THE BROKEN PATHWAY 2.0

A Bay Area Workforce Research

DECEMBER 2018

JobTrain

EXECUTIVE SUMMARY

> In December 2016, JobTrain released a report titled, "The Broken Pathway: Uncovering the Economic Inequality in the Bay Area". The report offered a unique lens on the demographics and workforce statistics for the Bay Area – highlighting the inadequacy of our national data standards in telling the complete story of the region's need.

This Update Brief highlights key changes from data collected in the prior year. In many cases, the same data limitations exist in this update as existed in the 2016 report; however, efforts were made to provide context and describe any changes from the prior report through a targeted literature review.

As noted in the prior report, the San Francisco Bay Area (Bay Area)[1] has benefited from technological change and innovation along with an increasing global economy. However, these changes have left significant portions of the workforce behind, particularly less-skilled workers, by making it more difficult for them to find good job opportunities and by eroding their earning potential.

Research has shown that workers with less education and training as well as those that have been displaced from long-tenured jobs are the most likely to face these challenges, and effective job training services are an important component to addressing this reality. However, traditional methods for measuring and reporting on the need within communities overlook the extent of the need, and therefore lead to the lack of resources being allocated to address these challenges.

Further exacerbating the need for resource allocations to skill development and job training is the Bay Area's existing housing crisis. As of May 2018, the Bay Area housing market has climbed to a median price of over $850,000, with median home prices in San Mateo and San Francisco

Counties topping $1.3 million[2]. According to a poll by the Bay Area Council, 46% of Bay Area surveyed residents indicated that they are likely to move out of the region in the next few years. This is up from the 40% in the prior year and 34% in 2016[3]. A recent report by Joint Venture Silicon Valley found that more people left Silicon Valley in 2016 and 2017 than any year in the last 10 years. However, as quickly as we are losing residents, we are also gaining new ones. From July 2015 to July 2017, the region lost about 44,000 existing residents; however, the region also gained close to 45,000[4].

As noted in this update, metrics generally remain the same or continue to improve for the region; however, this is not necessarily due to improved conditions for our populations. Instead, it is likely representative of population displacement among those with the highest need and the infill of new residents that are educated, high-income earners in the technology sector.

For the Bay Area, it is becoming increasingly important that topics such as workforce development are not only closely aligned with areas such as industry and occupational growth, but also areas that affect the livability of the region – housing and transportation. Intergenerational wealth building and economic mobility is critical for those in the region currently getting left behind by the growing economic divide. Skill development and job opportunities are the anchors in making this happen for those that need it most.

1. For the purposes of this summary, "Bay Area" is defined as the counties of Alameda, San Francisco, San Mateo, and Santa Clara.
2. https://www.mercurynews.com/2018/05/24/bay-area-home-prices-continue-upward/, May 2018
3. http://www.bayareacouncil.org/2018-bay-area-council-poll/, June 2018.
4. Joint Ventures Silicon Valley and Silicon Valley Institute for Regional Studies, "Silicon Valley Indicators", 2018.

JobTrain CEO Barrie Hathaway presents Broken Pathways findings to stakeholders in October 2018
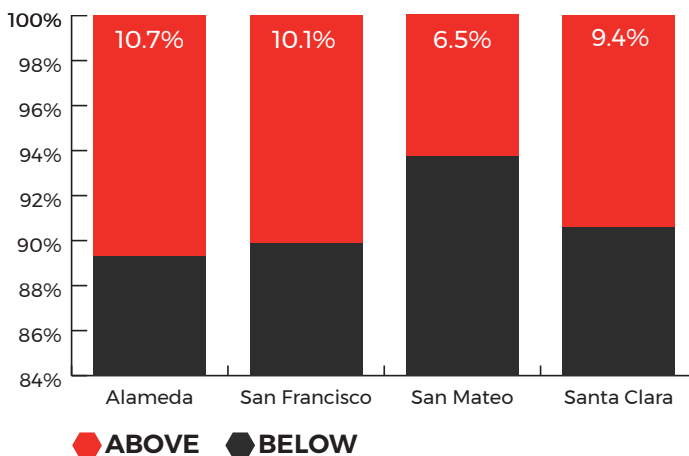
POVERTY IN THE BAY AREA CONTINUES TO BE HIDDEN AND OVERSHADOWED BY THE STRONG ECONOMY

Poverty in the Bay Area

Key observations from the prior report remain unchanged in this update. The use of percentages to profile the overall demographics of the Bay Area continue to overshadow the absolute number of disadvantaged populations and their unique challenges. Due to federal formula funding, this dramatically impacts the amount of resources dedicated to this population – ultimately affecting the ability to provide service, such as job training, in a meaningful way. Notable observations include:

FIGURE 1. **POVERTY LEVELS BY BAY AREA COUNTIES (2016)**

	Alameda	San Francisco	San Mateo	Santa Clara
ABOVE	10.7%	10.1%	6.5%	9.4%

● ABOVE ● BELOW

- As noted, metrics generally remain the same or continue to improve for the region; however, this is not necessarily due to improved conditions for our populations. Instead, it is likely representative of population displacement among those with the highest need and the infill of new residents that are educated, high-income earners in the technology sector.

- In a Next 10 report on California migration patterns, "Bay Area counties are popular destinations for people coming from out of state…[due to] average pay in high- and middle-wage industries in the Bay Area [growing] significantly faster than all other regions in California."[5] Overall, the Bay Area showed a slight population increase of roughly 16,500 people from 2016 to 2017, while California overall is losing residents[6]. From 2006 to 2016, 1,090,600 more
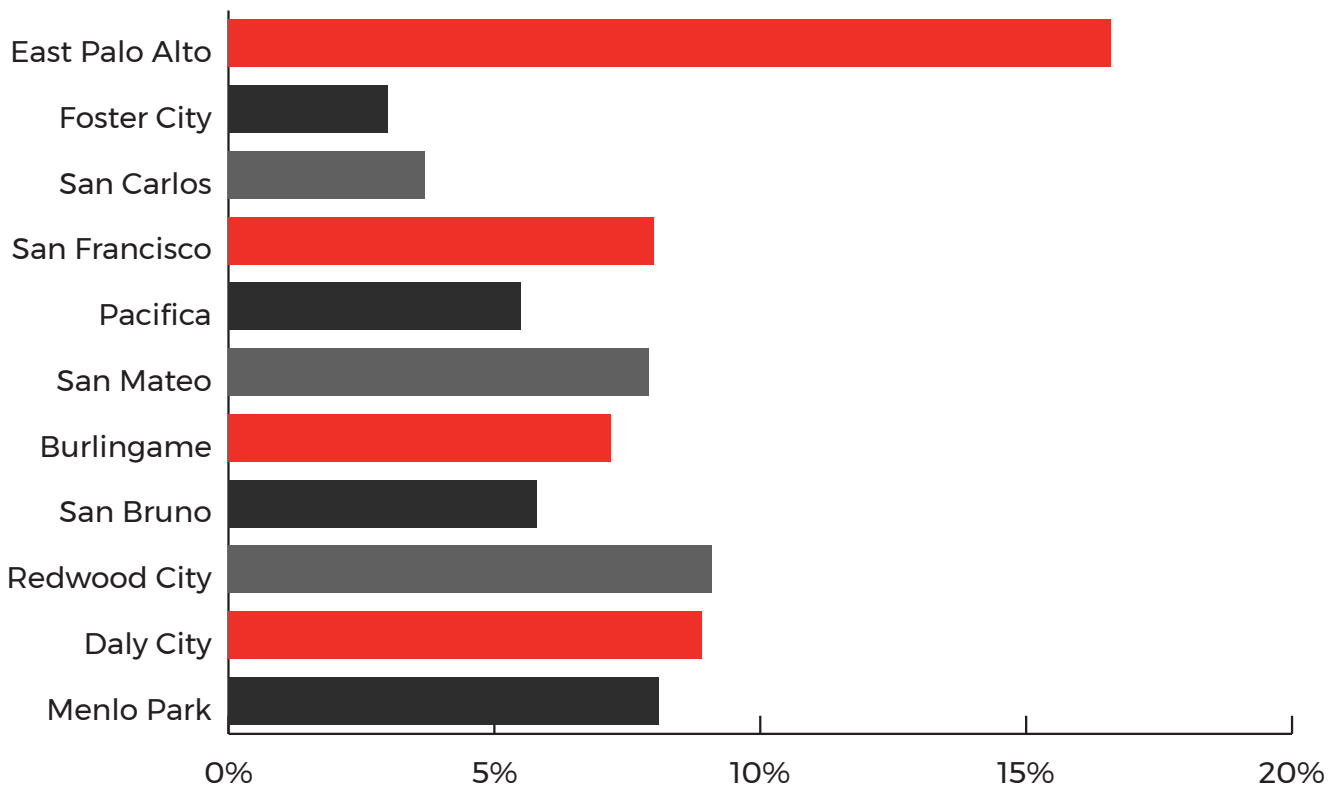
people moved out of California to other states than moved from other states to California.

- The overall number of Bay Area residents living in poverty slightly decreased from roughly 10% to 9.5%. This equates to a decrease of about 20,000 resident from 2015 to 2016 – a change from just over 507,000 to nearly 487,000[7]. See Figure 1 for County breakouts. It is worth noting, however, that while the number of people living in poverty decreased by roughly 20,000, at the same time, people continue to leave the Bay Area. In the last two years 44,000 Bay Area residents moved out of the area. It is not unrealistic to theorize that half of them left because of the high cost of living.

- As noted in Figure 1, poverty rates in 2016 ranged from 6.5% in San Mateo County to 10.7% in Alameda County across Bay Area counties. Specifically within San Mateo County in 2016, city poverty rates ranged from 3.7% in San Carlos to as high as 16.6% in East Palo Alto. Three of the largest cities in San Mateo County – Daly City, San Mateo, and Menlo Park – had poverty rates above the county average with rates of 8.9%, 7.9%, and 9.1% respectively. Similar to the prior report, this indicates pockets of poverty within regions that are not reflected in blended percentages.

FIGURE 2. **CITY POVERTY RATES WITHIN SAN MATEO COUNTY (2016)**

5. Next 10 and Beacon Economics, "California Migration: A Comparative Analysis", May 2018.
6. American Community Survey, 2015 and 2016 1-Year Estimates, Table S0101.
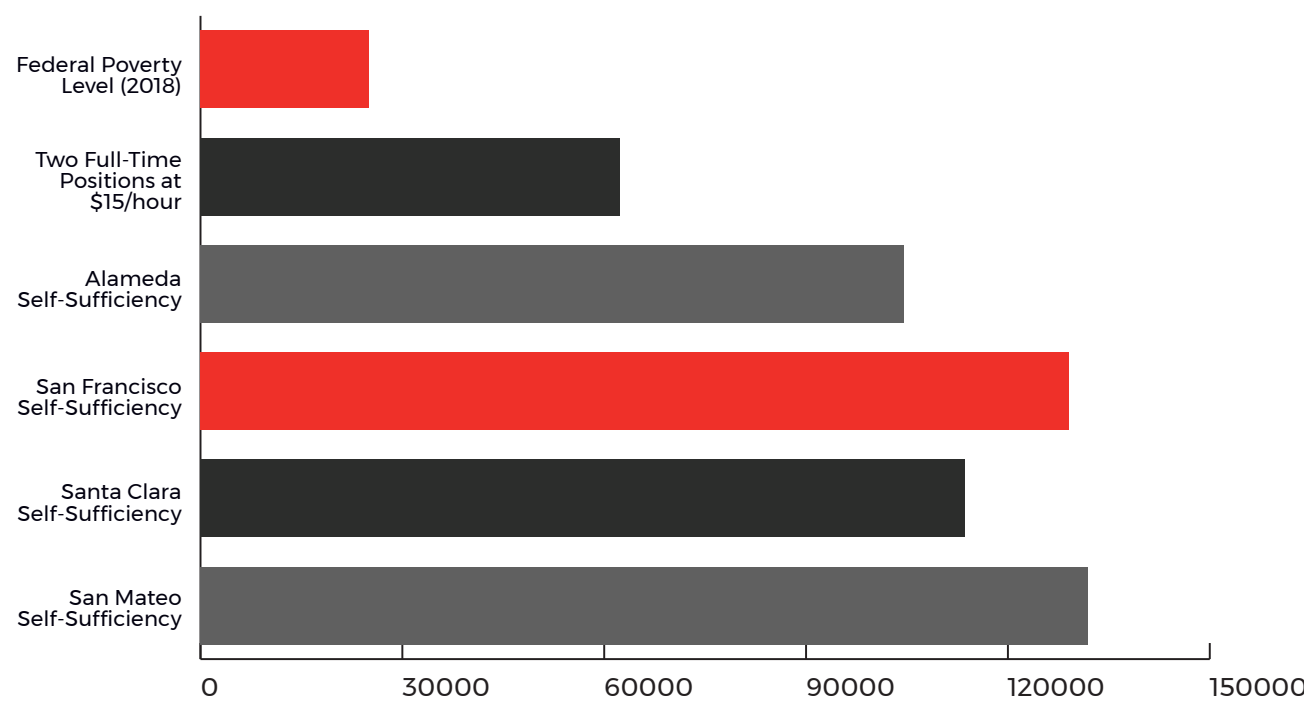7. American Community Survey, 2015 and 2016 1-Year Estimates, Table S1701.

SELF-SUFFICIENCY INDEX - A MORE ACCURATE PORTRAYAL OF POVERTY IN THE REGION

As noted in Figure 1, poverty rates within San Mateo County indicates that pockets of poverty exist within regions that are not reflected in blended percentages[8].

Relying on percentages of poverty hides the large number of those in absolute poverty, due to the large number of people in the Bay Area and in California. The Bay Area population living in poverty (487,000) represents the total population of the top eight (8) populated cities in San Mateo County: Daly City, San Mateo, Redwood City, South San Francisco, San Bruno, Pacifica, Menlo Park, and Foster City.

As noted in the prior report, the Federal Poverty Level (FPL) standards underestimate the livability of the region due to the high cost of living in the Bay Area. The Self-Sufficiency Index developed by the University of Washington indicates that the FPL could be underestimating the need for residents to cover basic needs in the Bay Area by four to five times. As such, the number of residents earning even 300% of the FPL may be a more appropriate estimate to identify those living in poverty. Using this logic, in 2016 over 1.63 million people had incomes below the region's self-sufficiency standard, or 300% of FPL[9].

FIGURE 3. **SELF –SUFFICIENCY CHART COMPARISON BY BAY AREA COUNTIES (2018)**
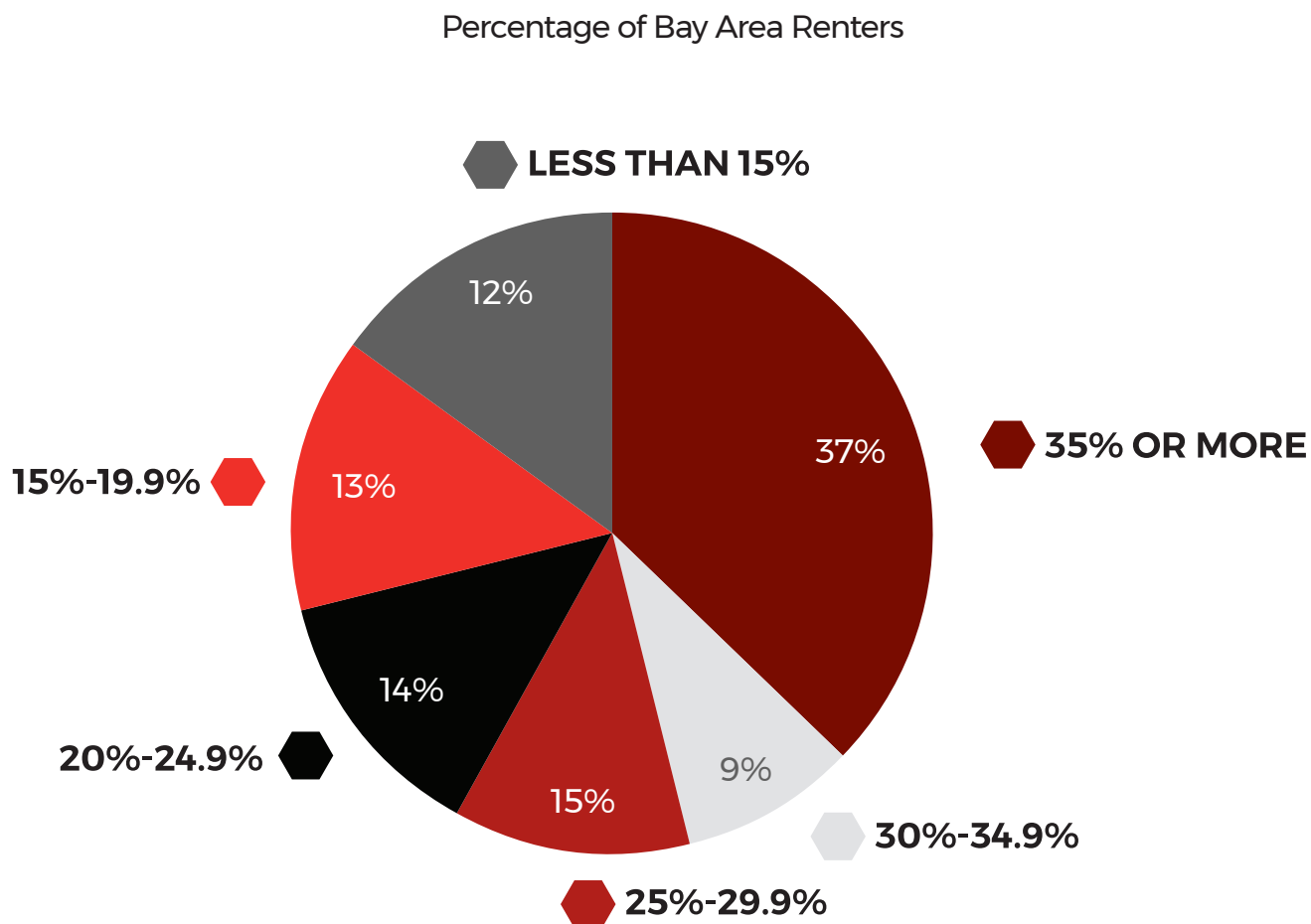
Racial minorities continue to account for over half of those in poverty in the Bay Area, with many speaking non-English languages in the home. Given the prominent foreign-born populations in the Bay Area, as well as emerging federal policies and the upcoming 2020 Census, future data estimates on the demographic profile of the Bay Area's diversity may be grossly underestimated.

This could further impact resource allocations to the region for populations in the most need.

Among renters in the Bay Area, about 37% spend over 35% of their household income on their rent. San Mateo County represents the highest allocation of income to rent with 40.6% of renters spending 35% or more of their income on this cost[10]. See Figure 4.

FIGURE 4. **PERCENTAGE OF INCOME SPENT ON HOUSING BY BAY AREA RENTERS (2016)**

Percentage of Bay Area Renters

LESS THAN 15%

35% OR MORE

15%-19.9%

20%-24.9%

30%-34.9%

25%-29.9%

12%

13%

14%

15%

9%

37%

8. American Community Survey, 2012-2016 5-Year Estimates
9. American Community Survey, 2016 1-Year Estimates, Table S1701, and http://www.selfsufficiencystandard.org
10. American Community Survey, 2016 1-Year Estimates, Table CP04: Comparative Housing

BARRIERS TO EMPLOYMENT FOR BAY AREA RESIDENTS

About 50% of Bay Area residents, over the age of 25, have less than a bachelor's degree thus limiting their job opportunities and indicating the need for additional training and skills development for this population. Further, over 73% of those 25 and older in poverty have less than a bachelors' degree – 50% have a high school degree or less[11].

The profile of populations in significant need within the Bay Area suggest the need for services that are low to no-cost, provide training and skills development, and have cultural and language sensitivity. Further, these services should be offered in a way that accounts for the economic pressures placed on these families – such as housing costs – and the sense of urgency some may have to address immediate basic needs.

Unemployment and Underemployment in the Bay Area

The Bay Area outperforms most of the State when it comes to unemployment. The distinction between unemployment versus underemployment remains a critical concept in understanding the extent of the Bay Area's workforce challenges. For instance, many individuals work multiple part-time jobs to sustain a livelihood.

NOTABLE OBSERVATIONS INCLUDE:

- The Bureau of Labor Statistics (BLS) releases six measures of labor underutilization. The official unemployment rate is a comparatively narrow technical measure when compared to other schedules (U-4 to U-6 Schedules) that include a segment of the out-of-work population who are willing and able to take a job but who don't fit the narrow BLS definition of "unemployed."

- Unemployment in the Bay Area continues to be low with a Bay Area county combined rate of 2.27% as of May 2018. Specific Bay Area counties ranged from 1.9% to 2.9% unemployment. Whereas in the prior report we noted specific concentrations of need at the city level, this review did not yield similar conclusions[12].

- Given the optimistic data on unemployment for the region, it is important to also consider the extent of underemployment in the Bay Area. Underemployment metrics can be a more appropriate benchmark of labor underutilization. In May 2018, the difference in the official national unemployment rate (or BLS U-3 Schedule) and the underemployment rate (or BLS U-6 Schedule) was 3.8% – double the U-3 Schedule unemployment rate[13]. For the State of California, the underemployment rate was 9.4% in January 2018 compared to an unemployment rate of 4.4% during the same time – a difference of 5% between the two schedules[14].

11. American Community Survey, 2016 1-Year Estimates, Table S1501
12. CA EDD, Monthly Labor Force Data for Cities and Census Designated Places, May 2018
13. https://www.bls.gov/news.release/empsit.t15.htm, June 2018
14. Federal Reserve Bank of St. Louis, FRED, May 2018

CAREER PATHWAYS FOR POPULATIONS IN NEED

The Bay Area is a region of high growth and opportunity for professionals with higher education; however, about half of the region does not have a bachelor's degree. Even though some occupational areas not requiring a bachelor's degree continue to show fast growth, these roles may not always align with economic sustainability and livability needs for the region.

NOTABLE OBSERVATIONS INCLUDE:

- Information released in January 2017 indicates that the fastest growing occupations not requiring a bachelor's degree in San Mateo and San Francisco Counties will increase by a range of 20% to 40% from 2014 to 2024. However, a further review of these occupations indicates that many are service industry jobs with median annual incomes below the Self Sufficiency Index noted earlier[15].

- Training and skills development to fill growing roles are an important part of creating sustainable career pathways for populations in need. Although there are Bay Area nonprofit organizations that provide such services, allocations of funding to individuals for training and career related services are tied to percentages of unemployment in regions as well as census tracts that demonstrate 30% or more poverty rate according to federal guidelines. They often struggle for sufficient public funding and resources given the overall performance of the Bay Area. This is especially the case when traditional metrics, such as the unemployment rate and poverty rate, are used to allocate State and Federal funds.

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15. CA EDD, Labor Market Information, 2014-2024 Fastest Growing Occupations, January 2017

Areas for Further Review and Regional Partnerships

There are a number of critical considerations when assessing how to best address workforce development needs for the region – especially when considering the targeted need amongst low-income, low-skilled populations. Recommendations correspond with the recommendations from the previous report, and include:

Partner with key regional stakeholders to advocate for the standard adoption of a more inclusive labor utilization schedule, such as the U-6 Schedule that includes the unemployed, part-time workers for economic reasons, and marginally attached workers.

Assess the potential adoption of the Self-Sufficiency Standard to adjust poverty level guidelines for region specific costs, and the corresponding use of this instrument in making resource/funding allocations. This would require the Self-Sufficiency Standard to be updated annually for the region (it is currently updated through 2018).

Coordinate service delivery and investment in social support and training services for populations with barriers to full-time employment due to the prevalence of underemployment in the region.

Collaborate with regional workforce development organizations to better align career pathways to sustainable wage jobs in the Bay Area, also considering high growth industries and requirements to secure these roles.

Advocate for improved policies affecting the workforce challenges of the region, such as affordable housing and accessible transportation. Increasingly, these interrelated areas will need to be considered jointly as local government considers new policies in economic development, community benefit, and affordable housing to address economic disparities.

Areas of potential policy involvement could include those related to challenges identified by the California Department of Housing and Community Development[16]:

· Not enough housing being built

· Increased inequality and lack of opportunities

· Too much of people's incomes going toward rent

· Fewer people becoming homeowners

· Disproportionate number of Californians experiencing homelessness

· Many people facing multiple, seemingly insurmountable barriers – beyond just cost – in trying to find an affordable place to live

Given the regional cost of living challenges facing much of the Bay Area, training and skills development programs are becoming increasingly imperative to populations with low educational attainment and little experience. The changing demographics due to displacement of existing residents and the high cost of living elevates the sense of urgency on workforce solutions that maintain a diverse and inclusive workforce. More than ever, skills development programs and job training services need to be aligned with industry as well as emerging policies to combat the negative effects of the high cost region on vulnerable populations.

16.. http://www.hcd.ca.gov/policy-research/housing-challenges.shtml

JOBTRAIN'S STRATEGIC PLAN TO BRIDGE THE GAP – FIXING THE BROKEN PATHWAY

JobTrain is responding to the challenges articulated in the Broken Pathway Report by launching a series of strategic initiatives outlined in its new three-year strategic plan. JobTrain remains committed to continuing to strengthen its existing career pathway programs, which are essential strategies in this period of sustained economic growth. Indeed, the opportunity for low income men and women to gain economic traction today is greater than ever, and employers need skilled workers in order for the economy to continue to grow. At the same time, new strategies are clearly called for. In response, JobTrain is launching a series of related initiatives to improve the long-term, lasting impact of its career training programs.

Accelerating Career Advancement

JobTrain currently provides career training in four high-demand, middle wage career pathways including Health Care, Technology, Construction Trades and Culinary Arts. More than 75% of graduates go to work following their training, earning an average wage of nearly $45,000 per year. This represents an effective new start for graduates, but $45,000/year simply does not solve the problem. So, JobTrain has committed to implementing strategies aimed at helping graduates advance more quickly in their careers. Highlights from this strategy include:

CAREER NAVIGATION TRAINING

- While JobTrain already includes "career navigation" training in its training programs, we will take a new look at what information our students need while in class and after graduation, what specific steps and strategies students can implement, how students can prepare customized career advancement strategies and explore new ways to deliver the curriculum.

ADVANCED TRAINING

- JobTrain will begin implementing high-potential "advanced" career training to help graduates gain next-level skills to advance in their careers. JobTrain's career training pathway options all represent careers with time-tested upward mobility. In the coming years, JobTrain will implement in-house advanced training programs that will enable graduates to achieve promotions, increased wages and improved career retention.

COLLEGE ENROLLMENT

- One of the clear indicators of a person living in poverty is low educational attainment. In response, JobTrain will implement new strategies to encourage, support and facilitate graduates' ability and likelihood of enrolling in college, as working adults, to improve their skills and marketability for promotions.

IMPROVING EMPLOYER ENGAGEMENT

- As a bridge between low income men and women and the employers that need them, JobTrain's ability to facilitate strong industry engagement is essential. Employer engagement helps to promote the talent emerging from our training program, informs our ever-evolving curriculum, and creates partnerships that lead to world-class job placement success. Like many training and education entities, JobTrain students benefit from employer partners that inform our program curriculum and hire our graduates.

- At the same time, these employer relationships generally only inform JobTrain's programs, and as a result lack the meaningful capacity to impact large scale employer challenges in the region. JobTrain will implement a new model of employer engagement which will increase the breadth and depth if its employer partnerships, expand the partnership audience to other training, education and workforce entities. The goal is to form highly impactful, long standing partnerships with sector partners that drive workforce improvement strategies for the region and maintain our strategic understanding of the future of work in the Bay Area. We intend to launch this new model of sector partnerships in the Health Care and Technology sectors in the coming year.

RESEARCH AND DEVELOPMENT

- The challenges faced by low income people to achieve economic and social mobility in the Bay Area are staggering. The high cost of transportation and housing, combined with the cost of high quality training and education make access to good jobs very difficult to achieve. And, when a person has been struggling in poverty for an extended period of time, the barriers to sustained employment begin to collect and significantly increase the challenges to success.

- These challenges are complicated and require deep thinking, experimentation and process iteration to create strong, high performing programs. JobTrain is committed to allocating annual budget and internal expertise to the implementation of research and development projects to address some of the most challenging issues in our field. In the coming year, JobTrain will build the internal skill and capacity for research and development, and will establish appropriate budget allocations for ongoing program improvement.

- Additionally, many think tanks and academic institutions are exploring the economic and workforce development landscape in the Bay Area. JobTrain will explore partnerships with these institutions to create research that could inform its services, strategic vision, needs, and opportunities.

THE ROAD TO SUCCESS

Alex's Journey

Alex graduated from JobTrain's Medical Assistant class in 2016. While growing up she faced many challenges, including being in the foster care system. She had her daughter at a very young age — creating a significant barrier to employment. With the help of her husband's family, she was able to successfully complete high school. After Alex enrolled into the Medical Assistant class, she was able to enroll her daughter into JobTrain's Child Development Center program, where her daughter benefited from a high quality child development program, at no cost to Alex.

Alex was extremely focused in class and her instructor commented on how she always turned in her assignments before the due date. The instructor had one opportunity to place a student in an externship at Kaiser in Redwood City. Based on Alex's performance, her instructor and her Job Developer thought she would be the best fit of all the students. She was assigned to the Oncology unit and when her Job Developer checked in with her, Alex said she felt a strong connection to the patients undergoing these treatments.

After she completed her externship hours, Alex knew she wanted to work for Kaiser. She applied to all open positions and went to an interview for the flu clinic. She was surprised to find out the interviewer was her former externship supervisor and she was hired on the spot.

Although she had been interviewing for the flu clinic, the supervisor was able to make an adjustment so she could work in Oncology. Alex now works for Kaiser as a Medical Assistant, making more than $25.00 per hour, and her future looks bright!

JobTrain