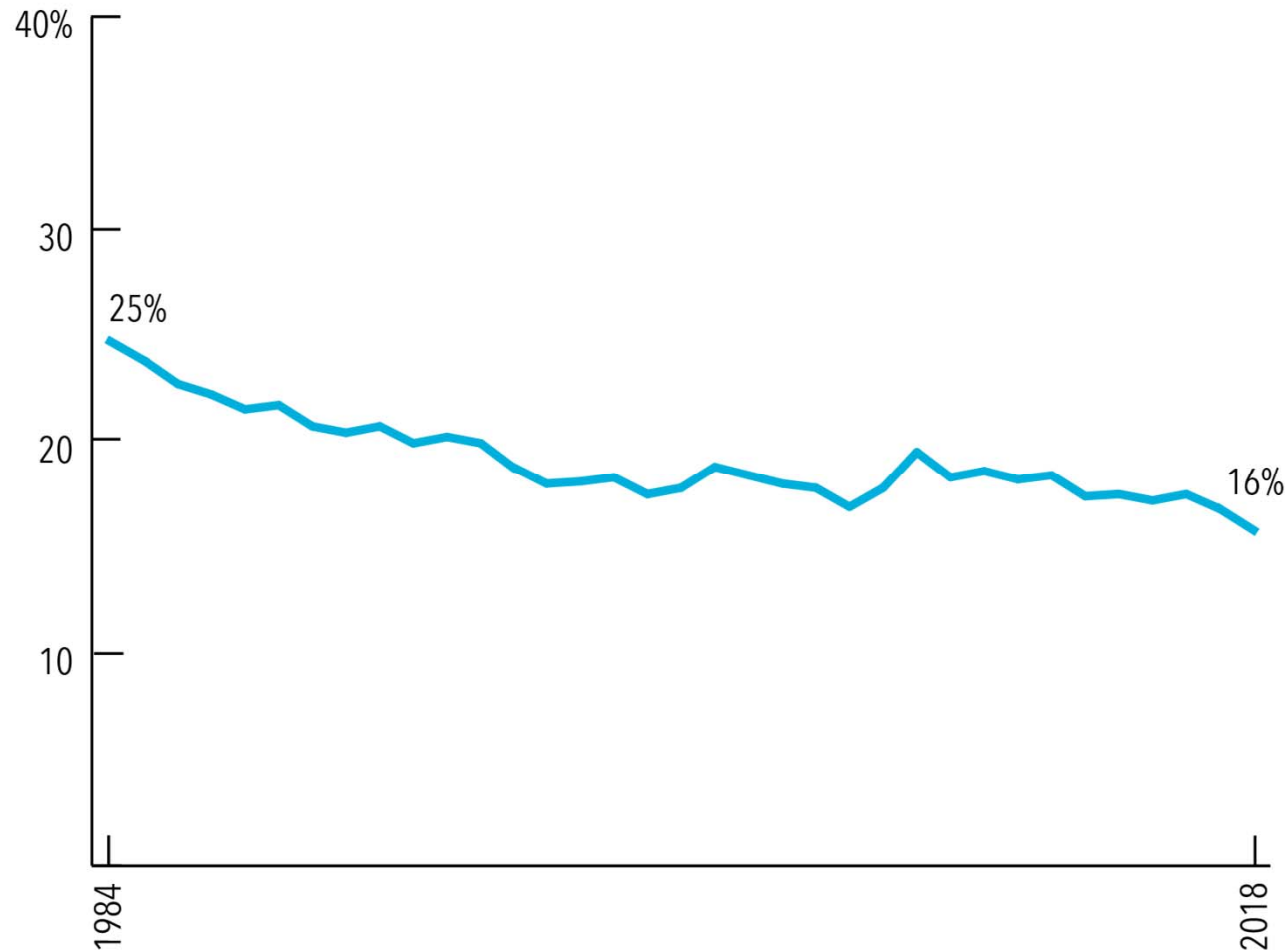
Union Representation Is on the Decline

Workers represented by unions tend to have higher wages and greater access to employer-sponsored health and retirement benefits.



The Share of Workers Represented by Unions Has Been Declining for Decades in California

California Unionization Rate, 1984 to 2018



Note: Analysis includes both public and private sector workers. Includes workers who are union members or are covered by a union contract.

Source: Budget Center analysis of US Census Current Population Survey data



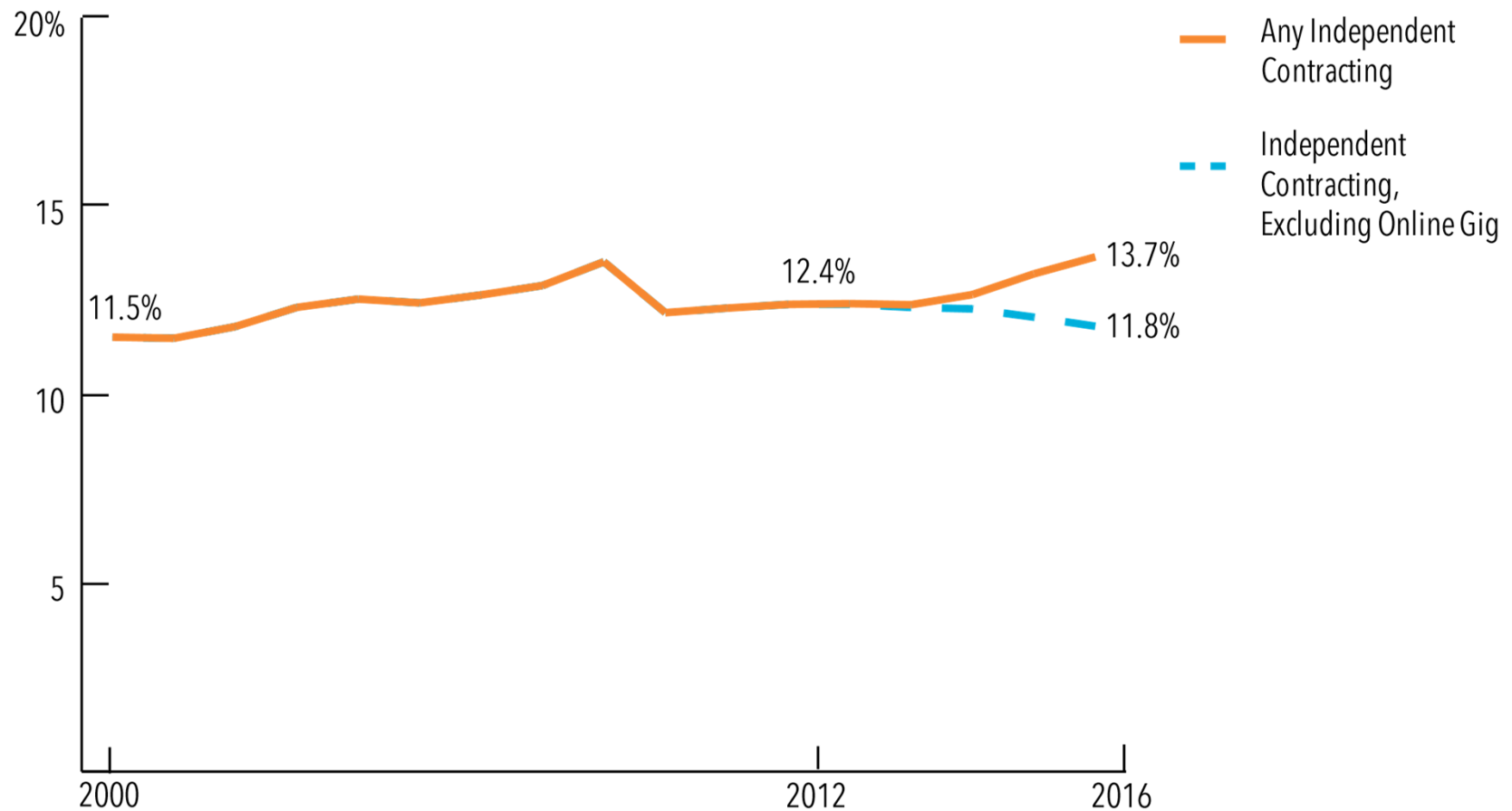
A Small but Growing Share of Workers Has Earnings From "Gig Work," or Independent Contracting

More data are needed to understand the full scale, range, and impact of different forms of "contingent work."



A Small, but Growing, Share of Workers Has Earnings From Independent Contracting With Businesses

Percentage of California Workers With Earnings From Independent Contracting



Note: "Workers" refers to individuals with any wage earnings reported on form W-2, self-employment earnings reported on Schedule SE, or 1099 non-employee compensation as long as the individual appears on a tax return. Independent contractors are limited to those who work for companies and whose earnings are reported to tax agencies.

Source: Budget Center analysis of Internal Revenue Service data



Independent Contracting Raises Questions About Workers' Economic Security

Contractors lack guaranteed worker protections provided to employees:

- Right to unionize and collectively bargain
- Minimum wage and overtime rules
- Family and medical leave
- Discrimination protection



Independent Contracting Raises Questions About Workers' Economic Security

Contractors are responsible for managing risks that employers generally manage for employees:

- Workers' compensation
- Disability insurance
- Unemployment insurance
- Social Security and Medicare contributions
- Income tax withholding



Independent Contracting Raises Questions About Public Supports and Public Budgets

- If contractors lack adequate private resources to manage injury, disability, unemployment, or retirement, they may need to turn to public supports for income, health care, and other basic needs.
- Increased demand for public supports may affect state, local, and federal budgets.



The Challenges Facing Workers Present an Opportunity for State Leaders

As businesses assume less responsibility for workers' economic security, public policies need to respond.



State Leaders Can Help More Workers Share in the Prosperity Workers Help Create

- Recent policies and investments represent an important start:
 - Minimum wage, CalEITC, CalSavers
- More is needed to address the challenging trends facing workers – including wage stagnation, rising living costs, pay disparities, retirement insecurity, declining unionization, and contingent work.





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