APPENDIX: METHODOLOGY TO SET "GOOD JOBS" WAGE TARGETS FOR OPPORTUNITY INDUSTRIES ANALYSIS

Stanislaus 2030 focuses on achieving dual outcomes of (i) enduring economic growth and competitiveness for the Stanislaus region and (ii) the self-sufficiency and upward mobility of residents. This objective requires economic development strategies that do not just prioritize job counts, but also improving the quality of jobs created and access to them. A particular emphasis is on "middle-skill " jobs for workers with less than a bachelor's degree, where macroeconomic trends have left a big gap.

To help target such strategies, the Brookings Institution developed a novel "Opportunity Industries" analysis that identifies the sectoral distributions of "good" and "promising" jobs that enable workers to achieve self-sufficiency for themselves and their families. While typical economic assessments consider whether an industry is particularly prominent in a region and average wages, Opportunity Industries enables a more granular understanding of both job quality and progressions by sector, occupation, and worker demographics. With this information, local leaders can prioritize economic development investments to support sectors that concentrate quality jobs, enhance job quality in other prominent clusters, and align workforce outreach and training activities to ensure residents are better connected to those jobs.

DEFINITIONS OF JOB QUALITY – GOOD, PROMISING, AND OTHER

For this application, "good jobs" must meet three criteria:

- pay an annual wage that provides enough income to "make ends meet" based on family composition and a localized set of basic living expenses and savings, and to be ineligible for public "safety net" benefits in California (e.g. SNAP, TANF, Medicaid)
- provide employer-sponsored health insurance, which serves as a proxy for availability of other employment benefits like paid leave and retirement
- afford stability in retaining or leading to another good job in the future

"Promising jobs" do not meet all the good job criteria, but provide career pathways leading most workers to a good job within 10 years. These are determined by a complex review of how workers transition among occupations and industries over time. This recognizes that entry-level work often cannot meet all needs, but some positions enable people to progress based on acquisition of new skills and experience. It also factors in that most people switch occupations and sectors multiple times over the course of their working lives, rather than follow a defined career ladder within a given profession.

"Other jobs" do not qualify as good or promising.
Note that this view of "good" jobs cannot take into account some other factors that workers value, such as flexibility or regularity in scheduling, physical work conditions, on-site childcare, or other supports.

SETTING A REGIONAL WAGE THRESHOLD FOR A "GOOD JOB"

Three inputs are needed to tailor an Opportunity Industries analysis for a particular region:

1) determine what income is required to cover basic needs and achieve "self-sufficiency" for different families in the region
2) calculate the number and attributes of individuals in families with at least one working adult that cannot achieve self-sufficiency -- or "struggling working families"
3) identify a wage threshold for a good job, based on what amount would achieve a targeted reduction in the number of struggling working families

Therefore, setting that good job wage threshold is ultimately a policy -- not data -- exercise. The choice balances what is a reasonable, achievable wage against the proportion of adults and children that would be able to achieve self-sufficiency at that level of income.

1) How do you determine what income is required to meet "self-sufficiency" needs?

We first run a model to estimate living costs for different households across a "market basket" of basic monthly expenses, like housing, food, childcare, healthcare, transportation, taxes and credits, etc. Several national sources produce "living-wage calculators" such as the United Way, MIT, EPI, and University of Washington. Each uses different inputs, data sources, and assumptions, yielding slightly different results.

In most projects, we prefer to apply the University of Washington model. It reviews the most variations in family composition that influence expenses (e.g. age of children) and takes a moderate approach to inputs and assumptions (e.g. 2,040 hours worked). Unlike some other calculators, the market basket considers subsistence needs plus some savings for emergencies and wealth-building -- a utilitarian interpretation of average income required to ultimately reach "middle class." It also allows some flexibility to adjust inputs based on local policy preferences.

2) How do you assess the number of struggling families?

Using the market basket calculation and Census microdata, we assign a need-based income level to individuals and families in the region. Again, amounts will differ depending on attributes such as adult worker status, number and age of children, housing tenure, etc. While most assessments look at an "average" household, this approach is more realistic and accurate, reflecting factors like higher numbers of very large families or single-parent households.

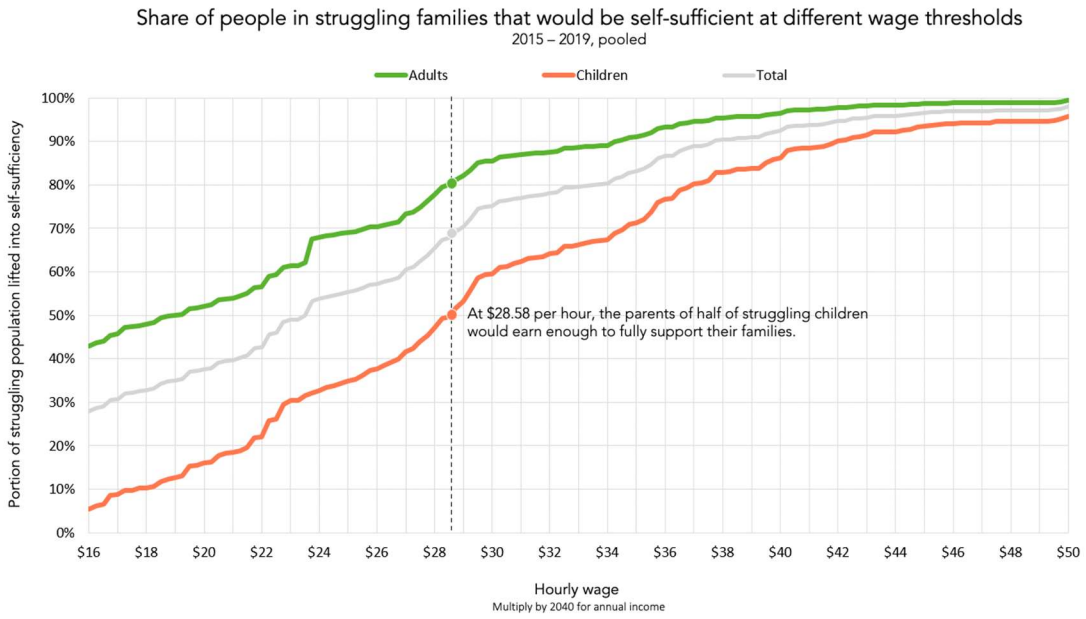
From that baseline, we then group Census data to compare a family's budget needs against the total income they earn (excluding government benefit programs), in order to determine how many adults and children struggle to make ends meet. These struggling families include those with incomes below the federal poverty line, but also with incomes above that line who still cannot achieve self-sufficiency.

Thus, we can determine the proportion of workers and families that struggle to make ends meet, and how much more each needs to earn based on their distinct characteristics. This combination of data allows analysis of what struggling workers and families look like based on education, race, and age. We also can assess the characteristics of out-of-work populations. As a result, we can glean a more detailed understanding of the way the economy works for different populations, and link that to evaluating economic and workforce development opportunities.

3) How do you set the "good job" wage threshold?

Once we know the amount of extra earnings needed to move working families from struggling to self-sufficient based on their particular attributes, we can calculate the number of adults and children who would achieve self-sufficiency when base wage is increased to different levels. Again, the additional wages required will vary by family based on size and composition, homeownership, whether childcare is needed, etc., so the impact creates a curve with diminishing marginal returns (see example in Figure 1).

Figure 1: How changes in hourly wage level (x-axis) would impact the reduction in the share of residents in struggling working families (y-axis) in Stanislaus County



Our “good job” objective requires a wage that enables working families to be self-sufficient, but it is unrealistic to set a standard where every worker has a good job. For example, to ensure that 100% of working families are self-sufficient based on the curve in Figure 1, wages to qualify as a “good job” would need to be approximately $50 per hour.

Therefore, setting the wage threshold is a policy choice based upon how much you want to reduce the proportion of working families that are struggling. And that preference must be balanced against what is a reasonable wage target, given current status and actual economic and market conditions.

In Stanislaus 2030, stakeholders set a goal for reducing the share of children in struggling working families by 50%, a common metric given the exceptional influence that lower incomes have on their development, health, and lifelong socio-economic outcomes. This resulted in a target hourly wage of $28.58. While this figure is significantly above the median wage for the region, it is also significantly lower than the income required to produce the same outcome in neighboring regions. Achieving the same outcome—making families of half of the region’s struggling families self-sufficient—would require an hourly wage ranging from $29.49 in Merced County to $48.53 in San Jose.