



Employment Training Panel

Memorandum

To: ETP Policy Committee
Gretchen Newsom, Chairperson
Janice Roberts, Member
Rick Smiles: Member

Date: January 14,
2022

CC: Executive Staff
Reg Javier, Executive Director
Peter Cooper, Assistant Director

From: Lis Testa, Policy Manager

Subject: ETP Policy Committee Meeting Agenda Item 4.a.
Discussion Item Re: High Road Employer Definition

I. Brief Issue Statement:

ETP's new alternatively funded programs (funded through the General Fund (SB 129), the CA Community College (CCCCF) and Expansion Funds, have a requirement for a Legislative Report to be filed by 11/30/2022. As part of this report, ETP must include information on the participation of "high road employers" in these programs.

To meet the Legislative requirement, ETP needs to identify what defines a "high road employer", so ETP can then further report on the participation of high road employers in the two SB 129 funded ETP programs. Defining high road employers will also assist ETP with collecting additional information from program participants and with answering critical question in order to meet the Legislative reporting requirements, such as what data elements we'll need to collect and how. Our goal is to create a definition that meets ETP's needs, and is flexible enough to evolve as the industry accepted use of high road principles matures.

II. Background Information:

ETP Has Historically Promoted 'High Road Employers':

The Panel has its own interpretation of a "high road employer" and has a long history of promoting quality workforce training proposals. This includes setting high wage and low worker turnover rate requirements, and prioritizing proposals from employers with workers that are covered under collective bargaining agreements. In fact, ETP's governing statute, UI Code 12200, instructs the Panel to fund proposals that:

- “Foster the creation of high-wage, high-skilled jobs;
- Are jointly developed by business management and worker representatives;
- Develop career ladders for workers.”

In recent years, the Panel has placed increased emphasis on supporting proposals that are part of CWDB’s High Road Training Partnerships (HRTPs), show strong wage progression, support veterans and disadvantaged populations and regions, and for employers that are supporting the state’s climate change policy interventions, such as supporting the ZEV sector, and responding to droughts and wildfires.

Legislative Examples of “High Road”:

SB 162, Chapter 259 Community Economic Resilience Fund Program:

Defines **High Road Strategy** as including economic diversification, industry planning, workforce development, safety net programs, and sustainability. Metrics that can be used to measure High Road strategies include equity, inclusivity, job quality, sustainability.

SB 779, Chaptered into UIC 14005(r) provides the following definition:

(r) “**High road**” means a set of economic and workforce development strategies to achieve economic growth, economic equity, shared prosperity and a clean environment. The strategies include, but are not limited to, interventions that:

- (1) Improve job quality and job access, including for women and people from underserved and underrepresented populations.
- (2) Meet the skill and profitability needs of employers.
- (3) Meet the economic, social, and environmental needs of the community.

Common Usage

The American Sustainable Business Council has a pledge that members can take, to adhere to the following High Road Employer Principles:

- Provide family friendly benefits
- Offer flexibility
- Pay a livable and fair wage
- Invest in employee growth and development
- Cultivate inclusion
- Govern fairly and transparently
- Engage with communities
- Manage the supply chain responsibly
- Drive environmental sustainability
- Promote health and safety

A Baseline Multi-Prong Definition for High Road Employer:

High road definitions currently in use emphasize:

- job quality
 - o wages,
 - o benefits,
 - o flexibility,
 - o upward mobility,
 - o safety,
 - o training opportunities,
- environmental sustainability,
- diversity and inclusion, and
- a high level of engagement by management with employees and the community.

ETP is considering using this as a framework for a definition for a high road employer – understanding also that many employers would satisfy some, but perhaps not all, of these metrics – so we could consider an employer to be a high road employer if they met, for example, a majority of these metrics, ie: 5 out of 9.

We also need to look at what specific data we would need to collect in order to determine if an employer is a high road employer or not, and also to set threshold markers for some other elements – for example, what wage level qualifies?

III. Family Size and Wages:

If we will be formulating a ‘living wage’ or some sort of minimum wage level to qualify as a high road employer, then we need to look at both ETP’s current method of determining minimum wages, as well as other widely used metrics for living or sustaining wage levels.

Family Size

We looked at family size to determine what a ‘fair and livable’ wage would be, given that our research showed that wages can be used as one metric of job quality, economic equity, and prosperity.

A “family” is basically defined as two or more people related by birth, marriage, or adoption, who all live together in a single household. This definition is summarized from both the Federal Census and Federal Health Resources and Services Administration.

The average family size in CA is 3.5 people (per LMID data from the US Census). This family size would include either 1 or 2 wage earners.

Wage Levels

Median CA Income – per US Census Bureau

- \$77,358
 - o Equals \$37.19/hour for a single earner
 - o Equals \$18.60/hour for two wage earners

Current ETP SET Wage: (The SET wage is the average wage for all employees earning via W2 within California. It is calculated annually.)

- \$39.21/hour

CA Living Wage – per MIT

	2 Adults, 1 working		2 Adults, Both working	
	1 Child	2 Children	1 Child	2 Children
Living Wage	\$36.85	\$40.83	\$21.76	\$27.08

Federal poverty level, 2021:

For a family of 3: \$21,960 (\$10.56/hour for one person)

For a family of 4: \$26,500 (12.74/hour for one person)

Four times the federal poverty level would be:

For a family of 3: \$87,840 (\$42.23/hour for one earners, \$21.12/hour for 2 earners)

For a family of 4: \$106,000 (\$50.96/hour for one earner, \$25.48/hour for 2 earners)

ETP Trainee Wages for Contracts Ending in FY 18-19

WAGE RANGE OF PLACED TRAINEES IN CONTRACTS ENDING FY2018-19 & AFTER		
WAGE RANGE (\$ PER HR)	# TRAINEES	% TRAINEES
Under \$15	17,864	7%
\$15-\$19.99	48,286	18%
\$20-\$24.99	42,653	16%
\$25-\$29.99	37,637	14%
\$30-\$34.99	28,341	11%
\$35-\$39.99	21,822	8%
\$40-\$44.99	16,457	6%
\$45 and above	50,462	19%
Grand Total	263,522	100%

Quick Summary – Family Size and Wages

Given a family size of 3.5 – this means (most likely) 2 adults, with either one or both working, and 1-2 children.

With one adult working, the living wage would fall between \$36-\$40/hour, approximately, using the Census, SET, and MIT wages as a guide.

With one adult working, the living wage would be higher, at \$42-51/hour, approximately, using four times the federal poverty level as a guide.

With two adults working, the living wage would fall between \$19-\$27/hour, approximately, using the Census, SET, MIT, and 4x federal poverty level wages as a guide.

If we set the 'living wage' between \$36-\$40/hour, we would be able to include approximately 8% of ETP's trainees, per DAU's data.

If we set the 'living wage' between \$19-\$27/hour, we would be able to include approximately 32% of ETP's trainees, per DAU's data.

IV. Potential Definition:

Example 1: ETP could consider an employer a high road employer if they fulfill any of the following:

- They participate in ETP and pay 'family supporting wages' (NOTE: need to define wage threshold)
 - In addition to a family supporting wage, provide a benefit package for employees
 - They have wage progression
- They participate in ETP and have a CBA

Example 2: Using our original example above, a high road employer would meet x of the following 9 metrics:

- job quality
 - wages, (need to clarify)
 - benefits,
 - flexibility,
 - upward mobility,
 - safety,
 - training opportunities,
- environmental sustainability,
- diversity and inclusion, and
- a high level of engagement by management with employees (ie: CBAs) and the community.

V. Summary/Conclusions:

There is no single definition of high road employers that is easily actionable for ETP to use. The workforce development industry has outlined only loose requirements for high road practices. There is no firm definition for high road employer. Given the specificity

required for data reporting, a more detailed definition with set data requirements is needed.

Once we have a basic definition, we will then need to think more about details, such as:

- How many employees would need to make the living wage in order to qualify the employer as a high road employer? 50% of employees? More?
- Will we look at wages for all employees of a company or only the wages of the trainees who participate in the ETP contracts?
- What about employers who pay low wages, but have other high road characteristics?
- What about employers that pay high wages, but not any of the other characteristics?
- What specific data elements would we need to collect (apart from wages and other data which we already collect) from contractors in order to measure the 'participation of high road employers' as required by the Legislative report?
- How would we collect those data elements? I.e. through the Cal-E-Force system? By an independent survey? With ETP project applications (for new projects)?

VI. Recommendation:

Staff would like to know if Committee or stakeholders have any feedback or desire for more discussion on these items, especially regarding setting a wage level and the final definition. We will bring this back to Committee for approval in February, and to Panel for full approval in March. This leaves 2 months for the CEF team to add any additional data collection points to the system, another 3 months to collect the necessary information from participating contractors, and a final 3 months for staff to write the required Legislative Report.