

STATE OF THE WORKFORCE



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Workforce Investment Board of Ventura County

NEXT
STEP
Economic Self-Sufficiency

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Foreword

The Workforce Investment Board (WIB) is pleased to present this document as a “next step” in our on-going mission to provide information, explore solutions, and finally, build our future workforce in Ventura County. The WIB’s responsibility and sole focus is to consciously re-engage employers with the public systems for employment and workforce development.

This publication, second in a series since October 2002, expands on startling statistics that affect the self-sufficiency of low-wage workers.

Indeed, only 16.4 percent of Ventura County jobs at the entry level pay \$34,000 or more annually, which is approximately twice the poverty level of income for a family of four.

The purpose of this study is to ensure that our community is educated on the effectiveness of employee retention and that the task of career training and advancement occurs in terms of local economic vitality. The WIB supports the following principles in preparing the Ventura County workforce of the 21st Century:

- Workforce development must be viewed as a long term commitment and guided with consistent focus;
- Workforce development, education and economic strategies must be integrated and mutually reinforced; and
- Partnerships and collaboration among the public, private and nonprofit sectors are essential foundations to establishing and successfully sustaining workforce development systems.

The Workforce Investment Board again invites your participation as we invest for a trained workforce in the growth sectors of the economy. We commit to begin the journey to provide job opportunities at the lower end of the labor market and close income gaps through access to instruction, career ladders, and other assistance. Finally, our ultimate goal is to enable workers to have satisfying careers with income and assets sufficient to support a high standard of living for individuals and families in Ventura County and for business to expand and remain competitive.

*Penny Bohannon Boehm
Chair, Workforce Investment Board
Ventura County*

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Executive Summary

Over the past two decades, nationally and in California, the gap between the earnings and purchasing power of the highest paid and lowest paid workers has been increasing. We now have a substantial and growing number of workers and families classified as the working poor. These are employed, hardworking people who are “playing by the rules,” but who can command wages in today’s labor markets too low to provide what most Americans would think of as a subsistence living.

This is a serious problem, both socially and economically.

Fully 31.4 percent of those working in Ventura County today — almost one in three of everyone employed — make substantially less than is needed to provide reasonable food, clothing, shelter and other basic necessities.

This is not just about people who hold minimum wage jobs. Even though California’s minimum wage (\$6.75 per hour) is well above the federal level (\$5.15 per hour), it does not provide anything approaching an adequate income. A person working at the California minimum wage full-time all year (2,080 hours) would earn about \$14,000 — \$3,000 less than the official poverty level for a family of three.

This is not just about trying to redress poverty through work. Federal poverty levels are antiquated and woefully inadequate measures of economic well-being. The goal of welfare reform in this country is to move people to economic self-sufficiency. As we will see in this report, that means not just moving people above the official poverty line, but helping them move to two or three times that level of income.

This is a *social* problem — to have people living in substandard circumstances — but it is also an *economic* one. While in many respects the economy of Ventura County prospers, we also have too few high wage jobs and too few workers qualified to fill them.

Creating *economic* development strategies and *workforce* development strategies to effectively address these inter-related problems would help provide a brighter future for our County’s economy and its people. Successful economic development depends on having a qualified, available workforce. Helping people to achieve economic self-sufficiency through workforce development means that there have to be good quality jobs there for those with the will to work and the wisdom to invest in themselves in acquiring the necessary education and skills.

WHO ARE THE LOW WAGE WORKERS?

We define low-wage workers as anyone whose hourly wage is less than \$10. In 2000, there were 116,166 low wage workers in Ventura County — 31.4 percent of the work force.

- They are not just teenagers and the elderly. The vast majority (over 89 percent) are working adults normally considered to be in the “prime earning years.”
- They are not largely immigrants or those with poor language skills. Almost two-thirds are native born. Those with limited or no English language skills make up less than 20 percent of the low-wage worker population.
- They are not only those with limited education. Only a third have less than a high school education. Another third have some college or more.

WHERE ARE THE LOW WAGE JOBS?

In a sense, they are everywhere. In many industry sectors, between 15 and 30 percent of the jobs fall within our low-wage category range. However, some industries have much higher percentages of low-wage positions. Among these are agriculture, retail trade, wholesale trade, and accommodation and food services.

WHAT CAN BE DONE TO ADDRESS THE LOW-WAGE WORKER PROBLEM?

Many things. In its report titled Shared Prosperity and the California Economy, the Center for the Continuing Study of the California Economy suggests that there are four broad based strategies for addressing ongoing challenges of raising incomes, reducing unemployment and underemployment and facilitating fuller levels of economic self-sufficiency among workers:

- Continued strong economic growth and productivity gains.
- Expansion of income support programs such as the minimum wage, Earned Income Tax Credit, and support of broader access to health care and child care.
- Programs that support economic expansion efforts.
- Workforce development strategies that focus on helping workers move up to better jobs and higher wages.

In this report, we will review many of the strategy and programmatic options suggested by the list of general approaches suggested above.

INCOME POLICIES

Income policies are intended to increase income by increasing the wage rate, increasing hours of work, decreasing tax liabilities or by reducing or subsidizing expenses that working families have to incur such as child care.

- Increases in the minimum wage required by law do add to the income of some workers but also increase costs to employers and consumers. The specific trade-offs vary according to prevailing economic conditions. At the state and federal levels, proposed changes in the law always involve fierce political battles. Minimum wage laws are not generally thought of as county or local government options.
- Living wage laws are typically enacted at the local government level and are targeted to lower-wage government workers and/or employees of firms who sell goods or services to local government. Living wage laws can provide selected groups of workers with enhanced earnings but, despite the large number of living wage “experiments” now in place across the nation, the full

“We view training and education programs as critical cornerstones of both workforce development and economic development programs over time and therefore devote considerable detailed attention to them in the body of the report.”

effects on unemployment and poverty reduction are not yet understood. Most economists do not consider them to be efficient ways of dealing with these issues.

- Earned Income Tax Credits reduce tax liability for low-income workers. Programs are in place at the federal level and in a number of states, but not in California. Their appeal is an economic incentive tied directly to working. Their principal down-side is the cost they add to the overall effort of moving people from welfare to work. EITC's are not really a local government option.
- There are a plethora of other work support programs in place around the country. These include the Food Stamp program, child care subsidies, health care programs, transportation subsidies and so on. These programs can be effective in reducing poverty and facilitating the transition to work. Their optimal effectiveness and efficiency could come about in an integrated program setting benefits qualifications and levels as a part of a multi-faceted strategy. The reality is a less effective bundle of programs administered by various agencies. There are local level opportunities to enhance the effectiveness of program delivery and hence participation levels.

LABOR SUPPLY POLICIES

Labor supply policies are intended to entice more non-workers into the labor force or to enhance the skills workers have to offer in the market place.

- Welfare reform — especially its welfare-to-work and “work first” provisions — increases the number of persons seeking employment and the actual number employed. How effective they are in enabling these workers to escape poverty and achieve economic self-sufficiency depends on a variety of other factors, including what work support benefits are available (and used) and what training and development opportunities are also provided.
- Job training programs seek to improve employment and earnings by enhancing worker skills. There are a myriad of existing programs at both the federal and state level.

These programs can be effective, but they must be substantive enough to develop real skills, targeted to meet real labor market needs, and accessible and affordable to individuals who have the capacity to benefit from the specific training provided.

LABOR DEMAND POLICIES

Labor demand policies seek to increase employment levels and earnings by stimulating the demand for labor overall or in targeted sectors of the economy.

- Wage subsidy programs involve transfer payments from the government to employers to help offset the costs of adding additional workers, thus stimulating labor demand. There has been a series of federal programs of this kind over the years. Adding wage subsidies by local or state government seems unlikely in California given the public sector financial picture. Local agencies can seek to ensure that local employers know about and take advantage of existing programs.
- Creating new public sector jobs can also provide new or enhanced work opportunities. This is an expensive method of addressing unemployment and low-earnings circumstances. Given the current fiscal situation in California, we did not regard this as being a viable policy option in the foreseeable future.

ECONOMIC DEVELOPMENT

Economic development policies are best designed when they are informed by and responsive to significant economic circumstances and trends at a number of levels. In this section of the report we look at economic development policy options, primarily using the lens of improving workforce opportunities and conditions, in the context of changing economic factors in California and in Ventura County.

California's economy is large, complex and dynamic. Over the past decade, it has enjoyed periods of substantial economic

growth as well as periods of substantial downturn. Different regions of the state and sectors of its economy have felt these changes with various degrees of intensity. While prosperity continues for many in California, a number of factors can be seen as dark clouds gathering on the economic horizon:

- The graying of the baby boomers may have significant impact on population change, housing prices and levels of local economic activity. There will also be a substantial increase in demand for care givers (not typically a well paying sector of the economy).
- California is experiencing a declining level of competitiveness in attracting (and retaining) businesses. Labor, energy and housing costs all contribute to this problem and the negative trends show no signs of abating.
- We are seeing a decline in manufacturing and in the production of tradable goods and services in California. Between 2000 and 2002, the state lost 9.15% of its manufacturing jobs – 180,000.

One other factor – the continuing rise of the information-based economy – is rife with both threats and opportunities for California. Clearly, competing successfully for this area of economic activity will require being able to supply a highly educated and skilled workforce. There are significant challenges to California's being able to do that on the requisite scale.

At the County level, we experience the trade offs of a diversified economy. Some sectors have been strong engines of economic growth for the County, while others, from a workforce opportunities perspective, are more problematic. There are opportunities to adopt economic development strategies that will favor the growth of high-wage industries, but local planning and public policies, housing prices, and meeting the demand for enhanced workforce education and training will all come into play.

Introduction

A disturbing feature of economic conditions today is the number of employed persons whose earnings are not enough to make them economically self-sufficient or, in some cases, even to lift them out of poverty. According to 2000 Census figures, 31.4 percent or almost one-third of workers employed in Ventura County made less than \$10 per hour, or about \$20,000 if they worked full-time all year. Contrary to the usual assumptions, relatively few of these low-wage workers were teenagers or older adults working part-time to supplement their incomes. Most were in their “prime earning years,” and many were the sole or one of two principal breadwinners in their households.

Ventura County entered the 21st Century riding a wave of economic prosperity. Between 1991 and 2000, the real value of all goods and services produced in the County grew from \$20.7 billion to \$37.8 billion, employment increased from 245,983 to 293,800, and the unemployment rate fell from 7.4 percent to 4.5 percent. The average Ventura County salary and the median Ventura County family income also rose by 52.2 percent and 51.6 percent, respectively.

Many workers and families were substantially better off at the end of the decade than they had been at the beginning. Average annual salaries in the County had grown from \$25,130 to

\$37,182 and average family income had risen from \$53,890 to \$63,766.

However, this rising economic tide did not lift all boats. Despite the overall pattern of very real economic achievement, the economic circumstances of a growing number of Ventura County residents remained difficult, even bleak. In this same decade of growing affluence, the percentages of adults, children and families living in poverty increased. Between 1995 and 2000, the average annual salary in the County rose 26.6 percent while the median home price in the County rose 41.7 percent. Housing affordability ratios declined and more than 50,000 households in the County

The rising tide lifted . . . ?

“The United States cannot rely exclusively or even primarily on economic growth to end poverty. The shape of income distribution and the characteristics of the residual poor suggest that the effect of full employment on poverty will weaken. Moreover, the experience of the 1990’s cautions us that unemployment rates of 4-5 percent may be required to overpower the forces of inequality and improve the condition of low-wage workers. Anything short of those rates, which were once viewed as unsustainable, risks returning the United States to the condition of the 1980’s — economic growth without reductions in poverty. If the rising tide can raise many boats, the ebb tide of recession can sink them.”

Professor Richard Freeman
Harvard University

Focus, Vol. 2, No. 2, Fall 2000

were spending more than 35 percent of their monthly income on housing costs. By and large, these are not people staying home, receiving welfare, and not participating in the labor force. By and large they are employed but do not command sufficient earnings to “make ends meet” comfortably, or at all.

WHO ARE THE LOW-WAGE WORKERS?

There is no generally accepted or standard definition of the term low-wage worker. The approach we have taken in this report is to define what constitutes a low-wage worker in terms of the general and broadly stated workforce development policy goal of moving workers who do not already

How Should Poverty Be Defined?

The federal poverty level (FPL), developed in 1963, is based on a formula that attempts to measure the financial resources a family needs to achieve a minimally adequate standard of living. The original FPL was three times the cost of a minimum diet, as defined by the US Department of Agriculture. The FPL is adjusted annually for inflation, but has not been adjusted to account for changing consumption patterns. It includes no expenses for child care, for example, often an expensive necessity for working parents. Nor does the federal formula take into account regional differences in housing and other living costs.

Experts have suggested that a more realistic measure of poverty would take into account regional differences in living costs and the value of non-cash income such as food stamps. An index based on the National Research Council's recommendations for an improved poverty measure would place California's poverty level at 17.8 percent, higher than for the nation as a whole. Other experts have suggested setting the poverty level at one-half the median family income. Under this approach, the 2000 California poverty line for a family of four would have been \$26,347 rather than the official FPL of \$17,643. The proportion of Californians considered "poor" would have been 24.3 percent (rather than 12.9 percent) and would have been the 2nd highest in the nation.

The official FPL then, is more meaningful as an index of change over time than as a realistic measure of economic insecurity.

Based on information provided by the California Budget Project

experience it to something called "economic self-sufficiency." For a single adult, the monthly budgets developed by the California Budget Project target an annual earnings level of \$20,888 ("bare bones budget" for a single adult in Ventura County, 2001). A worker making \$10 per hour working fulltime (40 hours per week) all year (2080 hours in total) would earn \$20,800.¹

Alternatives would be to define "low-wage workers" as those individuals earning the current minimum wage or those who would earn enough to exceed the annual income defined officially as the federal definition of "poverty." We have not employed either of these possible definitions on the basis that neither would provide a realistically adequate household budget even for a single adult.

None of these approaches, including the \$10 standard adopted here, would provide adequate income for a household with more than one adult or with children.

The Working Poor in California		
	Family Income as a Percentage of Federal Poverty Level	
	< 100%	100-200%
Families with Children		
Number of people in working poor families	1,805,000	3,829,000
Number of children in working poor families	1,028,000	1,954,000
Percentage with at least one half-time worker	62%	90%
Percentage with at least one full-time worker	46%	79%
Race/Ethnicity		
Latino	58%	49%
White	21%	32%
Black	8%	9%
Asian	11%	7%
Adult Educational Levels		
< High School	52%	39%
High School	25%	29%
Any College	23%	32%

The Census 2000 Public Use Microdata Sample (PUMS) files utilize data collected decennially by the U.S. Census Bureau. The PUMS files permit researchers to go beyond what is provided in the Census 2000 summary statistic files. Any single Census variable may be linked up with or 'cross-tabulated' with other variables of the Census. For instance, after narrowing the Census data to just one region of the country, one can extract the number of workers that receive a wage of less than \$10.00 per hour – and then also differentiate those workers by a number of other characteristics such as: age, gender, race, or industry employed in. Or one could link workers by educational attainment to the occupations in which they are employed to get a picture of education by occupation. Researchers can draw out a variety of more detailed characteristics about a population. The construction of these more finely grained portraits of an area require additional data analysis, such that the availability of the PUMS lags behind the Census data release by a few years.

Census 2000 PUMS data indicates that of the 369,946 people holding jobs in Ventura County, 116,166 (31.4 percent) earned less than \$10.00 per hour.

In examining the demographic profiles of this population, it is important to note both who these workers are and who they are not.

Low-wage workers in Ventura County, for example, are *not* largely teen-age or older workers. Teen age workers make up only 15.3 percent of the low wage-worker population and workers age 65 years and older constitute only 3.6 percent of this population. Thus, over 81 percent of low-wage workers – almost 95,000 people – are working adults normally considered to be in their prime earning years.

Low-wage workers in Ventura County are *not* largely immigrants or those with poor English language skills. Almost two-thirds of the County's low-wage workers are native born. Among the immigrants who comprise the other one-third of low-wage workers, those who arrived most recently make up the largest share of their cohorts holding low-wage positions.

Similarly, most low-wage workers report that they are English only speakers (53.0 percent) or speak English very well (28.5 percent). Those with limited

or no English language skills make up only 18.5 percent of the low-wage work force.

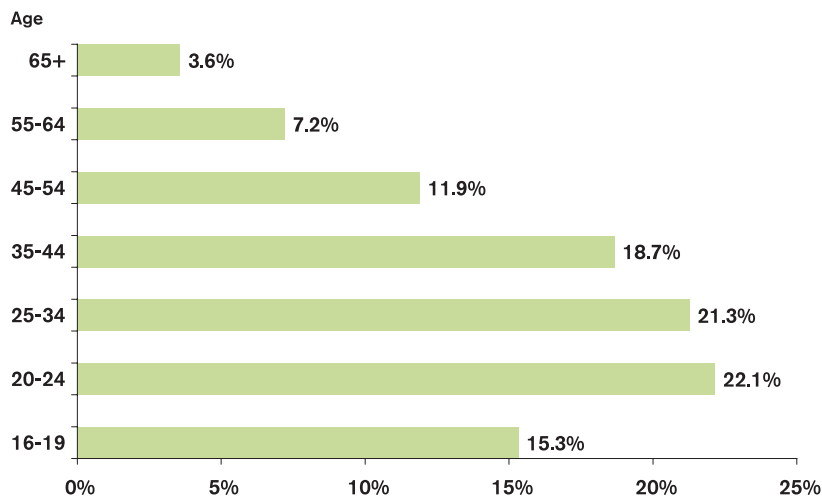
There is, however, an over-representation of Hispanics in the low-wage worker category. Hispanic workers make up nearly half (48.8 percent) of the low wage worker population in the County, but they only comprise 34.5 percent of the County's total population. Non-Hispanic whites make up 42.2 percent of the low-wage workforce and other groups comprise the remaining 9.1 percent.

Indeed, ethnic disparity in wages has been a prominent feature of the California workforce situation for many years. The table below shows median real hourly wages for California workers by ethnic group over the past decade (using 2001 dollars). During this period, average wages for Hispanics have lagged substantially behind those of all other ethnic groups. For Whites and for Asians, there has been some growth in real wage levels, while for Blacks and Hispanics, real wage levels have remained largely unchanged for a decade or longer.

There is, as we would expect, a correlation of the levels of educational attainment achieved by workers and their pay levels, but it is *not* the case that low-wage workers are only those with minimum educational credentials. While a third of the low wage workers have less than a college education, more than another third have at least some college. About 8 percent of low-wage workers are college graduates. Many of these workers make up what are termed the "under-employed" meaning those workers who earn less than their levels of education, training or experience would otherwise suggest.

It is important to note, however, that the historically prominent positive correlation between levels of educational attainment and earnings has remained true in California over the past decade. The table shown here breaks down changes in median earnings between 1989 and 2001 by gender and educational level. There

Ventura County
Low-Wage (<\$10/hr) Workers by Age



Source: 2000 Ventura County PUMS 1%, workers 16 years+

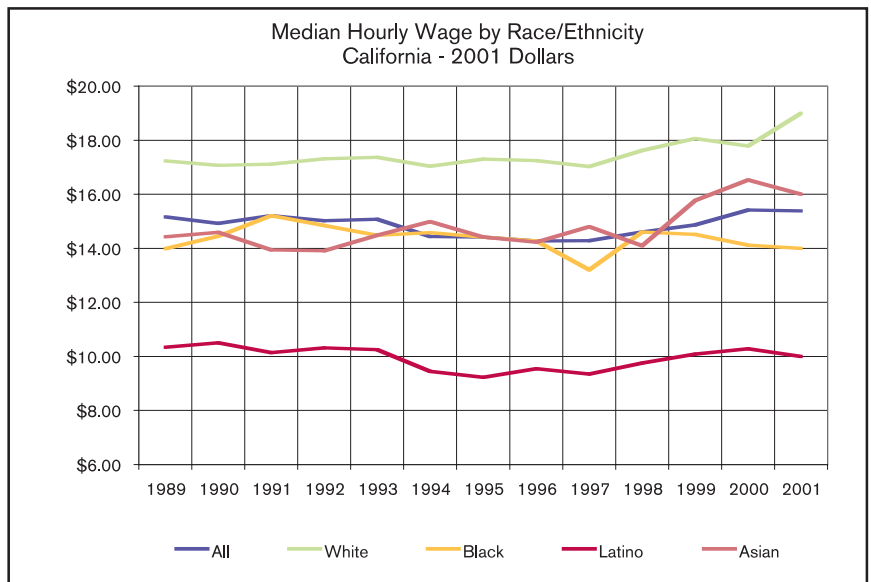
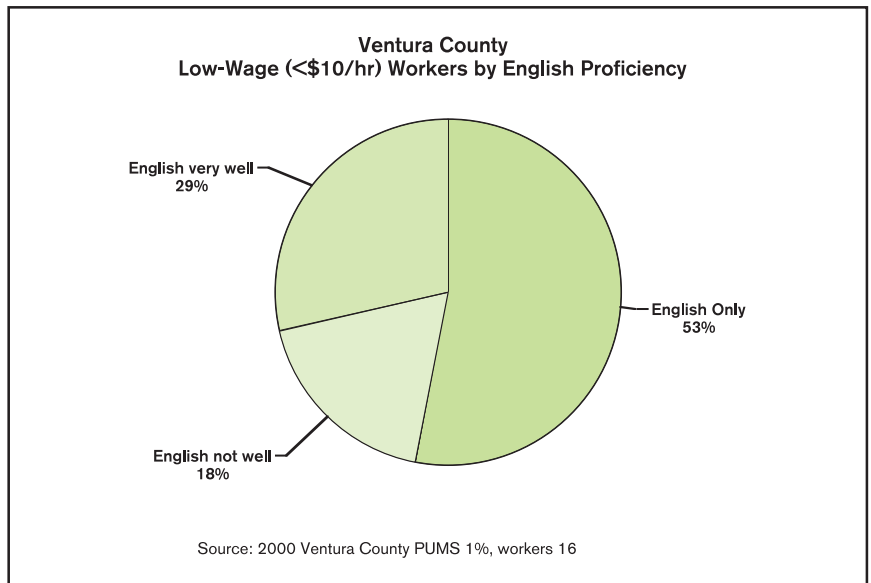
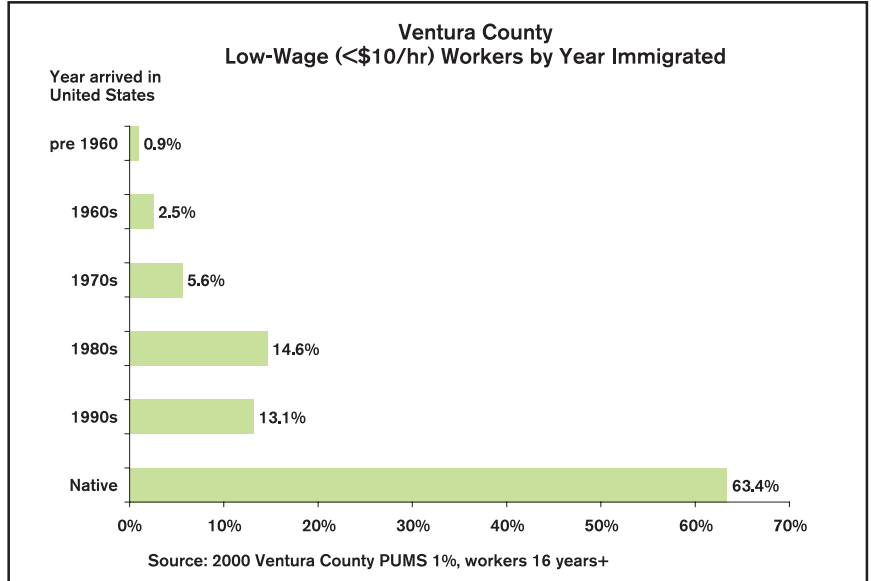
are some striking and interesting differences between the changes for women and men (overall, women's wages improved more than men's) but the most dramatic differences are by educational levels, with average earnings for those with a lower level of education falling and the earnings levels for those with some college or college degrees rising. This is one factor contributing to the growing gap between the low and high wage workers in the state.

WHERE ARE THE LOW-WAGE JOBS?

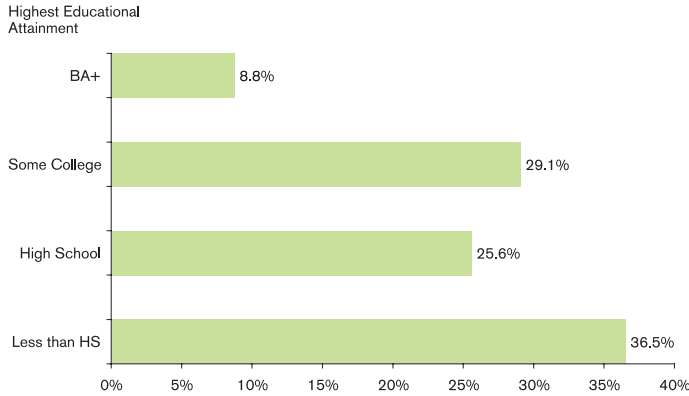
In the preceding section, we described some of the characteristics of workers who hold low-wage jobs. In this section, our focus is on the average wages or salaries paid in the various industry sectors that, together, comprise the employment base in Ventura County. Industry sectors group related types of businesses producing similar products or services.

There are two ways in which examining pay characteristics by industry sectors and sub-sectors can be useful in the context of addressing low-wage worker issues. The first is that workforce development programs intended to provide job training and placement services can be targeted by sector or sub-sector. This suggests the value in targeting higher wage industries.

A related but longer term perspective has to do with economic development efforts in a city or region. Economic development programs can also target specific industry sectors for expansion or relocation into a designated community. Again, strategies focused on attracting higher wage industries that, all other things equal, could add considerable value. Municipalities, for example, might want to consider development strategies and incentives intended to attract employers with a relatively high pay scale rather than or in complement to other industries, such as retail trade, which have obvious tax revenue appeal, but may not provide the same quality of jobs, defined in terms of levels of remuneration. Because of coastal California's changing

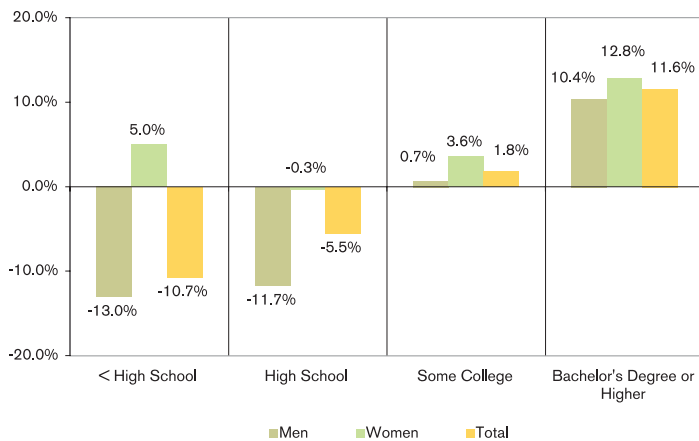


Ventura County Low-Wage (<\$10/hr) Workers by Educational Attainment



Source: 2000 Ventura County PUMS 1%, workers 16 years+

Ventura County Changes in Median Hourly Wage - 1989 to 2001 by Gender and Educational Level



demographics and economics, we argue later that these development strategies are not likely to be particularly successful in attracting firms to Ventura County.

A related observation – to be dealt with in more depth later in this report – is that workforce development goals, strategies and programs and economic development goals, strategies and programs can be more fully linked and integrated than they presently are in many jurisdictions. They have an obvious interdependency. Employers in preferred industries are more likely to relocate or expand in communities where there has been adequate labor force preparation. Conversely, workforce skill development programs that are informed by and responsive to

patterns of industrial growth can more effectively help workers build skills for the best jobs that will be available in their community.

As can be seen in the table on the right, there is considerable variation in average pay across industry sectors. In Ventura County, the highest average salaries are found in Non-Durables Manufacturing (\$84,344) and Communications (\$71,415). The lowest average salaries are found in Agriculture

(\$18,534), Retail Trade (\$20,571) and Services (\$32,522).

There can also be considerable variation within Sector categories, where businesses are identified using a more specific classification of the product or service they produce. Within the Durables Manufacturing Sector, for example, average wages in specific types of firms range from \$17,540 in Textiles, to \$132,912 in Chemical Manufacturing (Pharmaceuticals).

Intra-sector breakdowns of average salaries for the Service and Retail sectors are also illuminating. The “services” sector is made up of a broad array of specific service providers and occupations, some of which command much higher salaries than others. Within the Services sector, such industries as Internet Service Providers and Professional, Technical and Scientific Services are relatively high paying. Other industries are substantially less so. The Amusement, Gambling and Recreation industries

Average Salary by Industry Sector Ventura County, 1st Quarter, 2002	
Sector	Average Salary
Agriculture	\$18,534
Mining	\$57,539
Utilities	\$51,765
Construction	\$36,100
Non-Durables Manufacturing	\$84,344
Durables Manufacturing	\$47,769
Wholesale Trade	\$58,174
Retail Trade	\$20,571
Transportation and Warehousing	\$35,897
Communications	\$71,415
Finance and Insurance	\$59,647
Real Estate and Rental and Leasing	\$40,652
Services	\$32,522
Public Administration	\$54,069
Private Sector	\$37,334
Total - All Sectors	\$38,279

Ventura County Average Salary - 2002 Quarter 1	
	Dollars per Worker
Non-Durables Manufacturing	84,344
311 - Food Manufacturing	29,419
312 - Beverage and Tobacco Product Manufacturing	79,074
313 - Textile Mills	17,540
314 - Textile Product Mills	22,535
315 - Apparel Manufacturing	23,147
316 - Leather and Allied Product Manufacturing	21,097
322 - Paper Manufacturing	48,757
323 - Printing and Related Support Activities	34,769
324 - Petroleum and Coal Products Manufacturing	65,764
325 - Chemical Manufacturing	132,912
326 - Plastics and Rubber Products Manufacturing	31,787
511 - Publishing Industries (except internet)	55,181

Source: CA Employment Development Department

category, for example, provides another example of a sub-sector which has been attractive to some communities for tax revenue reasons, but which overall provides relatively few high paying positions.

Retail trade is an industry sector which has experienced substantial growth in Ventura County over the past decade. Compared to other sectors, it is a comparatively low wage industry. However, within the general Services category there are a number of specific lines of business which entail higher average salaries. Generally speaking, it is the firms which sell more complex products and where sales and support staff need more technical knowledge (e. g. Motor Vehicle Parts and Electronics and Appliance Stores) that the higher salaries reside. This is consistent with a general theme that will be developed in this report that worker education is a significant key to and correlates with higher wage occupations.

A related point, not obvious from this level of data, but worth emphasizing, is that many industries have more levels of jobs

and inter-linking career paths and steps within them than others. Healthcare is one example from within the Services

domain. The advantage of industries with more occupational levels and specializations is that it is more feasible here to focus workforce development programs and training on opportunities to move steadily up career paths or ladders by providing on-going educational and training opportunities. This issue, too, will receive greater attention later in this report.

WHAT CAN BE DONE TO ADDRESS THE LOW-WAGE WORKER PROBLEM?

The answer, of course, is that many things can be done. We have already alluded to some of them in the brief introductory references to workforce skill development programs and economic development programs. In its report titled Shared Prosperity and the California Economy, the Center for the Continuing Study of the California

Ventura County Average Salary - 2002 Quarter 1	
	Dollars per Worker
Services	32,522
512 - Motion Picture and Sound Recording Industries	29,867
518 - Internet Service Providers, Web Search Portals, and Data Processing Services	61,550
519 - Other Information Services	17,919
541 - Professional, Scientific, and Technical Services	49,549
561 - Administrative and Support Services	23,037
611 - Educational Services	37,050
621 - Ambulatory Health Care Services	38,341
622 - Hospitals	36,473
623 - Nursing and Residential Care Facilities	22,382
624 - Social Assistance	18,973
711 - Performing Arts, Spectator Sports, and Related Industries	46,318
712 - Museums, Historical Sites, and Similar Institutions	34,449
713 - Amusement, Gambling, and Recreation Industries	16,203
721 - Accommodation	18,634
811 - Repair and Maintenance	28,637
812 - Personal and Laundry Services	17,324
813 - Religious, Grantmaking, Civic, Professional, and Similar Organizations	20,558
814 - Private Households	15,200

Source: CA Employment Development Department

Economy suggests that there are four broad based strategies for addressing ongoing challenges of raising incomes, reducing unemployment and underemployment and facilitating fuller levels of economic self-sufficiency among workers:

- Continued strong economic growth and productivity gains.
- Expansion of income support programs such as the minimum wage, Earned Income Tax Credit, and support of broader access to health care and child care.
- Programs that support economic expansion efforts in urban areas.
- Workforce strategies that focus on helping workers move up to better jobs and higher wages.

In this report, we will review many of the strategy and programmatic options suggested by the list of general approaches above. We will also examine the emerging research findings on which programs work the best, and make some specific suggestions as to which approaches appear to have the best chances for achieving positive outcomes given the specific circumstances at play in Ventura County.

WELFARE REFORM AND LOW-WAGE WORKERS

Some of those now employed entered the labor force as a result of relatively recent changes in national and state welfare policy which linked public assistance to work participation, imposed time limits on aid eligibility and created programs to help facilitate both the initial entry into the workforce and, to a lesser extent, the ability of new workers to move up over time in terms of job quality and earnings.

This sea change in welfare policy – creating a welfare-to-work mandate and “work first” implementation strategies – was, at its inception (in the 1996 Personal Responsibility and Work Opportunity Reconciliation Act), and continues to be controversial. The fundamental issues of debate are whether and how well these new policies and strategies will work. The federal policy framework for Temporary Assistance for Needy Families (TANF), a national program established by the 1996 welfare reform legislation, established explicit work participation requirements, penalties for noncompliance, time limits, a narrow definition of ‘assistance’ and continued

eligibility for other safety net programs such as Medicaid and Food Stamps.²

Supporters of these revisions in welfare policy predicted that the poor would enjoy improvements in living standards and self-sufficiency, with most entering the labor market and having little trouble finding work. Opponents predicted dire outcomes, including high rates of unemployment, frequent job turnover and lower net wages and benefits among those leaving the welfare roles.³ Early studies reported that between one-half and one-third were employed shortly after leaving the welfare roles. Most worked 30 hours a week or more with hourly earnings averaging between \$5.67 and \$8.42 per hour and annual earnings ranging from \$8,000 to \$15,000, leaving families below or barely above official poverty levels.⁴

As noted earlier, the central goals of welfare reform include not only getting non-workers into the labor market, but also in helping them to acquire “good jobs” that move them out of poverty and to or closer to economic self-sufficiency. Under the somewhat decentralized approach adopted by the federal government, the states have some degree of flexibility in how they attempt to meet these goals, resulting in what one might term a series of “natural experiments” across the states as various policy and program structures emerged. One of the central questions that emerges is how much to invest in education and training programs intended to “build human capital” among welfare and former welfare recipients in order to enhance their job and job mobility prospects. Related questions are: How much will education and training help? What are the best program structures or designs under various circumstances? How do the outcomes (and therefore the returns on investment) differ among various human capital programs and compared to other possible types of interventions?

Ventura County Average Salary - 2002 Quarter 1	
	Dollars per Worker
Retail Trade	20,571
441 - Motor Vehicle and Parts Dealers	41,755
442 - Furniture and Home Furnishings Stores	22,043
443 - Electronics and Appliance Stores	35,067
444 - Building Material and Garden Equipment and Supplies Dealers	29,268
445 - Food and Beverage Stores	25,546
446 - Health and Personal Care Stores	26,073
447 - Gasoline Stations	16,799
448 - Clothing and Clothing Accessories Stores	15,273
451 - Sporting Goods, Hobby, Book, and Music Stores	14,225
452 - General Merchandise Stores	19,413
453 - Miscellaneous Store Retailers	17,627
454 - Nonstore Retailers	30,656
722 - Food Services and Drinking Places	13,102

Source: CA Employment Development Department

Welfare Reform in California

In response to federal welfare reform, California enacted the Thompson-Maddy-Ducheny-Ashburn Welfare-to-Work Act of 1997. That legislation replaced the Aid to Families with Dependent Children (AFDC) program and Greater Avenues for Independence (GAIN), the state's associated welfare-to-work (WTW) program, with the California Work Opportunity and Responsibility to Kids (CalWORKs) program. CalWORKs is a modified 'work-first' program that provides services to help welfare recipients move from welfare to work and toward self-sufficiency. Most recipients have a structured job search program as their first activity. Some go directly to assessment and other activities to improve their job readiness.

The bulk of this report will focus on various programmatic approaches to facilitating job entry, job mobility and earnings. First though, it would be useful to discuss the somewhat larger contextual issues of what factors influence poverty reduction over all, what various broad categories of human capital investment options there are, and what we know about their outcomes and effectiveness.

ECONOMIC AND INSTITUTIONAL INFLUENCES ON POVERTY LEVELS

Under the right conditions, welfare-to-work policies and programs can substantially reduce welfare expenses and aid in improving the economic conditions of many families. However, they cannot by themselves eliminate poverty. Harvard Professor Richard Freeman argues that macroeconomic performance (what we would call the health of the economy) does not well predict the magnitude of changes in the levels of poverty. Other factors, he notes, intervene between aggregate economic performance and the proportion of families or individuals that fall below the poverty line. He cites four main factors:

- Demographic changes (for example, increases in the number of families headed by single women).
- Government policies (such as the Earned Income Tax Credit, food stamps, subsidized housing, minimum wage, etc.).
- The shape of income distribution (changes in the shares of total

income that accrue to the highest and lowest income groups).

- Labor market forces. Here three factors are centrally important: (1) the relationship between overall economic growth and real wages and (2) inequality in earnings among workers, and (3) unemployment.

Over the past two decades, there has been a growing inequality between the *real* earnings of low-wage compared to other workers. In the United States over the past several decades, the cumulative effects of these sets of inter-related factors has fueled a striking increase in the disparity between the family incomes of the worst-off and best-off Americans.

REDUCING POVERTY THROUGH HUMAN CAPITAL INVESTMENT PROGRAMS: THE BIG PICTURE

Public programs investing in individuals' human capital development have been an important part of public policy strategies intended to reduce poverty since the 1960's.⁵ Recent changes in welfare policy have focused on the use of relatively rapid welfare-to-work requirements supported by limited short-term and job skills-oriented human capital investment programs. These types of programs are the main focus of this overall report but it is useful to remember that they represent only a small part of the total array of

Growing Inequality in California

Many California families did not share in the economic progress of the 1990's and have lower income than two decades before. Census data indicate that the incomes of the poorest fifth of the state's families fell by 5.5 percent between the late 1970's and the late 1990's. In contrast, the average income of the wealthiest 5 percent of the state's families increased by 50.4 percent. The gap between the state's poorest and wealthiest families is growing faster than for the nation as a whole.

Boom, Bust, and Beyond: The State of Working California
California Budget Project
January 2003

Human Capital Investments in the Future

“The interest in these programs derives from the evidence that low levels of investment by family and society in the education and development of disadvantaged children translate into poorer economic outcomes when those children grow up – reduced employment and lower wages for young adult men, higher rates of early and out-of-wedlock child bearing for young women, and lower household income.”

Lynn Karoly
Senior Economist
RAND

human capital investment options available to our society, especially when taking a long term investment and return on investment perspective.

Lynn Karoly, a senior economist at RAND and student of human capital investment strategies, points out that a fuller array of human capital investment strategy options can be presented in terms of the age or lifestyle stages of individuals who are the intended beneficiaries.

In her recent review of extensive assessment literatures on these various age-related strategies, Karoly offers these conclusions:

- Programs investing in pre-school children can produce lasting educational effects, longer term economic gains in terms of better jobs and earnings in young adulthood, reduced rates of delinquency and lower rates of teen-age pregnancy.
- Programs investing in school-age children and youth vary widely in content and focus and in longer term results and effectiveness.

Karoly concludes that while there is now strong evidence that certain specific educational program enhancements – notably school class size, especially in the early grades – do produce positive outcomes, many other types of programs and approaches have not yet been adequately or fully evaluated. These include school-to-work transition programs, school choice (vouchers), and dropout reduction programs.

- Youth Employment and Training Programs (such as those created under the Job Corps, Comprehensive Employment and Training Act, and the 1982 Job Training Partnership Act) receive a fairly “bleak” assessment from Karoly who says that they have been extensively evaluated and: “The evaluations largely agree that these programs, particularly the

less intensive ones like JTPA, have failed to improve employment prospects for participants and that the costs to individuals and especially to society as a whole have mostly outweighed the benefits.⁶ Some intensive Job Corps programs, on the other hand, have provided positive educational attainment and employment earnings outcomes.

- Programs investing in adults can be broadly grouped into those available to those individuals seeking employment services and those for welfare recipients compelled by public policy to move into the labor force. Karoly concludes the voluntary government and training programs generally have suffered because of making only a small investment in human capital acquisition (less than a year of school and fewer hours of training). As a result, “even at best, they raise earnings about \$1,000 - \$2,000 a year,” which can be offset by reductions in public assistance. The net change is often not enough to raise family income above the poverty line.

Welfare-to-work investment programs receive a somewhat better review, with most increasing earnings and reducing welfare but often with no effect on combined income from work, welfare and food stamps.

On the other hand, many welfare-to-work programs have produced modest benefits and appear to have

“Welfare-to-work programs show greater promise of raising earnings and more consistent results for different subgroups than do other educational and training programs.”

Lynn Karoly
Senior Economist
RAND

questionable value as social investments when results are compared to program costs. Notable positive exceptions to this general assessment appear to be the GAIN (Greater Avenues for Independence) program in Riverside, California and a Los Angeles program based on it (Jobs-First GAIN).

All of this suggests three things:

- It is important to assess any human capital investment option in terms of the large picture of its likely long term effects and in comparison to other near and longer term options.
- There is still a substantial need for quality assessment work on all types of programs.
- Human capital investment programs do not appear to offer a stand alone solution to the longer term problems of poverty and subsistence level earnings. There remains a need for a variety of public assistance programs and expenditures and for the continuing refinement and integration of safety net, support and human capital investment programs.

¹ Another tremendously valuable resource for seeking to understand realistic living costs is: Pierce, Diana and Jennifer Brooks. *The Self-Sufficiency Standard for California, Californians for Family Economic Self-Sufficiency Project, November 2000* which calculates detailed family budgets for many communities in California.

² Pavetta, LaDonna, "Welfare policy in transition: Redefining the social contract for poor citizen families with children." *Focus* Vol. 21, No. 2, Fall 2000.

³ Holzer, Harry J. and Michael A. Stoll, *Employers and Welfare Recipients: The Effects of Welfare Reform in the Workplace*. Public Policy Institute of California: San Francisco, CA, 2001, p. 1.

⁴ Payetta, p. 48. See also G. Aces and P. Loprest, "Studies of Welfare Leavers: Methods, Findings and Contributions to the Policy Process," draft paper, Urban Institute, Washington D. C., 2000 and R. Schoeni and R. Blank, "What Has Welfare Reform Accomplished? Impacts on Welfare Participation, Employment, Income, Poverty and Family Structure," National Bureau of Economic Research Working Paper 7627, Cambridge, MA 2000.

⁵ This section is based on Lynn Karoly research paper, "Investing in the future: Reducing poverty through human capital investments, *Focus* Vol. 21. No. 2, Fall 2000.

⁶ Karoly, p. 41.

Policy Approaches

The mix of labor market policies that are adopted is typically informed by the perceived source of the problem, the understanding of how the specific labor market operates, and predicted consequences of the policy – both intended and unintended.

The net costs, as well as the organizational and legislative reach of state, municipal or other public policy initiators, also bounds what type of changes may be undertaken. Access to sufficient federal, state or other funds limits the extent of new initiatives. The pragmatic evaluation of the feasibility of any new policies must consider the actual program costs, the legislative and political costs, as well as the concerns of all groups to be directly and indirectly affected by its implementation. Legislating a new or inflation-adjusted statewide (let alone nationwide) minimum wage for instance, would require a potentially lengthy and broad-based lobbying effort. By contrast, an individual county or city may legislate a “living wage” ordinance to be applied to a limited set of local firms, with substantially less political leveraging.

The policy approaches considered here may be broadly categorized as:

- a) income policies,
- b) labor supply policies, and
- c) labor demand policies.

INCOME POLICIES

Income policies aim to directly increase income by increasing the wage rate, hours of work, decreasing tax liabilities

with an Earned Income Tax Credit (EITC), or by reducing necessary expenditures with subsidized services. Living wage ordinances and the various income support programs we will discuss may be categorized as income policies.

Unions, while not specifically a ‘policy,’ are an institutional structure among whose principal aim is to directly increase the incomes of their members, and thus influence income policies strategy. Unions form an intermediary between individual workers and the employer to negotiate wages, benefits, and the conditions of work. The hours of work may be negotiated also, which more directly affects the labor supply and may result in the hiring of more or less workers, if overtime is an issue. In Ventura County many municipal workers, teachers, construction workers and some hospital and farm workers are organized with trade unions. The extent of membership has remained rather stable in the County over the last two decades according to information from several local union offices. The stance that the County takes on preserving the right to organize can influence the likelihood of future organizing drives. But since the use of unions as an approach to solving the problems of low-wage workers is not

one that the County has direct influence over, we will not consider unions as a policy approach further.

LABOR SUPPLY POLICIES

Labor supply policies aim to enhance the attributes that employees bring to the labor market. Such labor supply policies often aim to develop employee hard skills as well as soft skills relevant to long-term job attachment. Various forms of coordinated job training are adopted utilizing Federal, State or County organizational structures, private school and training centers. Job training initiatives may also be linked to specific firms.

Welfare reforms that place shorter time limits or otherwise increase the eligibility requirements for receiving cash assistance, aim to increase the pressure on recipients to go out and seek employment, any employment. Policies that compel people to enter the labor market function on the labor supply side, as the numbers or supply of individuals seeking work is increased. Labor supply policies not only aim to increase the numbers of job seekers, but moreover, by emphasizing training, such policies aim to increase the job seekers’ suitability for the available jobs and increase their

likelihood of long-term job attachment and income mobility.

LABOR DEMAND POLICIES

Labor demand policies aim to influence the demand for workers, either by increasing the demand for labor overall or by targeting desirable sectors or industries that promise long-term benefits to the region and the local workforce. Labor demand policies often take the form of wage subsidies, or various economic development policies adopted by municipalities to encourage the expansion and retention of favored sectors, industries or firms.

Public sector employment programs also aim to directly increase labor demand. Such programs involve the provision of jobs in the public sector for training purposes or for counter-cyclical employment supplementation when there is insufficient demand in the private sector. These programs may be designed as temporary fixes or as long-term employment arrangements. Training for placement in the private sector is often a central component of public sector employment programs. The immediate term state and local budget constraints leave little room to ponder the deployment of extensive public sector employment expansion. Thus we will not engage this policy option further in this report.

There is often some functional overlapping of the mechanics of

Types of policies adopted as determined by perceived source of problem:

- a) insufficient employee (hard and soft) skill levels,
- b) regional sectoral imbalance, or
- c) employer human resource practices.

And by the politically acceptable type and level of intervention:

- a) Legislated wage-floors (e.g. “living wages”);
- b) Income supports: EITC, food stamps, subsidized services;
- c) Wage subsidies for targeted private sector firms;
- d) Vocational training coordination with public and/or private schools;
- e) Targeted sector-specific economic development and/or tax policies; or
- f) Public sector employment programs (temporary/training boost or long-term).

Unions may be conceived of as not a ‘policy,’ per se, but as an extra-market institutional intermediary for negotiating wages, benefits, and the conditions of work.

specific policy programs. For example, training programs coordinated with employers may also involve wage subsidies. Job training programs are basically considered labor supply policies but wage subsidies are more strictly categorized as a labor demand policy. As mentioned above, labor demand policy that enhances public sector employment programs also often serve to provide employee training, which is more strictly a labor supply

effect. There may be virtue in policies that serve to stimulate the labor market on several fronts: labor supply, demand and direct effects on individual income. The right mix of labor market policies will likely involve a combination of actions.

Labor Market Models: A theoretic approach

Both visions of how the labor markets work imply that increased educational attainment opens up more opportunities and prospects for higher wages, better benefits, greater employment stability and greater job mobility.

How one understands the operation of the labor market influences the choice of policy tools. The operation of labor markets and labor-market outcomes such as relative wage rates, employment levels and so on has occupied generations of labor economists. An exhaustive review would take volumes. However, for most economic analysis of markets, the efficiency and the equity of these outcomes are viewed largely as a function of the competitiveness of the specific market.¹

In the theory of perfect competition, the market is populated by so many buyers and sellers that no one can influence the price of any goods. This ideal market is one in which firms maximize profits, workers maximize earnings, information and mobility are costless, workers and jobs are homogeneous or completely interchangeable, and individual workers bargain autonomously, because neither unions, employer associations, nor institutionalized pay scales exist. For the majority of labor economists, this model of perfect competition may serve as a basic reference point, but qualifications are made to many of the strict assumptions.

The process of obtaining employment is different than shopping for tomatoes or

even a home loan. A job is typically a long-term agreement to provide services to the employer. The precise productivity or quality of the work that will be provided is not immediately obvious; it can only be surmised, based on the candidate's apparent qualifications. This difficulty, among others, poses what are called 'information lags.' This seriously complicates the perfect-market models.

It is easier to determine the quality of a tomato before purchasing it than it is to determine the quality of a potential employee. The grocery shopper also consumes his purchase completely in a short time. The employee is typically associated with an employer for a very long period of time. The wage or salary agreement is usually based on an expected quality of work to be provided over an indefinite period of time. For the worker, knowledge of alternative employment opportunities and the ease of re-locating to any alternative are not always as costless as in the perfectly competitive model. Hence, actual markets do not work as well as the theoretic markets.

The human capital school more narrowly attributes the wages received by workers to the skills that they bring to the workplace.² A correlation between higher educational attainment

and higher wages is certain. However a large body of empirical research has demonstrated that once the specific industry sector is also correlated to the individual worker's skill level, large wage differentials may be still be evident.³ That is, even after conditioning on jobs, wage differentials occur. For example, an accountant or a custodial worker employed by a law firm is likely to earn more than a same skill-level worker employed by a non-profit organization. Other industry specific factors such as: sector profitability, traditions of segregation by gender, non-pecuniary compensation and so on, matter.⁴

The structuralist view of the labor market takes these institutional irregularities into account. The low-wage labor market is recognized as not closely matching the perfectly competitive model; the worker is not perfectly knowledgeable of her options. By contrast, in higher-wage markets high-skilled workers research alternative opportunities and compete across employers and regions. Employers may even compensate these employees' relocation costs. The markets for low-wage and high-wage workers are functionally separated in that there is little movement between them and they are characterized by different job-quality

“If one were ranking various economic markets along a continuum by the extent to which they reflected the postulates of the price-auction market [competitive] model, financial markets would probably be placed at one end and labor markets at the other.”

Lester Thurow, MIT labor economist

measures. Structural theories of the labor market expand upon the determinants of a worker’s wage level and mobility prospects, as a result of not only the human capital they bring to their work, but also by the sector in which they work.

Recently immigrated workers with relatively poor English language skills may find themselves limited by a narrow selection of available employment niches. Effectively, they may find themselves in something resembling a monopsony labor market, in which there is one or very few potential employers willing to employ them.⁵

Again this is a deviation from the perfectly competitive vision of the market. Such a situation heightens worker vulnerability and does not facilitate wage gains nor gains in any other desirable job characteristics.

We won’t resolve the debate between the human capital and structuralist schools here, but one recommendation is clear from both models. Both visions of how the labor markets work imply that increased educational attainment opens up more opportunities and prospects for higher wages, better benefits, greater employment stability and greater job mobility.

¹ Kaufman, Bruce E., “The Evolution of Thought on the Competitive Nature of Labor Markets,” *Labor Economics and Industrial Relations: Markets and Institutions*, edited by Clark Kerr and Paul D. Standohar, Harvard Univ. Press, pp. 145-188, 1994.

² Mincer, Jacob, 1994, “Human Capital: A Review,” in *Labor Economics and Industrial Relations: Markets and Institutions*, edited by Clark Kerr and Paul D. Standohar, Harvard Univ. Press.

³ DiNardo, John, Nicole M. Fortin, and Thomas Lemieux. 1996. “Labor Market Institutions and the Distribution of Wages, 1973-1992.” *Econometrica* 64:1001-1044.

⁴ Katz, Lawrence and Lawrence Summers, 1989, “Industry Rents: Evidence and Implications,” *Brookings Papers on Economic Activity: Microeconomics*

⁵ Borjas, George J., Richard B. Freeman, and Lawrence F. Katz. 1996. “Searching for the Effect of Immigration on Labor Markets.” *American Economic Review* 86:246-251.

Minimum Wage

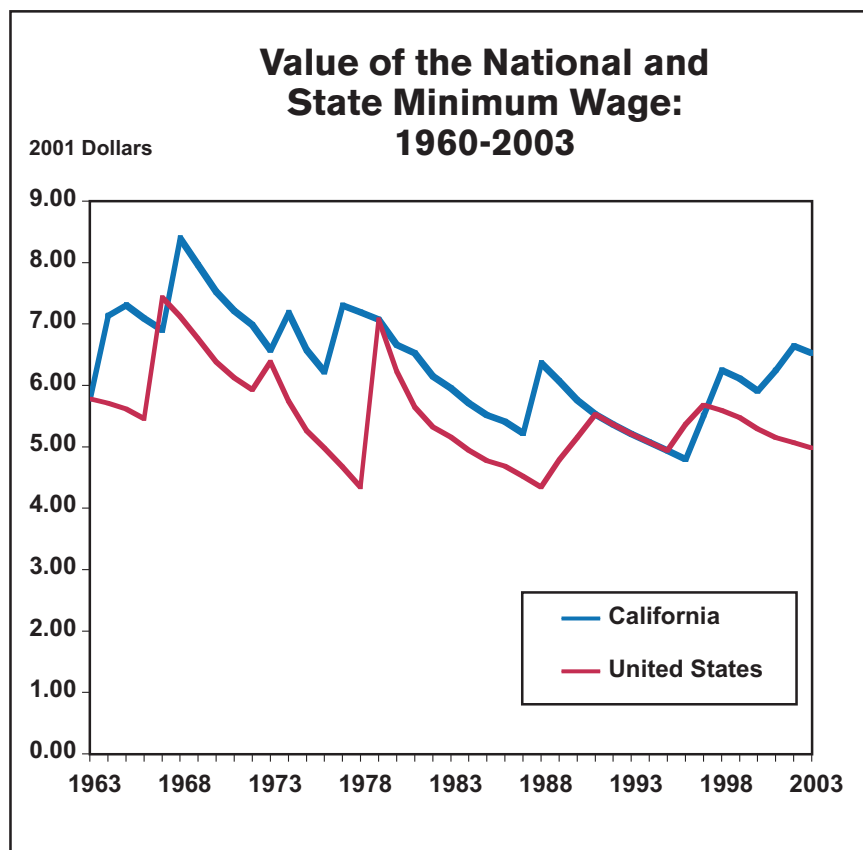
The range of wage rates, certainly in the long-run, are largely determined by supply and demand conditions in the labor market. Firms demand workers of various skill levels depending on technologies used and so on. Workers supply their labor depending upon available alternatives, preferences, demographic trends and so on. However, the framework is shaped by certain larger policy parameters.

The specific labor market laws of the nation and each state influence labor market outcomes as well.

Laws governing the minimum age and residency status of workers, occupational safety, overtime pay requirements and the like, all shape the labor market, but arguably minimum wages laws have had amongst the most fundamental impact.

First passed in 1938, the minimum wage has established a nominal wage floor with no specification for inflation adjustment. It was originally established as the basis of a family wage. Over the years to account for loss in real value of the minimum wage, many have advocated that the minimum wage be indexed to average or median wages. Absent indexation, any raise in the minimum wage level can only occur after a protracted political process of congressional reevaluation.

The chart to the right plots the real value of the California and national minimum wage from 1960 to 2003. The real national minimum wage was \$5.15 per hour in 2001, 21.4 percent



below its peak real value in 1979 of \$6.55. During the same time, average labor productivity has risen: from 1968 to 2001 by roughly 80 percent. If the real value of the minimum wage had risen in step with the rate of productivity growth, the 2001 minimum wage would be \$14.65. An individual working full-time for 52 weeks at the \$5.15 federal minimum earns \$10,712 annually, or 12.2 percent below the 2001 national poverty threshold for a family of two (1 adult, 1 child). Consequently, many think that the minimum wage is in need of a raise.

However, raising the minimum wage across the board could pose problems. Many predict employment losses for low-skilled workers. The employment effects of raising the minimum wage are very much disputed in empirical studies. Opponents of the broad coverage of the minimum wage have advocated the implementation of a sub-minimum wage for teenagers, who have higher unemployment rates and are presumed to have lower productivity levels. Living wage ordinances can be viewed as effectively, a piecemeal way of raising the minimum wage – with less legislative costs – and some argue more appropriate targeting of adult workers who are more likely to be supporting families.

“This paper examines differences between mothers and non-mothers in the relative disruption of careers and the process of earnings attainment. Combining human capital and dual labor market theories, the author hypothesizes that: (1) mothers’ and non-mothers’ careers diverge both with respect to accumulated human capital, and to the occupational labor market characteristics of their jobs; and (2) these variations are reflected in differential patterns of earnings attainment between the two groups. These hypotheses are tested on a sample of 5,314 women drawn from the NLSY who worked at any time between 1984 and 1987 (85% of the sample).

Descriptive results reveal that mothers’ careers are substantially more disrupted than the careers of non-mothers, and are characterized by lower wage jobs entailing less substantively complex work in occupational labor markets more heavily dominated by women and minorities. OLS analyses of earnings run separately for mothers and non-mothers indicates that while human capital accumulation plays the most important role in determining non-mothers’ wages, occupational content and labor market composition outweigh human capital as determinants of mothers’ wages. The disappearance of the negative effect of number of children on mothers’ wages when indicators of career disruption are controlled suggests that motherhood is detrimental to women’s earnings primarily because of its effects on labor force participation patterns.”

Elliott, Marta E. and Toby L. Parcel, Career Disruption Effects on Early Wages: A Comparison of Mothers and Women Without Children Presented: Cincinnati OH, American Statistical Association Annual Meetings, August 1991

Economic Development

Economic development policies cannot take place in a vacuum. Any effective policy must take national, state and local economic conditions and trends into account. That is, the effective policy will be consistent with the existing economic base and with projected demographic and economic changes. Therefore, we begin the Economic Development section by providing a brief analysis of existing conditions and trends.

STATE OF THE CALIFORNIA ECONOMY

For the United States, the past decade has been one of economic bust, boom, and then bust again. California was hit particularly hard by the early 1990's recession; its economic pain was heightened by the downsizing of the defense industry and military infrastructure. However, the impact of that recession varied among California's regions. The Bay Area was minimally impacted, while Southern California and the Central Valley were severely impacted. Indeed, California's Central Valley never recovered. Ventura County suffered, but it was spared much of the economic pain experienced by Los Angeles to the south. While the County saw its defense sector decline, both of Ventura County's military facilities remained. The County also benefited from the early growth of its infant Biotech sector.

California's recovery in the late 1990s was led by the Bay Area's booming Hi-tech sector. As stated above, the Central Valley did not share in this recovery, and Los Angeles, with a limited Tech sector, was late and very slow to recover. Ventura County's recovery, led by Biotech and the

Finance sectors, was more vigorous than Los Angeles'.

The economic downturn of 2000 was again quite different in California's different regions. The Bay Area was particularly hurt by the collapse of its Tech sector. Los Angeles lost jobs, but mostly in the manufacturing sector. By contrast, Ventura County, on aggregate, showed no economic decline. This was because of the strength of the Finance sector—at that principally only one company, Countrywide Financial—which produced strong job gains and the Biotech sector—two companies, Amgen and Baxter—which also produced strong job growth. Without those three companies, the County would have lost jobs in 2002.¹

The point of the history above is that the economy of California and Ventura County has been spotty. Rising and sinking tides have not brought all boats with them. In spite of the dramatic, in fact unprecedented, 1990s economic boom, not all of California shared in the boom. Even in those areas that saw sustained economic growth, such as Ventura County, not all or even most shared in the benefits of the growth. Incomes for many grew only slowly, if at

all. For example, California's poorest fifth families actually saw their income decline by 5.5 percent in that decade. Similarly, the wage differential between the high-wage and low-wage workers increased from 2.7 times to 2.9 times during that same time period.²

We could go on here. Wage gains varied significantly by sector, region, gender, race, and education. Generally, those with the most saw the most gains. The coastal regions tended to do the best, but even there, many did not share in the newly created wealth, and rising housing costs added to the problem. Everywhere in California, many families struggled to achieve or maintain what most readers of this report would consider a reasonable life style.

STATE OF VENTURA COUNTY'S ECONOMY

Ventura County has been something of a microcosm of California; the benefits of its dramatic economic growth have been distributed differently across geography and socio-economic status. Over 100,000 Ventura County jobs were created between 1992 and 2002.

The average income and the median income increased dramatically over the past decade. Wages, on average, showed strong gains. Home prices skyrocketed.

However, from 1989 to 1999, poverty actually increased in Ventura County; in 1989 about 4.97 percent of County families (8,292) had incomes below the federally defined poverty level; in 1999 about 6.4 percent of County families (11,716) had incomes below the federally defined poverty level. For a family of four with two children the 2000 federally defined poverty level was \$17,463.³

Before we can consider a set of economic development policies, we must explain the paradox of rising poverty in an era of wealth creation. We must understand the dichotic nature of Ventura County's economy.⁴

Ventura County agriculture and retail trade sectors pay, on average, extremely low wages; each averaged about \$21,000 per year in 2001. These salaries are barely above the federally defined poverty level, and they are certainly not enough to support a family in Ventura County. Furthermore, these two sectors showed the smallest salary gains of any Ventura County sectors in that year. As it happens, these sectors are large. Combined, they account for about a quarter of all Ventura County jobs.

Four Ventura County sectors pay average annual salaries of over \$50,000. The shrinking mining sector produced an average salary of about \$54,600 in 2002. The durable manufacturing and nondurable manufacturing sectors' average 2002 annual salaries were \$54,600 and \$87,700, respectively. Finally, the government sector's 2002 average annual salary was about \$54,000. These sectors combined accounted for about 29 percent of all Ventura County's jobs in 2002.

So, what can be done?

One could consider eliminating those industries that pay very low wages. That is not likely to happen in Ventura

County. The agricultural sector cannot move its land, and the community, through votes like SOAR has expressed a strong desire to not allow that land to be developed. The County and Cities are dependent on retail taxes for funding, and the communities need retail outlets.

Another possibility is to increase the wages in these sectors. Again, this is not likely to happen. Both sectors are extremely competitive with outside producers. Agriculture faces worldwide markets, and retailers face competition from surrounding communities, catalogs, and the internet. Wages in these sectors could theoretically be subsidized by the government, but one

"If jurisdictions zone "excessive" amounts of land for retail, then on the margins, less land is available for potential industrial or residential development, making such projects somewhat more expensive to build. Similarly, if retailers are more likely than housing or industry to win exemptions from the local zoning code, then there will be somewhat more flexibility and certainty in the retail development market, which will advantage that type of land use, at the margins. And in those instances where a retail development proposal competes with an industrial or housing proposal for the same land site, then the locality will tend to choose the retailer. Overall, then, a general predisposition toward retail by local governments will tend to make housing and industry marginally more difficult, uncertain, and expensive to develop."

California Cities and the Local Sales Tax, Public Policy Institute of California

One of the unanticipated consequences of Proposition 13 has been local governments' increased reliance of on retail-sales-tax revenues. Sales taxes and transient and occupancy taxes have become inordinately important, because these taxes represent the bulk of local-governments' discretionary funding.

Because sales-tax revenues are so important to local governments, they bias land-use decisions in favor of retail outlets. That is, governments favor retail use over other commercial and industrial uses and over homes.

The land-use bias has important impacts on workers and the community. Home prices are higher than they otherwise would be. Because retail salaries are among the lowest of any Ventura County non-agricultural industrial sector, the bias is also one of low-wage jobs. This clearly exacerbates all of the problems associated with low-wage jobs in a high-cost community.

Agricultural workers pose a particular challenge for Ventura County. There were, on average, 22,636 Ventura County agricultural jobs in 2002, and these jobs paid an average of only \$20,504. This was the lowest average salary of any Ventura County industrial sector.

While agriculture has been declining as a portion of the Ventura County economy, it has not been declining in absolute size. Indeed, the number of Ventura County agricultural jobs has increased from 17,008 in 1995. Unfortunately for growers and their employees, agriculture is an extremely competitive business. Growers compete with other growers worldwide, and they cannot raise workers' salaries and remain in business.

In a community where housing is particularly expensive, as it is in Ventura County, a large agricultural sector leads to overcrowding, increased income disparity, and a host of social problems. Because many of these workers are recent immigrants, have low educational achievement, and may not speak English, it is difficult to provide an employment ladder. Because agriculture needs a workforce it may not be desirable to provide that ladder. In that case, the community's choices are stark: eliminate the industry, provide some form of subsidy, or tolerate the situation.

result of California's budget crisis is that no money will be available for this purpose for very many years.

It seems that we can only manage the problem in these low-wage sectors by restraining their growth. That is we can make them progressively smaller proportions of the County's total jobs. From 1995 through 2002, the sizes of these two low-wage sectors combined were relatively constant as a percentage of total Ventura County jobs.

We can also provide ways for these workers to move into higher paying jobs.

Fortunately, some of Ventura County's fastest growing industrial sectors are among some of the best paying. Of the four highest paid sectors, three (nondurable manufacturing, durable manufacturing, and government) have shown strong job growth. Three other well-paying sectors have shown strong growth. The services sector, the wholesale trade sector, and the finance, insurance and real estate sector each generated 2002 job-growth rates in excess of 2 percent.

The irony is that employers in many of the fast-growing, well-paid, sectors have experienced difficulty in finding workers. These businesses have found that most available Ventura County workers do not have the necessary skills and education (this also happened in Santa Clara County during the rise of Silicon Valle.). They have also had trouble attracting out-of-county workers because of high housing costs. One has to believe that these sectors' growth has been constrained by their inability to attract enough qualified workers.

Given these contextual conditions, a possible economic development policy could be:

- Restrain the growth of the low-wage retail and agriculture sector
- Encourage the growth of the high-wage sectors
- Train Ventura County workers for jobs in the high-wage sectors

When most people think of economic development policies, they think of infrastructure development, incentives to potential employers, marketing of a community or region to potential employers, and the like. Seldom do they think of restraining growth of some sectors.

The agriculture sector will likely be constrained by the availability of land and rising housing costs. The retail sector, which employs more than twice the number of people that agriculture employs, will be more difficult to constrain, for two reasons: Retail sales are highly correlated with economic activity and local governments depend on retail-sales taxes.

As Ventura County's economy grows there will be economic pressure for increase retail sales, retail outlets, and retail jobs. Retail sector growth is further encouraged because of the way local governments are financed in California. Retail sales tax revenues are critical to local governments, and they are distributed by point of sale. Two negative consequences of this method of allocation, from the standpoint of constraining the retail-sales sector's growth, have been demonstrated. Local governments compete for retail outlets and they bias land-use decisions in favor of retail. If governments are competing for retail outlets and biasing land-use decisions in favor of retail over housing, office, and industrial uses, it will be very difficult to create a policy restraining retail sector growth.

We are left with two sets of realistic policy choices to improve the economic status of Ventura County workers, and to be effective we need both of them. That is, to be effective, the policies must create opportunity, and they must ensure that the workers are prepared to take advantage of those opportunities. We must encourage the growth of high-wage sectors and train workers for those jobs. Already, as we have noted, the growth of the high-wage sectors has been constrained by the lack of trained local workers and the impact of high housing costs on the ability of

firms to attract out-of-County workers. So, it is critically important that the County develop a well-educated workforce, ready for the challenges of the 21st century economy.

INDUSTRY STRATEGY

Significant General Trends

Any effective policy of industrial development must take into consideration existing long-term United States and California trends. It is difficult to rank current trends by importance. Each of the major trends will have profound and interrelated impacts on California and Ventura County.

Baby Boomers

Certainly, one very important trend is the aging of the baby-boom generation. Those in this generation, aged 43 to

58, is currently in their peak earning years and approaching retirement. As such, and partly because of the 1990's boom, they are the wealthiest generation the world has yet seen. They are also about to inherit a real fortune. Estimates are that this generation will be inheriting about \$3 trillion. For reference, that is about a third of the entire value of the United States' annual production of goods and services. This generation is known for its consumption, and their increasing wealth represents effective demand.

What will the baby boomers spend this money on? A large number of them will be moving to Coastal California, and it will have dramatic impact on Coastal California communities. Given their age and wealth, they will demand relatively large homes, and at most, two people will live in these large homes. This, combined with high housing costs and

a dearth of jobs, can result in a declining population. Monterey is the leading example.

Monterey's population actually declined between the 1990 census and the 2000 census, as families with children were replaced by an aging population without children. Additionally, the number of Monterey housing units declined during that same decade, as smaller homes were destroyed and replaced by fewer large homes. This is Coastal California's future.

These baby boomers from throughout the United States are bidding up the price of housing in Coastal California communities. The importance of this demand cannot be overstated, because it means that housing prices are becoming disassociated with local economic activity. A decline in local economic activity, to the extent that the decline is local and not reflective of a

“The rapid aging of California's population represents a demographic imperative that cannot be ignored. Already, the state has 3.5 million people over the age of 65—the largest older adult population in the nation. This number is expected to increase by 172 percent over the next 40 years, with most of the growth occurring in the next 20. The greatest growth will be among the oldest Californians, age 85 years and older, whose number are projected to grow 200 percent over 40 years. By 2040, the ratio of the elderly to adults under age 65 will have increased by 80 percent.

The confluence of decreased fertility, expanded longevity, falling mortality, and the redefinition of what it means to be older is a unique phenomenon. California's sheer size, diversity, and large older adult population make it a barometer of how the nation will grapple with the challenges and opportunities of population aging. People are also changing their attitudes about the aging process and what it means to be old. Today, people who are in their 60s typically do not consider themselves old, and it is normal to find 70 year-olds who are active, healthy, and engaged in the communities they live in.”

-Strategic Planning Framework for an Aging Population, California Policy Research Center

The above-described trend will be exacerbated by the migration of wealthy baby boomers to California from across the United States. As a group, baby boomers saw their wealth increase dramatically in the 1990s, as they were beginning their peak earning years just as the United States was experiencing an unprecedented economic expansion.

This wealth accumulation, combined with an expected inheritance of about \$3 trillion will drive migration to the pleasant environments of Coastal California, and that migration will dramatically change the economics and demographics of the State. These changes include rising housing costs as home prices are disconnected from local economic activity, changes in the industrial composition of Coastal California, possible population declines, and of course an aging of the population.

“These baby boomers from throughout the United States are bidding up the price of housing in Coastal California communities. The importance of this demand cannot be overstated, because it means that housing prices are becoming disassociated with local economic activity. A decline in local economic activity, to the extent that the decline is local and not reflective of a national trend that reduces baby-boomer wealth, will not cause local home prices to fall. This is not something that we are aware of ever being observed before.”

national trend that reduces baby-boomer wealth, will not cause local home prices to fall. This is not something that we are aware of ever being observed before.

If home prices are disconnected from local economic activity, and home prices are higher than those supportable by local economic activity, we face the prospect that tradable goods production may disappear from the community. If home prices become high enough, producers of goods that trade in competitive markets simply cannot pay the wages demanded by workers in the high-cost community.

California's Competitiveness

High housing costs are only one cause of the very important trend of California's declining competitiveness in attracting businesses. Business development professionals throughout California are virtually unanimous in their opinion that it is currently impossible to attract businesses in significant numbers to California. California has always been a relatively expensive place to do business, and that fact has had little negative impact on California's economic growth. What is different now?

There are two primary reasons for California's historical competitiveness in the presence of high costs. The first reason is that California workers, on average, are more productive than other workers. Even after taking into consideration industrial compositional differences, capital per worker differences, infrastructure, and every thing else economists can think of that may boost productivity, it seems that the average California worker is significantly more productive than the average United States non-California worker. High productivity will certainly justify a business locating in a high-cost community.⁵

California itself is the second primary reason that the State has retained its competitiveness while being a high-cost place to do business. California's weather and environment is highly valued. We're going to call this a high-amenity location. Research has shown that, for a given cost of living, people are willing to accept a lower wage to live in a high-amenity location. Again, it is a rational decision by business to locate in a high-cost area if wages are lower.⁶

Why has California become less competitive in recent years? There are a few reasons. One reason is that costs have been increasing. Increases in workers compensation costs are only the most recent example of this trend. The family leave act is another, and there are proposals at the California legislature for additional legislation that will further increase costs to California business.

The energy crisis is another reason that California has become less competitive. The current situation is not properly called deregulation. Right now, retail prices are controlled, and wholesale prices are free to float. As long as this situation remains, the possibility exists that wholesale prices may again exceed retail prices. When this occurs, there will be blackouts. Blackouts are extremely expensive to business and they must insure against that possibility.

Hence, an increase in their cost of doing business in California.

It should also be noted here that the changing composition of California's demographics, caused by the inflow of well-off baby boomers will also probably add to the trend of increasing costs to do business in California. Government and the environment are, to some extent at least, luxury goods. Wealthier people whose income is not dependent on local economic activity are likely to support the growth of consumption of each, implying increasing costs to California business.

The final significant reason for California's declining competitiveness is high housing costs. Even with all the amenities California offers, high and increasing housing costs in Coastal California have apparently driven wage demands to the point that the sum of wage demands and high operating costs make doing business in California too expensive for competitive businesses.

The decline of manufacturing

The third general trend that we see is the decline of manufacturing and the production of tradable goods and services in California and the United States. This trend has been masked somewhat in Ventura County, because of the County's booming Biotech sector. With a trend like this, firms with market power or very high value added products would be expected to be the last to leave an area, because they can afford to stay longer, and because moving is costly.

The reasons for the decline in manufacturing and the production of tradable goods include one result of the previous trends. Outside demand has driven up home prices. This along with other aspects of California's declining competitiveness has caused producers of tradable goods to leave the State. We would expect to see those in the most competitive industries leave first, because they have the least market

power and profit potential. As conditions become increasingly noncompetitive, we would expect to see firms with more market power and profit potential leave the area.

Between the fourth quarter of 2000, and the fourth quarter of 2002, the number of California manufacturing-sector jobs fell from 1,966,533 to 1,786,533. This was a loss of 180,000 (9.15 percent) relatively well-paying jobs in only two years. Even the recent peak of 1,966,533 California manufacturing-sector jobs was below the 1989 third-quarter peak of 2,120,633 California manufacturing jobs.

Rise of information-based economy and increasing returns to human capital

The final universal trend is the rise of the information-based economy and the related increasing returns to human capital. Over the past two decades the United States has witnessed a dramatic change in technology. This change is likely to have the impact that adoption of steam power, electricity, manned

flight, and the internal combustion engine. Each of these technological advances changed the world. They changed what we made, the way we made them, and how we used things.

We have already seen dramatic changes because of computers and the internet. More change is certain, even if we can't say at this time exactly what those changes will be. Just as it took the economy decades to adjust for previous technological leaps, it will likely take decades to absorb and adjust to the computer and related communications advances.

One thing is clear so far: The new technology has dramatically improved productivity of those trained to use it. Because of this, returns to human capital have increased, as the nearby chart shows. That is the wage differential between trained or educated workers and unskilled workers has increased. Interestingly enough, training and education are complementary in respect to returns. Education alone, or training alone, will not maximize a worker's income. A combination of education and training will maximize a worker's income.

SIGNIFICANT LOCAL TRENDS

Ventura County is subject to all the general trends discussed above. It also has its own local trends. Any policy for Ventura County must take into consideration those local trends.

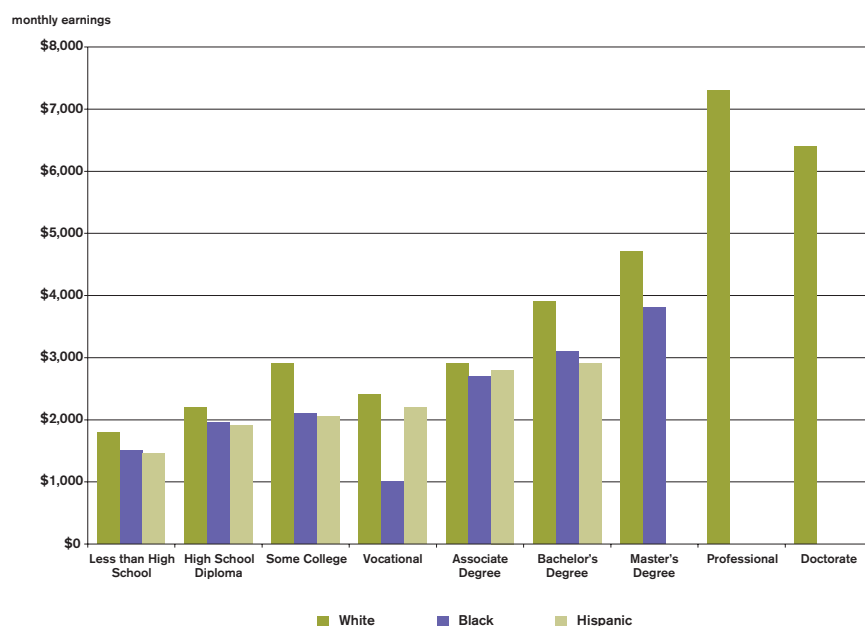
It is no surprise to most Ventura County residents that one local trend is high and rising home prices. In part, this is Ventura County's reflection of the home price pressures we see throughout Coastal California. Ventura County's home prices do have a local twist, however.

Part of Ventura County's home price pressure is locally developed. The County's dynamic and well paying Biotech and Hi-tech sectors have generated increased demand for Ventura County homes. Santa Barbara County, with its very high home prices is also another source of Ventura County home demand.

Ventura County's Biotech and Hi-tech sectors are their own trends. Ventura County's Biotech industry, led by Amgen and Baxter, has been growing dramatically. Even though Amgen is growing in part by expanding facilities outside Ventura County, particularly in Colorado and Puerto Rico, we expect Ventura County's Biotech sector to continue to grow. In other communities with fast-growing Biotech companies, communities such as San Jose and San Diego, we have seen a proliferation of new Biotech companies, so called spin-offs. While we have not yet seen much of this phenomena in Ventura County, we note that Baxter is very new to the community and Amgen isn't all that old. We expect to see more spin-off activity in the future.

Ventura County also has its own non-Bio Hi-tech sector. The fortunate thing about Ventura County's hi-tech sector, it is not dominated by one technology. The County has firms in defense, aerospace, computers, entertainment, and more. What is common in these firms is that they produce high-value-added products, they employ very well

Average Monthly Earnings by Education Level and Ethnicity



Source: US Census Bureau

educated workers, and they pay those workers very well.

Finally, we note that Ventura County's finance, insurance, and real estate sector (FIRE) has also shown very strong growth in recent years. In part, this is due to the rapid growth of Countrywide Financial, and much of that growth has been generated because of record low interest rates. This company is currently planning to open one new division in the County, but it is not planning any other significant new job growth in Ventura County. Because many of Countrywide's jobs were created to take advantage of low and falling interest rates, those jobs are in jeopardy when interest rates increase.

INDUSTRIAL SECTOR STRATEGIES

In this section, we discuss strategies to develop specific industrial sectors. Again, we point out that this cannot be done in a vacuum; we must also develop and train the workers. Developing and training workers is discussed in the next subsection.

Given the declining competitiveness of California and the difficulty of attracting firms to California, it is probably an inefficient use of resources to attempt to attract firms to Ventura County from outside of California. Even attracting California based firms to Ventura County is very difficult; a move is expensive for a company and most California firms considering a move just

move out of State. It may not be impossible to attract some California firms to Ventura County, particularly if the target firms have some synergy with existing firms, but it is probably a mistake to devote too many resources to this pursuit.

The County can encourage the growth of existing firms and the birth and growth of new firms, particularly in already-dynamic industries, such as Biotech and Hi-tech. This can be done in a variety of ways. In addition to offering a well-trained work force, the County can offer tax incentives for startups or expansion. It can offer management assistance for new firms, and it can grant some regulatory relief.

A Coastal California trend, the influx of well-off baby boomers, also leads to opportunity. These people will have a huge effective demand for goods and services of their choice. Any business that caters to those demands is likely to do well. Health care comes to mind immediately. Given the size of the population, their age, and their wealth, any business that addresses the health concerns of this population is likely to do well.

There are other opportunities for businesses serving baby boomers. Given their wealth and impending retirement, they will continue to spend on a variety of goods and services. Entertainment and recreation are sure to absorb significant portions of their budget and the non-profits and governments involved.

“Given the declining competitiveness of California and the difficulty of attracting firms to California, it is probably an inefficient use of resources to attempt to attract firms to Ventura County from outside of California. Even attracting California based firms to Ventura County is very difficult; a move is expensive for a company and most California firms considering a move just move out of State. It may not be impossible to attract some California firms to Ventura County, particularly if the target firms have some synergy with existing firms, but it is probably a mistake to devote too many resources to this pursuit.”

¹ Watkins, 2003.

² Carroll, and Ross, 2003.

³ Watkins et al, 2002.

⁴ This discussion relies extensively on Watkins, 2003.

⁵ Wilson, 2002.

⁶ Brown and Taylor, 2003.

⁷ Barbour and Lewis, 1999.

⁸ Scharlach, Andrew, Fernando Torres-Gil, and Brain Kaskie, 2001

Labor Market Policies

In this section we review specific labor market policies available to local governments. Specifically we examine the benefits and costs of living wage policies, the earned income tax credit, other support programs, wage subsidies, and job training programs.

LIVING WAGE POLICIES

Target Group

Living wage policies are most often directed towards low-wage municipal workers or those who work with companies that contract with municipalities. Living wage ordinances may also be applied to firms that receive a certain level of public funding, fee waivers, tax abatements, low cost loans and other forms of economic development advantages. Some

municipalities extend living wage requirements to all firms operating within a given zone that has benefited from substantial business district improvement public funds.

Policy Design

Living wage proposals set target group wage levels such that the income received (with health benefits) results in an income above some defined reference level. Common or proposed reference levels include the federally

defined poverty level,¹ or a regionally defined level, such as the California Budget Project's (CPB) "basic needs" threshold,² For a single parent family with two children, the study finds the yearly budget would include (in 2001 dollars) \$9,384 for housing and utilities, \$10,692 for childcare, \$3,288 for transportation, \$5,340 for food, \$4,380 for health care, \$4,092 for miscellaneous items, and \$5,662 for taxes, for a total of \$42,840, or some other specified level.³

Proposed and actually implemented "living wage" rates show a wide range, depending to what one defines as a living wage. Wage rates between \$6.50 and \$11.00 have been proposed for a single working person; \$10.98 and \$20.60 have been proposed to provide for a three-person family with one working adult. For a four-person family with one wage earner, the corresponding wage rate would be

Cost Estimates of Alternative Living Wage Ordinances			
	Los Angeles (1998 study)	New Orleans (1999 study)	Santa Monica (2000 study)
Statistical sources for estimates	Primarily government statistics	Firm survey supplemented with government statistics	Firm and worker surveys supplemented with government statistics
Coverage of ordinance	Govt. contractors over \$25,000 and subsidy recipients over \$1 million or \$100,000 annually	All firms in city with more than \$500,000 in annual sales	All firms in city's tourist zone with more than \$3 million in annual sales
Mandated wage increase above minimum	71%	19%	87%
Benefits	Health—29% of minimum wage; 12 paid days off	Not included	Health—22% of minimum wage; 15 paid days off
Direct costs as proportion of total costs	80.40%	74.40%	89.20%
Ripple effects as proportion of total costs	19.60%	25.60%	10.80%
Total costs of ordinance relative to firms' overall operations	1.5% of production costs	0.9% of operating costs	Percentages of total sales: All firms—3.9% Hotels and restaurants—10% Other firms—2.2%

Sources: Pollin and Luce (2000), Pollin, Brenner and Luce (2002), Pollin and Brenner (2000).

a range from \$13.82 to \$16.93. If both adults in a four-person family were working, the average wage for both would need to be \$12.37 for the family to reach a proposed “basic needs” threshold. Setting wage rates according to family size has served as a guide while in practice most living wage ordinances specify wage rates that correspond to the specific job and not to the workers’ specific family arrangement.

Rationale (Pro)

A central rationale behind living wage proposals is that the public sector wage bill should not be used to subsidize below or near-poverty wage work. It is argued that when public or publicly contracted employers are allowed to pay less than a living wage, taxpayers may end up footing a double bill: the initial subsidy or contract, to be followed by food stamps, emergency medical care, housing assistance, and other social services low-wage workers may require to support themselves and their families. Living wage advocates believe that public dollars should be reserved for those private sector employers that demonstrate a commitment to providing family-supporting jobs.

Some have also argued that it provides better incentives and is simply more efficient to support the working poor with sufficient wages than for the various municipal agencies to recoup for insufficient wages with a myriad of support programs, such as food stamps, housing assistance and the like.

Depending on the covered firms’ cost structure and production processes, instead of layoffs, it is suggested that firms could absorb the increased costs of living wages by:

- raising productivity
- raising prices
- redistributing income within the firm, either through wage compression or a fall in profit shares.

The advantage of these three adjustment mechanisms relative to layoffs or relocations is that, within a reasonable range of small adjustments, firms could implement them more quickly and at lower cost to themselves than either layoffs or relocations.

Potential Problems (Con)

Opponents of living wage ordinances argue that these measures will not benefit, but will actually hurt, the very low-wage workers and their families the movement is trying to assist. The fundamental question one must still ask regarding any living wage measure is whether its dominant effects will be negative unintended consequences, including job losses, firm relocation, and excessive strains on municipal budgets.

Opponents point to three major unintended consequences of living wage ordinances:

- Some current and potential workers may lose their jobs;
- Impacted firms may leave the community; and
- The cost of governance may increase.

Assessment of Case Studies:

As of October 2002, nearly 80 United States municipalities had passed living wage ordinances since the first ordinance was approved by the Baltimore City Council in 1995.

All of the living wage ordinances that have become law thus far were designed in similar ways. They are “contractors-only” ordinances, because they apply only to firms either holding service contracts with, or receiving subsidies from, city governments. Some cities, including New Orleans and Santa Monica, have considered ordinances that apply to all businesses of a given size within a given geographic region; these are called “area-wide” measures.

To assess the potential negative consequences of living wage

ordinances, Robert Pollin and Luce (2000) estimated how private firms covered by a living wage ordinance adjust to higher labor costs in Los Angeles (Pollin and Luce 2000), New Orleans (Pollin, Brenner and Luce 2002), and Santa Monica, CA (Pollin and Brenner 2000).

The living wage proposals that they evaluated varied substantially in terms of their basic features. The ordinance for Los Angeles was the most typical of measures that have passed in other cities throughout the country; it applies only to business firms holding contracts with municipal governments and stipulates a living wage minimum that is 71 percent above the operative minimum wage. The Los Angeles ordinance also included provisions for both health care and paid days off for those workers who were not receiving these benefits.

The New Orleans ordinance was far less ambitious in terms of the proposed wage increase, stipulating a 19 percent increase over the national minimum. The New Orleans proposal did not include any provisions for benefits. Finally, the measure in Santa Monica, CA proposed an 87 percent increase over the then California minimum wage of \$5.75. It also included provisions for health coverage and paid days off similar to those in the Los Angeles measure.

Pollin et al.’s research found that the impact of living wage ordinances on most covered firms to be on the order of one to two percent of these firms’ total production costs or sales. They then suggest that any adjustments firms might be prompted to make would likely be of a comparably modest magnitude. If the total costs were elevated much above this threshold more substantial labor substitution effects, layoffs, relocations, and excessive costs to city governments would likely occur. Thus they stress the sensitivity of setting the wage and benefit requirements correctly to avoid negative consequences that could

When Work Just Isn't Enough

“As families move off welfare, measuring the hardships they face is increasingly important to understanding whether these families are meeting their basic needs. Former welfare families who now work in the low-wage labor market are likely to have difficulty meeting work-associated expenses such as child care and transportation costs. Given the extra income often required just to participate in the workforce, these families also may have difficulty meeting other basic needs such as food, housing, and medical care.”

Heather Boushey and Bethney Gundersen
Briefing Paper
Economic Policy Institute, June 2000

override the benefits of a given living wage ordinance.

David Neumark of the Public Policy Institute of California has also evaluated numerous cases of living wages ordinances in California and across the United States.⁴ Neumark emphasizes the potential for employment losses caused by the higher wage bill faced by both the municipalities and contractors. He documents some employment losses for covered workers, as firms substitute away from low-skilled workers.

But, Neumark also reports that from 1996 to 2000, poverty fell more sharply in living-wage cities than elsewhere. Disproportionate unemployment occurred but, he cautiously concludes that, “on net, living wages may provide some assistance to the urban poor.”

Additionally, Neumark stresses that limited living wage ordinances are likely to be more efficient than across the board increases in the minimum wage. Minimum wages don't target working

poor families very well, he contends, because much of the benefits go to teenagers from middle income homes that work part-time at the Gap or Wendy's. Living wages targeted at those hired by municipalities are more likely to aid those who support families.

Living wage ordinances are effectively a way of legislating a limited range raise in the minimum wage that apply to a specific set of firms, usually those who contract with municipalities. For many small contractors the direct costs may be enough to cause them to choose to not contract with the covered municipal entity. Municipal Unions are counting on that reaction. Unionized workers want cities to reduce the outsourcing of jobs and retain more jobs internally. Thus, living wage ordinances raise the bargaining power of municipal

unions. Questions about the long run efficiency of this arise. Debates over living wage ordinances continue.

The Employment Policy Institute, a center generally in favor of limited policy interference, reports results from a 2000 Living Wage Survey of 336 labor economists. Among the major findings are that, only seven percent of labor economists believe that a living wage ordinance is a very efficient way to address the income needs of poor families, 24 percent think it is somewhat efficient, and 69 percent think that it is not at all efficient.⁵

Ventura County Experience

In 2001, Ventura County implemented a living wage ordinance, mandating a wage of \$8.00 per hour if health benefits are provided and \$10.00 per hour without health benefits for all contractors and subcontractors to the County. The County ordinance is limited to contracts that exceed \$25,000. In 2002 the city of Oxnard also implemented a living wage

ordinance. Not enough time has passed to evaluate the impacts of these living wage regulations.

EARNED INCOME TAX CREDIT

Efforts to move low-income individuals from welfare to work can be complemented by the provision of so-called “work supports” — programs intended to encourage employment, promote job retention, and assist working families in making ends meet. Work supports can include food stamps, childcare subsidies, transportation assistance and earnings supplements.⁶

One form of work supports — the Earned Income Tax Credit — is seen as a potentially powerful tool in helping low-income workers move toward economic self-sufficiency because it puts money directly into the pockets of low-wage workers and provides a direct incentive to work.

The largest Earned Income Tax Credit program in the United States is that of the federal government. In addition, fifteen states (not including California) and some smaller governmental jurisdictions have adopted some form of Earned Income Tax Credit programs.⁷

Target Group

The Earned Income Tax Credit (EITC) is a tax credit for working people who earn low or moderate incomes. In 2001, the federal program offered a maximum benefit of \$4008 to an eligible working family raising two or more children at home and provided that the family had an earned income of less than \$32,121.

Policy Design

Key elements of an Earned Income Tax Credit program are:

- A tax credit is offered to low and moderate income workers.
- Generally, the size of the tax credit increases with earned income (up to some set ceiling) and with the number of child dependents of working adults.

- Under most programs (including the federal one), tax credits are *refundable*, meaning that a cash payment is made after a filing. Workers who earn too little to pay income tax on their earnings may still receive a cash payment if they paid payroll taxes for Social Security and Medicare.⁸
- Some programs (including the federal one) allow advanced payments for some workers, thus creating a wage supplement throughout the year.
- In the federal EITC program and other programs on the federal model, the earned income tax credit has no effect on certain other welfare benefits (and thus does not adversely affect eligibility for these programs or reduce allowable benefits from them). This applies to such federal programs as Medicaid, supplemental security income (SSI), food stamps and low-income housing assistance.⁹

Rationale (Pro)

Work supports like EITC programs are intended to encourage employment and promote job retention. They provide both a reduction in the tax burden and direct cash income supplements. This is intended to assist low-income working families in absorb the additional expenses that can be associated with becoming employed or working more hours (e. g. childcare and transportation). This is especially true for those EITC programs which provide protections against having the benefits of increased work income being offset by the loss of public assistance benefits.

Rationale (Con)

There are a number of arguments put forward that express concerns about aspects of the EITC approach.

One argument is that, because the tax credit benefit does not

reduce certain other public assistance program payments to the EITC recipients, the program adds to rather than decreases the overall cost of moving people from welfare to work. That it does cost more than an approach under which other benefits were reduced as earning income and EITC increases is, of course, true by definition. The counter argument is that while this type of program may cost more in the short run, it may be more effective in promoting job retention and upward earnings mobility over time.

Other concerns have to do with how the shares of the benefits (tax dollars) offered under the EITC program are distributed. As can be seen in the Figure below, tax credit benefits increase in value with increases in work income reaching the peak benefit in the \$10,000 to just over \$14,000 earned income range. Benefits then begin to recede as earned income rises. Thus workers with families whose earned income is close to the designated federal guidelines for poverty receive substantially more tax credit benefit, in both dollar and percentage terms, than do those farther above or below the poverty line. This could be criticized

from a social equity perspective or by those who argue that the incentive value of the tax credit should increase not decrease as people move out of poverty and towards fuller economic self-sufficiency.

Assessment Findings

The Center for Law and Social Policy review of existing assessment findings related to the federal EITC presents the following findings:

- EITC lifts families out of poverty by supplementing wages.
- In 1999 the EITC lifted more children out of poverty – about 4.8 million children in 2.6 million families – than any other government program. Research has shown that recipients of EITC use the money they receive to make ends meet, but also invest in savings and education.”
- There is evidence that EITC increases the employment levels among single mothers.

Researchers have shown that, even prior to welfare reform, the number of single mothers with children in the workforce rose significantly when the

Sample Federal Earned Income Tax Credit Amounts for Recipients with Two or More Eligible Children (2002 Tax Year)		
Total Earned Income	Single Parent EITC Credit	Married Couple EITC Credit
\$1	\$10	\$10
\$5,000	\$2,010	\$2,010
\$10,000	\$4,010	\$4,010
\$15,000	\$3,823	\$4,034
\$20,000	\$2,770	\$2,981
\$25,000	\$1,717	\$1,928
\$30,000	\$664	\$875
\$34,150	\$ -	\$3

EITC was expanded. “There is also some evidence to suggest larger employment increases in states that have their own EITC’s.

One documented area of weakness in existing EITC programs is that not everyone who is entitled to benefits participates. Estimates are that 80 percent of those eligible for federal EITC benefits receive them (about 20 million individuals and families). Some non-participation is believed to be from lack of awareness and there are active programs by a number of organizations and in a number of states to better educate potential recipients about available programs and benefits. Other reasons for not filing may include reluctance to disclose immigrant status, past failures to file tax returns, or not having paid court mandated child support.

Status in California and Ventura County

California does not have an EITC program. The California Budget Project, which advocates for developing a state plan in California, estimates that 16.7% (one in six) of California tax filers claimed the federal EITC in 1998 and that adding a state EITC equivalent to 15 percent of the federal EITC would provide a credit of up to \$583 per eligible family with two or more children.¹⁰ Overall, such a state program would aid well over 2 million California families.

WAGE SUBSIDY PROGRAMS

Target Group

Wage subsidy programs have been used, or have been proposed, to aid those whose wages do not provide some specified standard of living. Often the target standard of living is expressed as an income above, or some percentage of, the federally defined poverty level as a full-time equivalent. Wage subsidies have been increasingly targeted for those at high risk of long-term unemployment as an

alternative to, or as a complement to, unemployment insurance and other non-subsidized employment programs.

Policy Design:

Key elements of a wage subsidy are:

- A wage subsidy is paid to the employer, and it is designed to lower the costs of labor when firms employ target-group individuals. This is intended to encourage firms to substitute target-group workers for less at-risk workers, or workers with more options.
- A wage subsidy hopefully gives the long-term unemployed, or the potentially long-term unemployed, the competitive edge needed to compensate for one or more of the following:
 - Firms’ perception that target-group individuals are less productive than other workers.
 - Target-group individuals’ lack of skills, or have skill sets that do not match employers’ needs.
 - The risk that employers take when they hire any unknown worker.
 - Institutional factors that create market distortions, such as payroll taxes.
- Unlike pure training, a wage subsidy has the matching of individuals and jobs as its direct goal. It is intended to encourage target-group individuals to enter or stay in the labor force, and to encourage firms to hire or retain them.
- A wage subsidy is a labor-demand measure. This is in contrast with an earned income supplement, which is a more direct income policy. The choice between the two — a wage subsidy or an income supplement — comes down to which lever — labor demand or labor supply — is the most responsive, can be moved the most quickly, and can be shifted into gear most precisely with the policy instrument.

Rationale

Wage subsidies lower relative labor costs for firms, creating a substitution toward the subsidized workers and away from relatively more expensive factors of production. These could be capital or other workers, or both. The hiring of new workers can occur fairly quickly, while a decision to increase investment in capital may take longer for a firm to implement. Wage subsidies also lower the total factor costs for firms, allowing them to increase inputs and potentially increase their productive capacity and output. The increase in output depends on whether the new configuration of labor and capital is more productive than before.

What a subsidy can do is buy target-group individuals time to accommodate change. This can allow subsidized employees to gain a niche in the labor market and adapt to changing labor market conditions. Therefore the long run effect of a wage subsidy, if it is effective, is to improve the productivity, employment prospects, and wages of the targeted-group individuals, thus eliminating the need for the subsidy for those individuals.

The policy effects are measured as:

- The increase in short-term employment of target-group individuals.
- The net increase in total short-term employment.
- The increase in the long-term employment prospects of the target group and others.
- The net cost or benefit to the economy as a whole.

If the policy is directed to a target group, the emphasis will be on the increase in employment in the target group in the short run, and on the improved employment prospects of the same group in the long run. By contrast, if a wage subsidy is used as a counter-cyclical measure, then a net increase in total employment will be the main desired policy effect.

Potential Problems:

In sum, wage subsidies would be expected to be effective in increasing employment and wage levels of the targeted groups. However, there may be some potential problems that may limit their effectiveness.

1) **Displacement** occurs when an employer replaces an unsubsidized worker with a subsidized one. It is of particular concern to policy makers when the primary objective of the wage-subsidy policy is job creation. With a targeted wage subsidy, some displacement is bound to occur when a firm hires subsidized workers in lieu of unsubsidized workers. To be avoided is displacement of existing unsubsidized employees simply to take advantage of a wage subsidy.

2) **Deadweight loss** occurs when an employer accepts a subsidy for a worker that the employer would have hired anyway.

3) **Program misuse** may occur when employers or employees try to skim off the subsidy without either creating the employment or working in the jobs. Misuse can be limited through careful design of the subsidy.

4) **Market distortions** may occur because wage subsidies “prop up” wages and so bypass the necessary wage adjustment that must occur to balance labor markets. However, effective wage subsidies may buy time so that workers’ skills eventually match the going wage and labor markets come into balance.

5) **Low take-up rates** may occur if firms or claimants do not know about the subsidy, or if they find the paperwork associated with the subsidy too burdensome. And – this is a potentially serious criticism of wage subsidies – the group targeted for the subsidy may acquire the stigma of being poor quality workers or troublemakers.

6) **Avoidance of the stigma attached to the subsidy is crucial when defining high-risk groups.** Historical data has shown that those most at risk of

becoming long-term unemployed are seasonal workers, youth, older workers, those with low education, those who lack job experience and those who have low wage levels. To be effective, the program should target these individuals without stigmatizing them.

Careful attention to subsidy design needs to be given for seasonal workers so that firms do not take advantage of the subsidy and apply them to temporary, low-wage, off-season jobs. This requires a subsidy of minimum duration for private sector firms. There may be potential for creating a special subsidy of short duration offered to sectors such as Municipalities, Universities, Schools and Hospitals to hire seasonal workers. This might be applicable where services have been cut, perhaps because of tightening budgets.

Because wage subsidies are targeted to individuals in high-risk groups, little targeting should be done with respect to firms; all potential employers should be eligible for the subsidy. Firm size, potential and location should not be limited or given special consideration because the objective is to give the targeted groups the best chance to find a job.

Assessment of Case Studies

Case Studies of wage subsidies in the United States and California provide some lessons. Several federal wage subsidy programs have targeted certain socially and economically disadvantaged groups.

The Job Opportunities for the Business Sector (JOBS), introduced in 1967, subsidized on-the-job training costs of disadvantaged workers such as high school drop-outs and those unemployed over 45, the disabled and families with incomes below the poverty level. It continually had problems with low take-up rates and could not meet employment targets. Two-thirds of employers who hired targeted groups did not bother enrolling to receive the subsidy.

The Work Incentive Program (WIN) was introduced in 1971 and provided tax credits to employers hiring participants in the Aid to Families with Dependent Children. Reportedly, WIN also had very low take-up rates, primarily because firms either were unaware they were eligible for the subsidy or did not want the inconvenience of the paperwork.

The Targeted Jobs Tax Credit (TJTC) has been in effect since 1978; its purpose is to hire and retrain disadvantaged workers rather than specifically to increase employment. The target groups have included economically disadvantaged youth, veterans, ex-convicts, and social security income recipients. The subsidy is 40 percent of the first year wages per full-time employee, to a maximum of \$6,000 of wages per employee. One-half of this subsidy level is also available for summer students. The minimum eligibility is 90 days or 720 hours.

Program funds have tightened in the last five years by targeting the program more narrowly, reducing the value of the subsidy and shortening its duration. Many assessments have been done on the TJTC, and many different conclusions have been drawn. The US General Accounting Office conducted a study of the TJTC based on 1988 program data from thirteen states and interviews with businesses that were frequent users of the program.¹¹

- About 60 percent of the credits went to youth and another 25 percent to welfare recipients.
- Most users were retail stores and restaurants.
- Most positions were entry level requiring minimal skills.
- Earnings increased with work experience, but no more so for TJTC participants than for non-participants.

Studies have shown that although employment has not expanded significantly under TJTC – net new employment is about 30 percent – the Targeted Jobs Tax Credit seems to

achieve its goal of inducing employers to hire significantly more targeted workers, especially youth.¹²

An evaluation by Lorenz (1985) tracked participants five years after hiring to determine the long-term effects on job earnings of the TJTC.¹³ Lorenz found that the long-term impact depended on the size of the subsidy and its duration. When the subsidy was small or the subsidy period brief, there was not enough impact on job retention to affect job earnings.

A field study of the TJTC (Arwady, 1988) was conducted on the Borg-Warner Protective Services, a company that certified about one percent of the US targeted workers in 1985 and 1.5 percent in 1987. The jobs offered by Borg-Warner were considered to be at the entry level. Some positive effects of the TJTC were cited.¹⁴

- The cost of the program was low, and compared favorably to other labor programs; the cost is one-third to one-fourth the costs of programs such as CETA or JPTA. The low cost was attributed to the private delivery system and the fact that only when job seekers find a job is there a cost generated.
- The TJTC program encourages information exchange between employer and local employment offices.
- TJTC workers were less productive than their unsubsidized counterparts initially, but achieved the same level of productivity after six months.
- Subsidized workers stayed in the job about 15 percent longer than unsubsidized workers.

However, some evaluations of wage subsidy programs have been negative.¹⁵ An audit of the effectiveness of the TJTC in the State of Alabama conducted in 1991 (Peterson, 1993) went so far as to recommend that the Congress consider eliminating the program:

- The net employment effect was estimated to be as low as 5 percent, primarily because screening for eligibility for the TJTC often was not completed until after hiring had occurred.
- The net benefit was only about 10 cents per dollar spent.
- Most jobs were low-paying and entry level with few skill requirements and high turnover, such as in the fast food industry and commercial janitorial services. Hourly wages were just over \$4 per hour.

The Alabama audit may reflect to some extent the high variation among states in the support by state employment offices of the TJTC.

In his testimony before the Ways and Means Committee (Reich, 1994) US Secretary of Labor Robert Reich characterized the U.S. TJTC as a “program that does not deliver,” because of the perceived high deadweight loss, the high proportion of low-wage, low-skill, jobs of short duration that are assisted by the subsidy, the small impact of the TJTC on earnings, and the low take-up rate.¹⁶ He suggested that the TJTC be reformed:

- Reduce employer windfall by having workers certify before hiring and by improving enforcement.
- Improve incentives for high quality jobs by back-loading the credits and increasing the tenure requirement.
- Improve longer-term effects by building worker skills, by making more “learning slots” available for subsidy and by subsidizing training.
- Improve the knowledge of the program through more scientific studies of its effects, possibly with pilot projects.

Ventura County Experience

Ventura County’s Job and Career Centers along with the local

Employment Development Department have sought to encourage local employers to utilize the TJTC program funds to subsidize wages for targeted workers. Despite the potential for program misuses and short-term market distortions, these efforts should continue. In the current economic slowdown, extra concern should be directed to more fully exploit any federal funds available to local workforce development.

JOB TRAINING PROGRAMS

Target Group

Job training programs are targeted to serve: welfare recipients, low-wage workers, youth, underemployed workers and those who have lost their jobs due to foreign trade.

Policy Design

FEDERAL JOB TRAINING PROGRAMS

The federal government operates several dozen job training programs that are only loosely coordinated with one another. According to the General Accounting Office, in 1999 there were 40 federal programs that spent an estimated \$11.7 billion on providing job training or job placement assistance as a key program goal. Most of these programs are located in three federal departments – the Department of Labor, the Department of Education, and the Department of Health and Human Services.

The first major federal job training program, the Manpower Development and Training Act (MDTA), was enacted in 1962. It was followed by the Economic Opportunity Act of 1964, which created the Job Corps, and the Work Incentive Program (WIN) in 1967, which provided training to welfare recipients. The first attempt to consolidate the array of already proliferating federal programs was the Comprehensive Employment and Training Act (CETA), enacted in December 1973. CETA transformed a number of population-specific job

training programs into block grants, which were then given to the states. This marked the first step in a devolutionary process that saw increased responsibility for job training delegated to states and localities.

Congress enacted further legislation in the 1980s and 1990s, including the 1982 Job Training Partnership Act (JTPA), which replaced CETA and further devolved responsibility to the states. Other notable laws included the 1984 Carl D. Perkins Vocational Education Act, which continued federal support for vocational education provided through the Department of Education, the 1985 Food Security Act which established a training program for food stamp recipients, and the 1988 Family Support Act, an early attempt at reforming the federal welfare system that replaced the WIN program with a new Job Opportunities and Basic Skills (JOBS) program targeting welfare recipients.

STATE JOB TRAINING PROGRAMS:

The most recent major piece of job training legislation enacted by Congress was the Workforce Investment Act (WIA), which was enacted in 1998. WIA consolidated a number of Labor Department job training programs and created one-stop-centers in every state to help job seekers negotiate their way through the otherwise bewildering system of federal job training programs.

Rationale (Pro)

Higher skill levels correspond to higher productivity levels, higher wages, greater income mobility and shorter unemployment spells.

Potential Problems (Con)

Overall, according to the General Accounting Office, federal job training policy today remains fragmented and inefficient. Studies seem to indicate that the benefits of these programs modestly outweigh the costs, but that they are not enough, by themselves, to lift their target populations out of

poverty and that their benefits probably fade after four to five years¹⁷

Some question whether training programs have been sufficiently responsive to changes in demand for different types of workers: i.e. too many website designers, not enough hospital workers.

Overall, given the limited possible impact with the relatively modest public funds for job training – the challenge arises to somehow leverage the funds to stimulate private sector initiatives that are coordinated with workforce development goals. This is the only likely way to increase the numbers of workers aided by such programs.

Assessment of Case Studies

Across the state of California numerous community college vocational training programs, employer coordinated training, and private vocational training centers have been developed. A major recent review of community college workforce development programs¹⁸ concluded that the effectiveness of job training programs could be maximized by: maintaining a high level of communication between regional employers and college curriculum planners; developing more links and cooperation between the educational institutions and social services systems; seeking and implementing new federal and state grant opportunities.

Ventura County Experience

Ventura County has implemented several ambitious WIA job-training programs.

Acronyms for some Federal and State Job Training Programs

CET: Center for Employment Training

CETA: Comprehensive Employment and Training Act

CLMS: Continuous Longitudinal Manpower Survey

CWEP: Community work experience program

GAIN: Greater Avenues for Independence (California)

JOBS: Job Opportunities and Basic Skills Training

JSA: Job search assistance

JTPA: Job Training Partnership Act

MDTA: Manpower Demonstration Training Act

MFSP: Minority Female Single Parent Demonstration

OIC: Opportunities Industrialization Center

STEP: Summer Employment and Training Program

STWOA: School-to-Work Opportunities Act

TANF: Temporary Assistance to Needy Families

WIA: Workforce Investment Act

WIN: Work Incentive Program

WOW: Wider Opportunities for Women

VENTURA COUNTY JOB & CAREER CENTERS

Ventura County has seven Job and Career Centers that function as “one-stop” centers to access the variety of training programs offered in coordination with partners. Many JCCs also offer vocational training programs. Such programs involve: training in customer service provided through Ventura College, to enable placement in jobs with Kinkos and Verizon through various temporary help agencies. A course for machine operators has been structured with Haas Automation of Oxnard. Graduates can expect jobs paying \$10 per hour upon completion. Many JCCs also offer training for child care workers through Oxnard and Ventura Colleges in cooperation with Peppermint Junction and Kindercare.

Additional off-site training through the Job and Career Centers can include:

- English as a Second Language
- Certificate programs, including GED

WIA programs in Ventura County

- **Caregivers Project:** providing entry-level and advancement training in critically needed healthcare positions.
- **Medical Career Ladders Initiative:** creating upward mobility employment opportunities in a broad spectrum of technical professions in the health care industry.
- **Nurses Workforce Initiative:** implementing innovative strategies to increase the number of newly trained nurses working in Ventura County.
- **Construction Trades Initiative:** teaching pre-apprenticeship skills for in-demand positions and occupations with absolute job growth in our area.
- **Technology-to-Teaching:** providing transitional education for laid-off high-tech workers to obtain credentials for teaching careers in science and math.
- **Business Enhancement Program:** offering companies strategic assistance to stay in business, expand, retain personnel and create jobs.
- **Youth Services:** offering a full range of programs to help students go back to school, stay in school, advance their education, explore careers, and prepare for employment that can lead them to economic self-sufficiency as adults.

Source: Ventura County WIB

- Short-term entry-level courses
- Vocational education programs
- Specific skill training
- Degree programs to transfer to a four-year college

VENTURA COUNTY EDUCATIONAL RESOURCES

Ventura County has numerous types of training centers for workers to enroll in to upgrade their skills. There are three community colleges, several adult education schools, six private colleges, University of California at Santa Barbara Extension and its Satellite Campus, California State University, Channel Islands and approximately fifty-five private occupational training centers. Students can enroll in two or four year degree programs, and certificate programs in a range of areas from computer skills, medical and dental fields, cosmetology, massage, building trades, automotive and electronics, to name a few. The Simi Valley, Conejo Valley, and Ventura adult schools have been especially focused on serving the underemployed segment of the Ventura County workforce. Their programs continue to be well designed and affordable.

OTHER SUPPORT PROGRAMS

In a context in which welfare policies may lead many working family members into low wage jobs, supplemental income or support programs can be effective tools for helping these families make ends meet. The Center for Law and Social Policy contends that work support programs such as the Earned Income Tax Credit (EITC), child care, Food Stamps, health insurance, Temporary Assistance for Needy Families (TANF), and child support are centrally important to efforts to implement welfare-to-work reforms.¹⁹ Other possible areas of assistance are transportation (means to get to work) and housing.

Programs like these can facilitate a successful migration from welfare to work in two ways.

REDUCING BARRIERS TO WORK

First, in some instances these programs address needs that low-income families have that can act as “barriers” to work. Child care is perhaps the most obvious example. Without affordable, reliable child care, it would be difficult or impossible for some low-income family adults to work or to work steadily and full time, particularly for women. One study, based on U. S. Census data, reported on several reasons – as displayed in the chart on the next page – for not working during the immediately prior year:²⁰

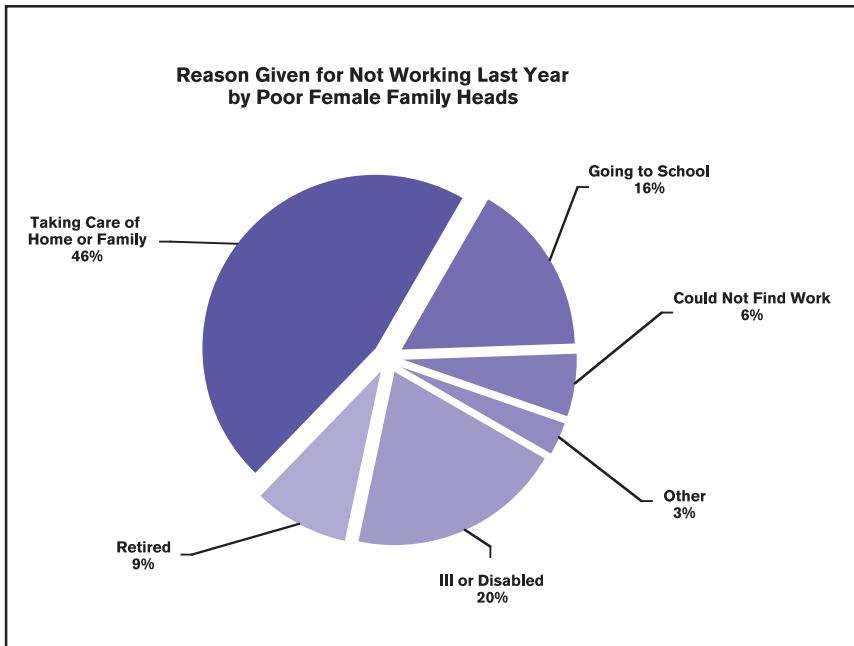
In contrast to the 46 percent of female heads of poor families who cited home care or child care as reasons for not working, only 4 percent of male heads of similar families gave this reason.

PROVIDING INCENTIVES TO WORK

A related issue is that these programs can “help work pay.” That is, welfare-to-work reform will only truly succeed when working renders a family better off financially than not working. This is not always the case. Moving into low wage work while welfare based supports are diminished may leave a family no better off, or worse off, when one or both parents enter the workforce. Obviously, the incentive (hence the motivation and commitment) to work will be stronger if the family gains financially.

Ideally, such programs would provide “bridge” support – that is temporary assistance until such time as low-wage workers, through accumulated work experience and skill development, could move on to higher paying jobs and more steady, full-time employment. Because such support programs help workers retain jobs, they can serve to reduce turnover and reduce costs for businesses, thus aiding both working families and employers.

Many of the programs referred to under this general category of work supports are designed, enacted and funded at federal and state levels. Thus, local agencies may have little control over



their provisions and requirements. This would suggest that such programs, where the locus of operational control is removed from the local level, would be of minimal interest in a report focused on what can be done better locally to improve low-wage worker conditions. However, there are two reasons to give such programs at least some attention in this report.

First, there is evidence that existing support programs are substantially undersubscribed, meaning that low-wage families already eligible are not participating in or receiving the benefits of these programs. Dion and Pavetti, for example, have reported on the substantial declines in participation in federal Food Stamp and Medicaid programs after 1996, even though the FSP and Medicaid remain entitlements for eligible families.²¹ Their research identified a number of reasons that eligible people might stop participating in these programs that are linked to the

mechanics of program promotion and administration and which could, therefore, be corrected. In many cases, better communication with clients and more effective program administration can be implemented at the local delivery level.

Secondly, there is an increasing understanding that the most effective welfare-to-work and low-wage amelioration efforts may result from the interrelated effects of strategies integrating work search, skills development, and support program elements. Those involved in the design, support and implementation of local workforce development programs, therefore, need to understand how to create the most favorable context of their specific outreach efforts using existing support and assistance programs. Employers similarly stand to benefit from increasing their own understanding of the full range of

assistance and benefits available to low-wage workers. Aiding workers in availing themselves of all such assistance would likely increase job retention among low-wage employees.

Consider these two support issue examples:

CHILD CARE

Every state offers child care subsidy assistance programs to low-income families. Most funding comes from the federal government via the Child Care and Development Fund (CCDF) and through TANF. Federal law gives states the flexibility to set income guidelines and design the specifics of service delivery. Child care subsidy programs attempt to address issues of cost but they may also assist parents in accessing higher quality and more reliable child care.

LINKS TO JOB RETENTION

Research has identified the lack of child care availability as a “barrier” to employment among women and that the cost, quality, and reliability of child care arrangements impact the mother’s decision of whether to work.²² Some evidence also suggests that formal, center-based care is more reliable than informal arrangements with family or friends and that more reliable care is linked to employment retention.²³

The State of the Workforce Report 2002 provides a detailed account of child care supply, demand, availability and costs in Ventura County.²⁴ As is the case in many communities, in Ventura County the need for child care far exceeds the available supply and care is expensive. Both the availability and the cost remain serious problems for many working families.

“All parents face challenges in balancing work and family responsibilities, but the issues are particularly acute for low-income parents because they are likely to have greater caregiving responsibilities, fewer resources to address family needs, and less flexible employment arrangements.”

“Investing in Family Well-Being, a Family-Friendly Workplace and a More Stable Workforce”

ENHANCING CHILD CARE RELATED WORK SUPPORTS

Obviously, one way to make child care more accessible to the working poor is to have the public sector increase the number of child care facilities and slots and/or increase the subsidy payments to workers who need these services.

There are also important steps private sector employers can take to help address this problem. These include providing child care services and benefits as part of an employment package, but also providing paid leave and related benefits that allow workers to deal with child care emergencies, child illness, etc. As things stand, these types of benefits are typically much less available to low-wage workers than to other employees. The table below describes the results from one research study on this topic.²⁵ These results illustrate that, while child care programs and benefits are provided by relatively few employers, they are even scarcer among the employers hiring low-wage workers.

One organization of private sector employers, the Welfare to Work Partnership, encourages private business to hire former welfare recipients and to provide the programs and benefits these workers need to

achieve a sustained and productive participation in the workforce. The Welfare to Work Partnership is a national, independent, nonpartisan effort of the business community to help move people on public assistance to jobs in the private sector.²⁶ The parent organization provides information and recommendations to member businesses on ways to attract, retain and make productive their low-wage employees. They are advocates for addressing the child care needs of these workers. One Welfare to Work Partnership publication, for example, suggests the following ways in which employers can help:

- Use the Community as a Resource – make partnerships with child care providers; develop child care resources and referral services.
- Help Cover Child Care Costs if You Can – subsidize child care costs through partner vendors; provide payments or vouchers to employees; create child care related options in flexible or cafeteria benefit plans.
- Help Expand and Improve Supply – provide on-site centers; partner with other employers; assist with back-up, emergency, odd hour and non-school hour care.

This publication also provides information to employers about public sector benefits available to employees so that employers may help their workers learn about and participate in relevant benefit programs. Studies completed for the Welfare to Work Partnership suggest that providing such programs improves retention, reduces absenteeism, improves productivity and garners employee appreciation.²⁷

FOOD STAMPS

Food Stamps provide assistance to low-income families to be able to maintain a nutritionally adequate diet by providing coupons (or electronic benefits) that may be used only for the purchase of food. The federal government pays 100 percent of the costs of benefits and shares administrative costs with the states, which administer their programs. Those below 130 percent of the official poverty line are eligible. Nationally, the average working family received almost \$200 a month in Food Stamp benefits in FY1999.²⁸

LINKS TO JOB RETENTION

A Clasp review of studies of families who have left welfare for work found that up to one-third of these working families faced food insecurity marked

Dependent Care Benefits	Low-Wage & Income (n = 194)	Higher-Wage & Income (n = 697)
% offered child care resource and referral services	11%	24%
% offered elder care resource and referral services	17%	27%
% whose employer sponsors a child care center	10%	14%
% whose employer offers direct financial assistance for child care.	8%	14%
% offered DCAP allowing pre-tax contributions to cover child care costs.	12%	38%

by hunger.²⁹ Because the amount of Food Stamps a family receives is reduced gradually when a parent leaves welfare for work, Food Stamps can help keep income stable as the family makes the transition. Food Stamps support work because, under federal guidelines, benefits are reduced only 24 to 36 cents for every additional dollar a worker earns.³⁰

A study completed for the Annie E. Casey Foundation has made a number of specific recommendations about changes that can be made in the administration of Food Stamp programs at various jurisdictional levels to boost program participation among eligible workers.³¹ The principles of this “new approach” are these:

- No harm should be done.
- It should be simple to apply for and maintain access to work supports.
- Eligibility should be easily determined, largely from existing data files.
- Eligibility should be divorced from welfare and the associated stigma.
- Target efficiency and equity should be maintained to the greatest possible extent.

Even absent such reforms, it appears that in this case as well, there is an opportunity for private sector employers to inform themselves and their employees about available work support benefits.

DEVELOPING THE “FAMILY-FRIENDLY WORKPLACE”

Another approach is to advocate the development of so-called “Family-Friendly” workplaces. In a recent report prepared by a consortium of non-profit advocacy organizations, the authors describe a “Family-Friendly Job Profile.”³²

- Sick Leave Benefits
- Vacation Leave
- Family Leave and Medical Leave Coverage
- Health Care
- Schedule Flexibility

- Overtime on a voluntary basis
- Flexibility for Family Needs
- Part-time Employment Benefits
- Employer training about dealing with worker family needs

The report also includes a series of policy recommendations for steps to be taken at the state and federal levels of government to promote family friendly practices.

DESIGNING AN INTEGRATED WORK SUPPORTS STRATEGY

Isabel Sawhill and Adam Thomas, in a report for the Brookings Institution, attempted to design an integrated program of work supports intended to increase the amount of labor which low-income adults would be willing to supply and that would also “make work

pay” more effectively than is now the case. Their analysis began with the observation that, “A great deal of poverty is related to the fact that poor household heads work too few hours. Specifically, we find that non-poor family heads work almost three times as much as their poor counterparts, and that the poverty rate could be cut in half if the poor worked as much as the non-poor.”³³

Therefore, the authors sought to design a package of work support programs that would be effective in encouraging more poor family adults to work and to work more hours. They also wanted their proposals to be cost-effective, meaning that proposals should at least produce a dollar of increased work income by the poor for every dollar of

Policy Option	Net Increase in Number of Working Family Heads
From EITC Simulations	
Fourth-Tier Plan	85,693
Marriage Penalty Reduction	73,672
Single-Tier	98,990
25% Increase	359,697
MWP	590,208
From Child Care Subsidy Simulations	
DCTC Refund ability	66,765
DCTC Expansion	25,647
Universal Pre-K	46,994
Phased-Out Subsidy	273,552
DCTC Expansion & Refundability	136,425
Combined Work Supports Program	832,118

public money spent to provide the programs.

Using a labor supply model, Sawhill and Thomas analyzed a number of work support policy options seeking to identify the specific programmatic alternatives that would be most effective in increasing labor supply and in returning work income for the public money invested. Their final or optimal package included these recommended work support policy enhancements:

- Increase the minimum wage from \$5.15 to \$6.15.
- Increase EITC by providing the largest benefits to those working full-time at a minimum wage job.
- Provide a child care subsidy that fully covers child care expenses among working poor families and gradually phases out above the poverty line.

The authors estimated the costs of each of these proposals, the effect each would have on labor force participation by heads of poor households, and the income benefits accruing from increased labor force participation. These estimates for increases in labor force participation appear in the table on the previous page.

Overall, they estimate that the “efficiency ratio” of their optimum work supports package would be 152 percent – meaning that families would receive an increase of work related income of \$1.52 for every dollar spent on the programs. This, they further estimate, would reduce national poverty rates by about 2 percentage points (3 percentage points among children), enough to raise 4.6 million people out of poverty. (It is important to note that a key assumption in this model is that

there would be minimum wage jobs available for all workers who seek them; decreases in job availability due to changes in the macro-economy would serve to lessen the positive results described here including changing the efficiency ratio ratings.)

We are not in a position at the time of this writing to assess the accuracy or viability of Sawhill and Thomas’ model. However, they have taken a very constructive approach which recognizes both the interdependent nature of many work support programs and other welfare-to-work initiatives, and the importance of seeking to assess public policy and program options in terms of benefits-relative-to-costs. This is an approach that can be emulated, both in program design and in program evaluation, at all jurisdictional levels of delivery.

¹In 2001, the poverty threshold for a family of two was \$11,569. For a family of four with two children it was \$17,960. Since 1963, the U.S. Census Bureau has used the same methodology for establishing detailed poverty thresholds for families of different sizes. The family living at the poverty threshold would subsist on what the Department of Agriculture terms the “economy food plan”—which is the lowest-cost bundle of food items available that ensures each family member receives the basic caloric minimum. The methodology then assumes that poor families spend approximately one-third of their budget on food, a percentage derived from government surveys in 1963. Thus, to generate the dollar figures for the poverty threshold, the government simply multiplies the dollar value of the “economy food plan” by three.

²Many researchers consider the FDPL to be outdated. As an alternative, one may define a “basic needs” living standard, similar to that of the California Budget Project (CBP). The CBP divided the State of California into 8 regions. The CBP then attempted to measure a “basic family budget” derived from costs of housing, food, health care, child care, clothing, and other essentials. Unlike the Census Bureau’s poverty thresholds, the standard of living that the CBP is attempting to measure is “more than existence, yet it covers only basic expenses, allowing little room for ‘extras’ such as college savings or vacations,” (CBP 2001, p. 1).

³Various researchers have conducted similar studies for different regions throughout the country. See Boushey, Brocht, Gunderson and Bernstein (2001) for a large number of such community-specific basic needs budgets.

⁴Neumark, David. 2002, “How Living Wage Laws Affect Low-Wage Workers and Low-Income Families,” Public Policy Institute of California.

⁵The Survey Center, University of New Hampshire, 2000, *The Living Wage Survey of Economists*.

⁶See “Work Supports for Low-Income Working Families,” Issues Notes vol. 6, no. 9, December 2002, the Welfare Information Network (www.financeprojectinfo.org).

⁷Much of the discussion of EITC presented here draws on information presented in the report. *Making Ends Meet: Six Programs That Help Working Families and Employers*, June 2002, The Center for Law and Social Policy (www.clasp.org).

⁸Ten states, the District of Columbia and the U. S. government offer tax credits on a refundable basis. Five states offer nonrefundable tax credit programs.

⁹See Internal Revenue Service publication 596: *Earned Income Credit (EIC)*, for preparing 2002 income tax returns, p. 3.

¹⁰From “Who Would Benefit from a State Earned Income Tax Credit?” California Budget Project report, December 2000 (cbp.org/qh00123.html).

- ¹¹ General Accounting Office. 1991, Targeted Jobs Tax Credit: Employer Actions to Recruit, Hire and Retain Eligible Workers Vary. Washington. GAO/HRD/91-33.
- ¹² Bishop, John H. and Mark Montgomery. 1993, "Does the Targeted Jobs Tax Credit Create Jobs at Subsidized Firms?" *Industrial Relations*, Vol. 32 (Fall):289-306.
- ¹³ Lorenz, Edward. 1995, "TJTC and the Promise and Reality of Redistributive Vouchering and Tax Credit Policy." *Journal of Policy Analysis and Management*, Vol. 14: 270-89.
- ¹⁴ Arwady, Joseph. 1988, *Wage Subsidies and Jobs for the Disadvantaged: Applying the Targeted Jobs Tax Credit in an Operating Environment*. The Wharton School, University of Pennsylvania.
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- ¹⁶ Reich, Robert. 1994, *Testimony of United States Secretary of Labor Before the Subcommittee on Select Revenue Measures, Committee of Ways and Means, US House of Representatives*.
- ¹⁷ W. Norton Grubb, "Evaluating Job Training Programs in the United States: Evidence and Explanations," May, 1995, UC Berkeley c/o National Center for Research in Vocational Education.
- ¹⁸ Workforce Strategy Center, "Building a Career Pathways System," Aug. 2002.
- ¹⁹ Patel, Nisha, et. al. *Making Ends Meet: Six Programs That Help Working Families*, The Center for Law and Social Policy: Washington, D. C., June 2002. We have relied heavily on this report in preparing this section.
- ²⁰ Sawhill, Isabel and Adam Thomas. "A Hand Up for the Bottom Third: Toward a New Agenda for Low-Income Working Families," Brookings Institution, May 2001.
- ²¹ Dion, M. Robin and LaDonna Pavetti. "Access to and Participation in Medicaid and the Food Stamp Program: A Review of the Recent Literature," Mathematica Policy Research, Inc.: Washington, D. C., March 7, 2000.
- ²² See, for example, Robert J. Lemke, et. al., "Child Care and Welfare to Work Transition," Wellesley College Working Paper 2001-02.
- ²³ Robert G. Wood and Diane Paulsell, *Promoting Employment Retention Among TANF Recipients: Lessons from the GAPS Initiative*, Mathematica Policy Research: Princeton, NJ, 2000.
- ²⁴ Bill Watkins (ed.) *State of the Workforce 2002: Ventura County Workforce Investment Board: Ventura, CA, 2002*, pp. 56-61.
- ²⁵ See Heymann, S. J. *The Widening Gap: Why America's Working Families Are in Jeopardy – and What Can Be Done About It*. New York: Basic Books. 2000.
- ²⁶ The Welfare to Work Partnership – <http://welfaretowork.org>.
- ²⁷ See: "Smart Solutions series: "Helping Your New Workers Meet Their Child Care Needs," The Welfare to Work Partnership, Washington, D. C. A separate assessment of the performance of former welfare recipients as employees of Welfare to Work Partnership member companies is: "Business Makes the Case for Continued Efforts to Hire Off Welfare," *The Wirthlin Report*, May 2001, Vol. 11, No. 4.
- ²⁸ U. S. Department of Agriculture, Food and Nutrition Service. *Food Stamp Program*. <http://www.fns.usda.gov/pd/fsmoonthly.htm>.
- ²⁹ Richer, Elise, et. al. *Frequently Asked Questions About Working Welfare Leavers*, Center for Law and Social Policy: Washington D. C., November 2001.
- ³⁰ Super, David. "Background on the Food Stamp Program," *Center on Budget and Policy Priorities*: Washington, D. C., July 10, 2001.
- ³¹ Fishman, Michael and Harold Beebout. "Supports for Working Families: A New Approach," *The Lewin Group and Mathematica Policy Institute*, December 2001.
- ³² "Investing in Family Well-Being, a Family-Friendly Workplace, and a More Stable Workforce: A 'Win-Win' Approach to Welfare and Low-Wage Policy.
- ³³ Sawhill and Thomas, p. 3.

Workforce Development

From all of the previous portions of the report, we conclude that job training or education programs—with appropriate other support—are the low-wage workers’ assistance programs most likely to result in significant and lasting change. In this section, we discuss some particularly effective programs, some of the common components of these programs, and identify the issues that critically impact their success or failure.

Given the realities of Ventura County, particularly the high housing costs, the County’s future business growth will be concentrated among employers that produce or supply high-value-added goods and services. These producers need high-human-capital employees. Human capital can be acquired in several ways. General education is one way to acquire human capital. Experience is another. There are also a variety of training and credential programs that employees and employers find valuable.

Not only do 21st Century workers need specific job skills; they need basic literacy skills. In general, literacy requirements have been climbing.¹ The 25 occupations that are expected to be the fastest growing over the next decade require significantly higher prose, documentation, and quantitative

literacy than the average of all occupations, and the literacy demands of these occupations are increasing.²

Education and literacy are correlated. However, on average, workers with the same level of literacy but different levels of education will earn different salaries. The worker with the higher educational attainment will receive a higher wage.³ Therefore, a successful workforce development program will include a general education component. It may also include one or more of the following: credential programs, sectoral employment programs, and career ladder programs.

It is worthwhile to distinguish between general education, credential programs, sectoral employment programs, and career ladder programs. General education programs are the traditional programs taught at secondary and

post-secondary educational institutions. They include literacy, math skills, communications skills, history, and the like. Credential programs are a collection of courses designed to train the participant for a particular job, usually not the job they currently hold. The list of these types of programs is almost endless. Examples include programs for Certified Financial Planners or Certified Automotive Brake Technician. Sectoral employment programs may issue a certificate, but they are intended to give participants skills that are immediately useful in their current position. Career ladders are long-term integrated programs of work, education, and training. They are designed to encourage career progress in high-wage, high-growth industries. In this sense, they are the most comprehensive of the programs reviewed.

“Nearly 70 percent of the new jobs created through 2006 will employ workers with competent or advanced/superior skills. Fewer than 10 percent of new jobs created through 2006 will be in the minimal skill range and just over 20 percent will be in the basic range.”

Carnevale and Desrochers, 1999, Major Findings.

GENERAL EDUCATION

Absent independent wealth, human capital is the key to a high standard of living in Ventura County today, and this will be even more the case in the future. As in many Coastal California communities, high housing costs make obtaining even a modest standard of

“Lifelong learning is a key component of the knowledge economy. Knowledge becomes the fuel that drives economic growth and opportunity, the pressure to increase workers’ human capital grows inexorably.”
—Carnevale and Desrochers, 2001.

living very expensive. The *State of the Workforce 2002* report rather thoroughly documented the need for an educated workforce in Ventura County.⁴ Therefore, one of the keys to workforce development is general education.

Ventura County’s existing community colleges, California Lutheran University (CLU), and the new California State University Channel Islands (CSUCI) are excellent resources for continuing education programs. However, concerns exist. The community colleges and CSUCI are under severe financial stress resulting from California’s unprecedented budget deficit. We hope that as the public institutions confront and deal with their financial constraints, consideration be given to the potential impact of program changes on workforce development issues.

Community colleges are a particularly valuable resource for delivering general education. One indication of this is that 83 percent of workers with associate degrees earn the same as workers with Bachelor’s Degrees. However, while positive, benefits of attending

community college without receiving a certificate or degree are much less.⁵

Just having continuing education programs at community colleges, public universities, and private universities is not enough. The programs need to be offered at night or on the weekends, or employers need to give employees time during normal business hours to attend classes. Many attendees may face transportation issues. Many attendees may have child care issues. How to get workers to attend and complete any continuing education programs are issues that must be addressed.

CREDENTIAL

PROGRAMS

Over the past few decades, we have seen a significant change in where Americans work: They have moved from the factory floor or shop to offices or labs. Today, a higher proportion of the workforce works in offices or labs, while a smaller proportion works in the shop, in the field, or on the factory floor. This has increased the demand for certificate programs. Regardless of job, be it in the shop, factory, lab or office, “Lower-skilled workers earn less in every occupation.”⁶ It is therefore worthwhile to increase workers’ skills, particularly in a high-cost community such as Ventura County.

Certificate programs educate, but perhaps more importantly, they validate knowledge. Manufacturing and farm jobs are often low-skilled jobs where demonstrating competency is easy for potential employees and easy to observe by potential employers prior to the employment decision. Office and lab jobs often require specific skills that may not be easy for potential employees to demonstrate or for employers to observe prior to an

employment decision. In these situations, credential programs can be valuable for both employers and employees. The following economic trends provide reasons to believe that credentialing programs will be increasingly valuable in the future:

- Decline in manufacturing, farm, and low-skilled service jobs
- Increase in high-skilled service jobs
- Increase in information technology
- Demographics—aging boomers—hospital jobs.

Certificates and degrees are complementary. That is workers with a given degree can, on average, increase their earnings by completing a certification program, and workers completing a given certificate program can increase their earnings by increasing their educational attainment.

Community colleges are often the preferred method of delivering credential programs. There are several reasons for this. Community colleges are often the low-cost providers of such programs. They have experience with these programs and with students who are working. Community colleges are more numerous than other post-secondary educational institutions, and thus they are more easily accessible for workers. Community colleges have also traditionally provided evening and weekend classes.

Community colleges have recognized the demand for certificate programs, and they have increasingly provided certificate programs. These community college certificate programs are increasingly valued by both workers and employers. In California, these are also increasingly provided by the University of California, mostly but certainly not exclusively, through extension programs; the California State University; private colleges and universities; and adult schools.

The question then is: What can policy makers do as part of the workforce development program? What can

business do? What can educational institutions do? How do we match curricula to economic development and employer demand; that is, how do we avoid the coordination problem. Among

“Learning has become less linear: Workers now seek “blocks” of skills at different times during their careers and want evidence of their skills when changing jobs. As a result, lifelong learning’s greater impact will be on credentialing programs that convey new job-related skills, as in the IT field, rather than on initial-entry programs such as nursing.”

**Carnevale and Desrochers,
2001.**

the conclusions of study by Carnevale and Desrochers are:⁷

- “Business organizations that increasingly use community colleges for certificates, performance-based certifications, and customized training will need to be more supportive—in both political and financial terms—of the community colleges’ dual mission to provide academic and general occupational skills.”
- “Policymakers will need to create public and private incentives that promote the rebalancing of the community colleges’ education and training mission to encourage higher quality, variety, customization, and innovation in both.”

We interpret their conclusions as meaning that there needs to be a partnership of policy makers, business, and educational institutions, particularly the community colleges. This partnership would first determine the

programs to implement. The process for determining the programs to implement must include serious consideration of growth trends of business. It would be expensive and counterproductive to train workers for jobs that will not be there when the training is complete.

Carnevale and Reich provide additional guidance. They identified “One Dozen Ways for States and Colleges to Make Work Pay.” These are intended to move people from welfare to work. We are also interested in moving workers up. Still, we repeat them here as they seem eminently suitable for the purposes of workforce training:⁸

- Aggressively use education to meet federal work requirements
- Cash in on Pell Grants, work-study, and other student financial aid
- Use State funds to extend education beyond 12 months
- Forge partnerships between welfare offices and community colleges
- Use comprehensive, cooperative assessment
- Identify and support welfare recipients who are already in school
- Encourage concurrent education and work
- Redesign classes for working parents
- Offer students the support they need to stay in school
- Send former recipients back to school
- Expand private-sector partnerships
- Give tax credits to employers who (really) train

Finally, we need to discuss support needs. We cannot stress enough that even if the right certificate programs are offered, without the appropriate support, many workers will not be able to participate. Child care needs must be addressed. These are minimized if the training takes place during work hours; presumably the worker has

already obtained child care for those hours. However, not many employers can or will support training during those hours. Given the existing shortage of Ventura County childcare services, finding affordable childcare for the targeted workers is likely to be a very difficult problem.⁹

Transportation can be another problem for workers in such a program, regardless of the time of the training. While Ventura County does have public transportation, it tends to be local and uncoordinated. Hence it could be very difficult and time consuming to get from say Thousand Oaks to Ventura College if one relies on public transportation. Most communities in the County do have some dial-a-ride services available in addition to fixed schedule, fixed route services. There may be a potential partnering opportunity to link these transportation services to specific training courses or programs.

There exists another, less tangible, problem. Evening or weekend educational or training programs have high dropout rates. It can be very difficult to sustain an evening or weekend effort. To begin with, it can be difficult to motivate oneself to go in the evening after work. Particularly as the program length is extended. Also, the longer the program, the more likely some outside event will occur to interrupt the worker’s attendance. Hence, programs should be broken up into the shortest possible modules.

Short modules will not be enough to ensure high completion rates, however. Some form of support needs to be provided. This support can be as little as “cheerleading” to bringing the class to the workplace, where it would take an active act of will to leave. Incentives would also be useful. While the prospect of future higher wages and perhaps a new job do provide some incentive, they are problematic, and may be difficult for unskilled workers to believe. A small cash award at completion may be significant for these workers.

SECTORAL EMPLOYMENT PROGRAMS

Sectoral employment programs are training programs designed to improve the skills, and thus job opportunities, wages, and standards of living, for low-wage workers in specific industry sectors. The targeted sectors are selected based on the potential for growth and employment opportunities for low-wage workers. The training programs are skills oriented, and experience has shown that best results are achieved when participants have the opportunity to use the learned skills on the job.¹⁰ These programs are distinguished from credential programs in that, while they may issue a credential, sectoral employment programs teach participants skills that

are immediately applicable to their current jobs.

These programs typically require a partnership of employers and industry associations, educational institutions (frequently community colleges), government agencies, non-profit organizations, and occasionally unions. Business will support these projects because experience has shown that the program can improve the quality of the workforce.¹¹

A recent study of sectoral employment programs demonstrated that these programs can be extremely successful. By every measure, workers participating in these programs were able to achieve significant gains. After completing the program, participants:¹²

- worked more hours and earned more per hour
- experienced lower levels of poverty
- relied less on public assistance
- reported lower unemployment
- had improved benefits packages
- experienced higher levels of job satisfaction

As with all training programs, participant attrition is a concern. One study of six programs found a completion rate of 72 percent at the time of expected completion and 87 percent one year later. Apparently, participants had an opportunity to complete some requirements at a later date. This may include some sort of

From 1974 through 1997, the share of Hispanic male workers with some college doubled, while the share of Hispanic female workers with some college almost tripled. Over that time, Hispanic male and female workers also showed impressive increases in the percentage completing college and graduate programs.

In Ventura County's community colleges, the portion of Hispanic students has grown steadily over the past decade, increasing from 19.8 percent in 1991 to 29.1 percent in 2000. Between these same years, the number of Ventura County Hispanics aged 15-64 increased 25.3 percent, while the number of Hispanics enrolled in Ventura County's community colleges increased by 52.5 percent. Perhaps most significant is the fact that Hispanic student community college enrollments continued to increase every year during the 1990s, even when overall enrollments decreased during the recession years of 1993, 1994 and 1995.¹ Still, Hispanic Youth trail non-Hispanic whites in educational achievement, and they are underrepresented on college campuses. Of all full-time faculties in higher education in the United States, 2.4 percent are Hispanic, even through they account for 11.4 percent of the population.² Hispanics also trail non-Hispanic whites in educational attainment.³ In 2000, 45.3 percent of all Hispanics had less than a high school education, and Hispanics represent only 5 percent of all bachelor degree recipients in that year.⁴ Hispanic students are also less likely to graduate high school, with a nearly 35 percent drop in enrollment between the 9th grade and graduation. Non-Hispanic White high school students, by contrast, experience less than a 20 percent drop.

United States born Hispanics achieve higher educational attainment than foreign born Hispanics.⁵ On average, U.S. born Mexican Americans have three-and-a-half years more schooling and make at least 30 percent higher wages than do Mexican immigrants.

¹ Watkins, et al, 2002.

² Hispanic Association of Colleges and Universities

³ Carnevale, 1999, pp 8 and 26. Just before this paper went to press, the RAND corporation announced that James Smith at RAND has a forthcoming paper, based on new data, that challenges many of the results on Hispanic educational achievement presented here. We were unable to obtain a copy of this paper in time to present Smith's results.

⁴ Hispanic Association of Colleges and Universities

⁵ Carnevale, 1999, pp 39.

project to demonstrate mastery of the subject. A key finding was that the completion rate was inversely proportional to the length of the program.¹³ Shorter programs had higher completion rates. This is consistent with experience in other education or training programs.

One of the valuable contributions of the Zandniapour and Conway study was that they asked participants who did not complete the program for the causes of their non-completion. The participants' responses offer a useful litany of the challenges facing the participant in any worker-training program:¹⁴

• Started new job	17%
• Medical reasons	14%
• Didn't meet requirements	14%
• Family health issues	12%
• Course scheduling / class issues	10%
• Financial reasons	10%
• Undisclosed personal reasons	9%
• Childcare issues	7%
• Discouraged with program/classes	6%
• Transportation	4%
• Language barrier	3%
• Going to college	1%
• Incarceration	1%

CAREER LADDERS

Career ladder is a term used to describe a program that integrates education, training, and work to allow individuals to continually advance and thereby improve income and job satisfaction. According to the Workforce Strategy Center, career ladders are "long-term career progression pathways that enable individuals to advance, particularly in high wage, high growth career areas such as manufacturing and information technology." They further state that "Career ladders are not a single training program or even a model, but rather, a system and framework for organizing and delivering career education on a lifelong path." A career ladder should:¹⁵

- Target high-wage, high-growth sectors
- Provide a full spectrum of education and training
- Provide a variety of learning and training opportunities
- Integrate work and learning
- Provide lifelong education and training opportunities

The educational component of a career ladder is most commonly supplied by community colleges, but not effortlessly. With the emphases on specific career paths and lifelong learning, the learning must be contextualized. That is, the curricula must be related to the workplace and be immediately relevant to the worker. Because this is not the

way of traditional American education, this requires training of the instructors. Successful programs maintain links with business, provide support to help faculty teach in a new way, contextualize content, and advance participants' careers while improving their incomes.¹⁶

Components of a career pathways program can include:¹⁷

- Introduction to career opportunities
- Skills training to succeed in post-secondary education
- Entry level training
- Internships and employment
- Continuing upgrade training
- Social support throughout as necessary.

These programs are by far the most comprehensive of the programs reviewed here. As such, they are the most difficult to implement. They require long-term commitment on the part of all of the participants: the worker, the educational institutions, the industry, and the non-profits and governments involved.

¹ Barton, 1999, p. 19.

² Barton, 1999, pp 14-19.

³ Barton, 1999, p. 21.

⁴ Watkins, et al. 2003.

⁵ Carnevale and Desrochers, 2001, pp 56-58.

⁶ Carnevale and Reich, 2000, p. 18.

⁷ Carnevale and Desrochers, 2001, pp 12-13.

⁸ Carnevale and Reich, 2000, pp 23-74.

⁹ Watkins et al, 2002.

¹⁰ Zandniapour and Conway, 2001, p. 30.

¹¹ Rademacher, 2002, pp 17-21.

¹² Zandniapour and Conway, 2001, pp 8-31 and Rademacher, 2002, pp 11-33.

¹³ Zandniapour and Conway, 2001, p. 27.

¹⁴ Zandniapour and Conway, 2001, p. 28.

¹⁵ Workforce Strategy Center, July 2001.

¹⁶ Workforce Strategy Center, January 2003.

¹⁷ Workforce Strategy Center, August 2002.

Conclusion

We began this report by describing a serious Ventura County workforce problem: A large percentage of the workforce earns salaries that are insufficient to achieve economic self-sufficiency. And, the problem is growing. Even while average incomes climbed in the 1990s, many of the lower-paid workers made little or no gains. Indeed, in an unprecedented economic boom, poverty, by every measure, increased in Ventura County. These problems are exacerbated by increasingly high housing costs.

The low-wage problem is not limited, as many people suppose, to teenagers, or first-time workers, or uneducated workers, or immigrants, or non-English speaking workers. We have provided data documenting the fact that the problem impacts older, trained, experienced, English speaking, and educated workers to a surprising extent. We also document that the problem appears to be growing as housing prices increase, and as the economy evolves to become more information-based and less reliant on the factory or shop.

We then discussed policy approaches and labor market models, to provide a framework for the rest of the paper. These sections also served to help limit the scope of the discussion to those policies that seemed likely to be feasible and effective. We briefly discussed a minimum wage and rejected it as a viable policy option. A minimum wage is generally the purview of the Federal or State governments, and it is not at all clear that benefits

outweigh the negative impacts. Living wage policies might be adopted by some local communities, but these would affect relatively few workers and cannot be viewed as a viable long term solution.

More promising options were discussed in the sections of the report on economic development and labor market policies. There are market and demographic forces at work in Ventura County that could make it difficult for efforts to attract or retain desirable, higher-wage business to succeed. But certainly Ventura County governments should do what they can to encourage the growth of already dynamic industries, such as the Biotech or medical sectors, by tax incentives or regulatory relief. We also recommend efforts to limit the growth of two particularly poor paying sectors, agriculture and retail sales.

Further, there is an extensive list of the various labor market policies available to local governments: living wage policies, earned income tax credits, other support programs, wage

subsidies, and training programs. The results of our review are clear. The only programs that unambiguously offer sustained benefits to the participants and to the local community are educational in nature. However, providing an integrated package of work supports during periods of education and training can also serve to enhance the likely reach and effectiveness of educational programs.

After determining that education or job training programs were the most likely to have significant lasting impact, we reviewed several types of programs: general education, credential programs, sectoral employment programs, and career ladders. These programs have much in common. We found that training programs and general education programs are complementary. That is, workers gain the most by learning job skills along with improving their general education.

The best educational programs are partnerships with government, business, and local educational institutions, most

commonly community colleges and often, in Ventura County, the several local Adult Schools. Successful educational programs need to be composed of discreet, relatively short blocks. They need to include immediately useful skills, and skills that increase the likelihood of future advancement. They need to be for industries that will be in the community for some time. They need to document the training with credentials, which help both the worker and potential employer.

Ventura County is well suited to implement such programs.

The County, if not the County government, is relatively wealthy. The County has significant high-quality educational assets. The County has some dynamic high paying industries, such as Biotech, Hi-tech, and Medical. The County has a business sector that is active in the community. Finally, the community is increasingly aware of the issue of income inequality in an environment characterized by very high housing costs.

The Ventura County WIB has already developed important programs and partnerships in the County. We can only applaud the successes the WIB has already had but at the same time encourage both the public and private sectors to redouble their efforts to identify, design and build innovative programs for workforce development. There are today important opportunities to invest in the County's economic future that are there to be grasped or lost.

“The only programs that unambiguously offer sustained benefits to the participants and to the local community are educational in nature.”

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